

TITLE 316 - DEPARTMENT OF REVENUE

CHAPTER 35 - CHARITABLE GAMING

BINGO

REG-35-200 SCOPE AND DEFINITIONS

200.01 Bingo, Lottery, Raffle and Lottery by Pickle Card Regulations 35-200 through 35-222 are adopted to carry out the provisions of the Nebraska Bingo Act.

200.01A For purposes of the Nebraska Bingo Regulations, unless the context otherwise requires, the definitions found in this regulation and sections 9-204 to 9-225.01 of the Nebraska Bingo Act shall be used.

200.02 Admission means the price paid to enter a premises where bingo is being played.

200.02A Money paid to attend a special function or to board a railroad coach car of a dinner or excursion train where bingo is conducted is not considered an admission, provided such charge does not exceed the fair market value of the food, refreshments, or entertainment, excluding bingo, which is being offered.

200.03 Auxiliary means an organization affiliated with, and organized in accordance with, the bylaws and regulations formulated by a companion or parent organization, and at least seventy-five percent of the members of one organization are either members of the parent or companion organization, spouses of members of the parent or companion organization, or are the parents, children, brothers, sisters, grandparents, or grandchildren of a member of the parent or companion organization.

200.04 Bingo card monitoring device means a technological aid used by a bingo player to monitor bingo cards purchased at the time and place of a licensed organization's bingo occasion, and which:

200.04A Provides a means for bingo players to automatically or manually input numbers announced by a bingo caller;

200.04B Compares or otherwise automatically conceals the numbers entered to the numbers contained on bingo cards previously stored in the electronic data base of the device;

200.04C Identifies winning bingo patterns; and

200.04D Signals only the bingo player when a winning bingo pattern is achieved.

200.05 Bingo equipment means any equipment which is made, sold, or used to conduct bingo and shall include, but is not limited to, blower devices, mechanical cages or machines or other devices from which bingo balls are

withdrawn, bingo balls, flash boards, instant bingo boards, reusable shutter bingo cards, bingo hard cards, disposable paper bingo cards, a facsimile of a bingo card electronically displayed on a bingo card monitoring device, instant bingo cards, bingo card monitoring devices and site systems, and any other device used in the direct operation of the game.

200.05A Bingo equipment shall not mean or include tables, chairs, cash registers, and other personal property not directly used in the operation of the game, bingo supplies, or bingo game sets commonly manufactured and sold as a children's game, unless the set, or portion thereof, is actually used in bingo games required to be licensed.

200.06 Bingo prize means something of value awarded to a bingo player for achieving a predetermined pattern on a bingo card.

200.07 Bingo supplies means any item used by a bingo player to assist him or her in the playing of bingo. Bingo supplies include, but are not limited to, ink daubers, chips used to mark the numbers on the player's bingo card, and glue sticks.

200.08 Department means the Nebraska Department of Revenue.

200.09 Disposable paper bingo card means a bingo card manufactured with preprinted numbers that is not reusable after a bingo game or series of progressive bingo games has been completed. For purposes of this regulation, an instant bingo card is considered a disposable paper bingo card. The following definitions shall also apply to disposable paper bingo cards:

200.09A Color - means the border color of the disposable paper bingo card.

200.09B Cut - means the direction that a sheet of faces is cut from a master sheet. A cut can be either square, horizontal or vertical; e.g., a 3 ON vertical cut is 3 faces arranged in one vertical row.

200.09C Face - means one individual bingo card.

200.09C(1) In the case of traditional 75-number bingo, the card shall contain 24 preprinted numbers plus the center free space; or

200.09C(2) In the case of 90-number bingo, the card shall be a strip of six faces, with each face containing 27 squares arranged in nine columns of five squares, with 15 squares of each face containing one number from 1 to 90 which is not repeated on the strip.

200.09D Free Space Number or face number - means the number in the center of the bingo card which is consecutively numbered throughout the series and allows for the verification of a winning card against a master book containing all of the faces in the series.

200.09E ON - means the number of bingo faces on a single sheet. A 12 ON would have 12 faces per sheet.

200.09F Serial Number - means the unique identification number of a set of disposable paper bingo cards.

200.09G Series - means the manufacturer's permutation of a number of unique faces in a single set of disposable bingo paper; e.g., 1 to 64,000 series contains 64,000 unique faces.

