

700 North Tenth Street
Sacramento, CA 95811
calottery.com



PRIORITY COMMUNICATION TO ALL LOTTERY RETAILERS RE: ONLINE TICKET ORDERING APPS

October 18, 2021

Dear Lottery Retailers:

The California Lottery would like to share some information with its retailers concerning the use of internet website or mobile applications (apps) known as lottery courier services for the ordering and purchase of California Lottery tickets. The California Lottery (Lottery) was recently made aware that some retailers have been working with lottery courier businesses within the state.

The Lottery is not affiliated with any businesses currently offering online ticket ordering or purchasing services. While we appreciate the efforts to increase ticket sales, retailers should be aware that these services are not vetted, approved, or regulated by the Lottery. Because the Lottery has no oversight authority or contractual relationship with these entities, it cannot ensure the safety, security, and integrity of the services provided.

The California Lottery has determined that these services violate the California State Lottery Act, California Lottery Regulations, and the California Lottery Retailer Contract. Accordingly, any retailer that knowingly participates in or facilitates California Lottery ticket sales to lottery courier businesses, their employees, agents, and/or contractors may be subject to the termination of their retailer contracts.

AUTHORITY

The Lottery has authority to terminate Lottery Retailers that knowingly participate in sales to online ticket ordering or purchasing providers (i.e. lottery couriers) under Lottery Regulations and the Lottery Retailer Contract Terms and Conditions.

Lottery Regulation section 7.5.9.B provides that retailers are prohibited from the sale or offering of games that state or federal law enforcement agencies determine to be illegal gambling or that the Director determines to be adverse to the best interest of the Lottery.

Lottery Regulation section 7.5.10 states that retailers must be in compliance with all applicable laws and regulations as well as retailer contract terms and

conditions. The Lottery Regulations can be located on our website at: www.calottery.com/about-us.

Lottery Retailer Contract Terms and Conditions, section 5.a.(2)(d)(2) similarly provides that a retailer contract will be terminated if a retailer participates in the sale of games that state and federal law enforcement agencies determine to be illegal or that the Director determines to be adverse to the interest of the Lottery. To review this and all relevant retailer provisions, please review your Lottery Retailer Contract.

The California Lottery has further determined that online ticket ordering or purchasing services are currently adverse to the best interests of the Lottery. This determination is based on the risks posed to our players and the Lottery, due to the lack of any standardized California regulations, oversight, or external controls applicable to these services, and to the probable illegality of these services. These businesses incorporate technology that is not permitted under the Lottery Act. The potential risks to players include, among other things, fraud, embezzlement, failure to properly protect players' personal and financial information, and failure to reliably secure tickets and tie them back to the purchasing player, all of which could cause irreparable harm to the Lottery's players, beneficiaries and its credibility with California consumers.

Any retailer who knowingly participates in sales to online ticket ordering or purchasing service providers will be subject to contract sanctions, up to and including termination as a Lottery retailer, pursuant to Lottery Regulations sections 7.5.9.B and 7.5.10, and Lottery Retailer Contract Terms and Conditions, section 5.a.(2)(d)(2). The Lottery is instructing all retailers to cease any such activities immediately and to refrain from entering into any future business relationships with online ticket ordering or purchasing service providers, unless and until California law is amended to permit and provide oversight for such online apps/courier services. Additionally, if you are aware of any retailer who is utilizing such service or have any questions about this issue, please contact your Lottery Sales Representative.

Thank you for your immediate action in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sharon Allen', written in a cursive style.

Sharon Allen, Deputy Director
Sales and Marketing Division