200.10 Fair market value means the price that one would normally pay for an item in an arm's length transaction with a retail business.

200.11 Gross receipts means the total receipts received by a licensed organization from the conduct of bingo, including, but not limited to, receipts from admissions when such admissions are directly related to the playing of bingo, the sale, rental, or use of regular bingo cards, special bingo cards, and instant bingo cards, any fee charged for the use of bingo card monitoring devices, and the value of in-kind payments.

200.11A Gross receipts shall not include the receipts derived from concession activity at the bingo occasion, or from the sale of bingo supplies.

200.12 Host system means the computer hardware, software, and peripheral equipment of a licensed manufacturer which are used to generate and download an electronic facsimile of a bingo card to a licensed organization's site system, and which monitors sales and other activities of a site system.

200.13 In-kind payment means the tendering of an item having a particular dollar value when sold on a retail basis. If a licensed organization accepts in-kind payments, the value of the in-kind payment must have a value at least equal to the dollar value charged those using currency or checks to purchase or use the same items.

200.14 Instant bingo card means a disposable paper bingo card which is constructed so that the face(s) of the card are concealed and cannot be determined by any means until it is dispensed to and opened by the player.

200.15 Member means an individual who meets the written membership requirements contained in the organization's articles of incorporation, bylaws, charter, statement of purpose, or other written rules or statement governing membership of the organization.

200.15A One whose only participation in the activities of the organization involves the conduct of gaming activities shall not be considered a member.

200.16 Occasion or bingo occasion means a single gathering or session at which a bingo game or series of successive bingo games are played.

200.17 Regular bingo card means a bingo card which affords an individual the opportunity to participate in all regular games played at a bingo occasion.

200.18 Site system means the computer hardware, software and peripheral equipment used by a licensed organization at the site of its bingo occasion which download electronic facsimiles of bingo cards into bingo card monitoring devices, receipt the sale or use of such cards and devices, and generate reports relative to such sales or use.

200.19 Special bingo card means a specially marked or colored bingo card which affords an individual the opportunity to participate in a special bingo game played at a bingo occasion.

200.20 Substantial interest means connected, interested in, or otherwise concerned directly or indirectly with an individual, organization, firm, or corporation as follows:

200.20A With respect to a sole proprietorship, an individual or his or her spouse who owns, operates, manages, or conducts directly or indirectly a part of the sole proprietorship;

200.20B With respect to a partnership, an individual, his or her spouse, or a partnership, limited liability company, or corporation who owns, operates, manages, or conducts directly or indirectly a part of the partnership activity, or shares in any of the profits or potential profits of the partnership activity;

200.20C With respect to a limited liability company, an individual, his or her spouse, or a partnership, limited liability company, or corporation who owns, operates, manages, or conducts directly or indirectly a part of the limited liability company activity, or shares in any of the profits or potential profits of the limited liability company activity;

200.20D With respect to a corporation, an individual, his or her spouse, or a partnership, limited liability company, or corporation who owns, operates, manages, or conducts directly or indirectly a part of the corporation activity, or who is an officer or director of the corporation or is a holder directly or indirectly of ten percent or more of any class of stock in the corporation;

200.20E With respect to an individual, such individual or his or her spouse who provides ten percent or more of the capital, whether in cash, goods, or services for the operation of a manufacturer, distributor, or commercial lessor during a calendar year; and

200.20F With respect to an organization, association, or business not covered by subdivisions A, B, C, D, or E of this regulation:

200.20F(1) An individual or his or her spouse who is an officer or director of or manages the business affairs of the organization,

association, or business; or

200.20F(2) An individual or his or her spouse who owns or controls ten percent or more of the assets of the organization, association, or business.

200.21 Youth amateur athletics or youth sports means activities sponsored by an organization which organizes, supervises, or administers team or individual activities which consist of an element of enjoyment or recreation involving the practice of individual skill and in which all those participating on the team or in an individual activity are under the age of 19.

(Sections 9-204.02, 9-204.03, 9-205, 9-206, 9-207.01, 9-208, 9-209, 9-209.01, 9-209.02, 9-210, 9-214.01, 9-215, 9-216, 9-226, 9-241.06, 9-241.10, 9-255.01, and 9-255.06, R.R.S. 1997. Sections 9-204, 9-204.01, and 9-204.04, R.S.Supp., 2004. September 5, 2005.)

REG-35-201 QUALIFICATION FOR LICENSE TO CONDUCT BINGO

201.01 Any nonprofit organization, volunteer fire company, or volunteer first-aid, rescue, ambulance, or emergency squad applying for a bingo license shall be incorporated in this state as a nonprofit corporation or organized or established in this state as a religious or nonprofit organization.

201.01A An organization incorporated in a foreign state holding a certificate of authority to conduct affairs in Nebraska is not considered to be incorporated in Nebraska and shall not qualify for a license.

201.01B A corporation incorporated in a foreign state which has domesticated in this state shall not be considered incorporated in Nebraska and shall not qualify for a license.

201.02 Any nonprofit organization holding a certificate of exemption under sections 501(c)(3), (4), (5), (8), (10), or (19) of the Internal Revenue Code or any volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad is eligible to apply for and obtain a license to conduct bingo.

201.02A A nonprofit organization is considered exempt under section 501 of the Internal Revenue Code if it can provide a copy of the exemption ruling or exemption determination letter issued by the Internal Revenue Service when making application for an initial license.

201.02A(1) Subsequent application by an organization to renew its bingo license is not required to be accompanied by the proof of exemption unless the circumstances under which the exemption was issued or the nature of the licensed organization have changed substantially to the extent that the exempt status may no longer be applicable, or the Department specifically requests the exemption determination letter.

201.02B An organization may be exempt under a group exemption letter issued by the Internal Revenue Service. A group exemption letter is a ruling or determination letter issued to a parent organization recognizing on a group basis the exemption under section 501(c) of the subordinate organizations on whose behalf the parent organization has applied for recognition of exemption.

201.02B(1) A parent organization is an organization that has one or more subordinates under its general supervision or control.

201.02B(2) A subordinate is a chapter, local, post, or unit of a parent organization, such as the American Legion, Veterans of Foreign Wars, or Fraternal Order of Eagles.

201.02B(3) A subordinate organization applying for an initial license must provide the Department with a copy of the group exemption letter issued to the parent organization or indicate the Group Exemption Number (GEN).

201.03 Limitations on licenses between related organizations. Each nonprofit organization, volunteer fire company, or volunteer first-aid, rescue, ambulance, or emergency squad wishing to conduct bingo must obtain its own license. Related organizations may not use a license obtained by one organization to conduct bingo on behalf of one or more related organizations. For example, the auxiliary of a Veterans of Foreign Wars post must obtain its own license and cannot use the bingo license of the post. Related organizations, each conducting separate bingo occasions, must obtain separate licenses.

201.03A For purposes of this regulation, related organization means:

201.03A(1) An organization affiliated with, and organized in accordance with, the bylaws and regulations formulated by a companion or parent organization; and

201.03A(2) At least seventy-five percent of the members of one organization are either members of the parent or companion organization, spouses of members of the parent or companion organization, or are the parents, children, brothers, sisters, grandparents, or grandchildren of a member of the parent or companion organization.

201.03B Related or unrelated organizations may conduct a co-sponsored bingo game, provided each organization applies for and obtains its own bingo license from the Department.

201.04 In addition to the requirements contained in Regulations 35-201.01 and 35-201.02, to be eligible for a bingo license an organization, volunteer fire company, or volunteer first-aid, rescue, ambulance, or emergency squad must have been in existence in this state for at least five years immediately preceding its application for a license and have had an active and bona fide

membership engaged in furthering a lawful purpose during that period.

201.04A To verify the applicant organization's five-year existence, the Department may require the applicant organization to provide additional documentation which includes, but is not limited to, any of the following:

201.04A(1) Dated bylaws of the applicant organization;

201.04A(2) Dated Articles of Incorporation of the applicant organization;

201.04A(3) Dated minutes of the applicant organization's meetings;

201.04A(4) Dated charter of the applicant organization; or

201.04A(5) Other dated documents of the applicant organization which would provide evidence of the organization's existence and the purposes for which it was organized.

201.04B An organization defined in section 21-608 of the Nebraska Revised Statutes, as amended, which is chartered in Nebraska under a state, grand, supreme, national, or other governing body may use the charter date of its parent organization to satisfy the five-year existence requirement.

201.05 The Department may also require an applicant organization to produce evidence of charitable or community betterment activities conducted by the organization's membership during the five-year period preceding its application for a license. Such evidence may include, but is not limited to:

201.05A Filings with any governmental agencies regarding charitable activities of the applicant organization;

201.05B Internal documents, including membership lists, dues statements, minutes of meetings of directors of the applicant organization, copies of corporate resolutions of the applicant organization, and/or correspondence and memoranda relating to nonprofit, charitable activities conducted by the applicant organization or its membership;

201.05C Documents regarding day-to-day activities of the applicant organization such as bank statements of organization bank accounts, bills, statements, receipts, leases, documents affecting title to property, ledgers, account books, tax returns, employee lists, and/or any other documents pertaining to the applicant organization's administrative activities;

201.05D The names, addresses, and phone numbers of individuals, firms, and organizations with whom the applicant organization has dealt in conducting its activities; or

201.05E Other documentation showing participation by the applicant organization and its membership in charitable or community betterment activities.

201.06 Notwithstanding the requirements of this regulation, a senior citizens group which has been in existence in Nebraska for at least five years and whose membership consists entirely of individuals who are at least sixty years of age may apply for a bingo license when bingo is played only by members of the senior citizens group. If a bingo game sponsored by a senior citizens group is open to the general public, all license eligibility criteria apply to its application for license.

(Sections 9-212, and 9-215, R.R.S. 1997. Sections 9-225.02, 9-226, and 9-231, R.S.Supp., 2002. November 12, 2002.)

REG-35-202 LICENSE REQUIREMENTS: CLASS I AND CLASS II BINGO

202.01 Except for special event bingo as provided in Regulation 35-222, a bingo license is required whenever a charge is made to participate or any bingo prize to be awarded exceeds \$25 in value. A bingo license must be applied for on a form prescribed by the Department. An organization seeking a bingo license may apply for either a Class I or Class II license. The class of license which an organization is granted is determined by the following:

202.01A A licensed organization with bingo gross receipts of less than \$100,000 for the annual reporting period July 1 through June 30 will be issued a Class I license.

202.01B A licensed organization with bingo gross receipts of \$100,000 or more for the annual reporting period July 1 through June 30 will be issued a Class II license.

202.01C When a bingo occasion is conducted on a joint basis by two or more licensed organizations, the class of license required is determined based upon the combined gross receipts of all licensed organizations involved in the conduct of the bingo occasion.

202.01D The base period for determining bingo gross receipts for license classification purposes is the annual reporting period July 1 to June 30. For license renewal purposes, the Department will use the licensed organization's gross receipts from the most recently completed annual reporting period in determining the appropriate class of license to be issued. If the organization was not licensed for the entire reporting period, the Department will annualize the reported gross receipts to determine the appropriate class of license.

202.01D(1) For an organization not previously licensed, the following factors will be used to determine the class of license to be issued:

202.01D(1)(a) The size of the premises to be used for the conduct of bingo;

202.01D(1)(b) The prices the organization intends to charge for admissions and bingo cards, and the prizes the organization intends to award; and

202.01D(1)(c) The number of players the organization expects to attract.

202.01E If, during the course of the licensing period, an organization conducting bingo under a Class I license determines that its gross receipts for the first annual reporting period after issuance of the license will equal or exceed \$100,000 , it shall apply for an upgrade to a Class II license. The application shall be accompanied by the difference in license fees between a Class I and Class II license and a completed Nebraska Application for Gaming Manager License, Form 50C, and the statutorily required license fee.

202.01E(1) Upon issuance of the Class II license, the organization must discontinue the use of any reusable hard bingo card or shutter card and shall adhere to all regulations and requirements for a Class II bingo licensee.

202.01E(2) Within seven days after the issuance of the Class II license, the organization shall return the original Class I license issued by the Department and conduct a physical inventory of any disposable paper bingo cards on hand immediately prior to the first bingo game conducted under the Class II license. The inventory shall be reported to the Department with the licensed organization's first quarterly report immediately following the upgrade of the license.

202.01F A Class II license may be downgraded to a Class I license only if a Class II bingo licensee's gross receipts fall below \$100,000 for the annual reporting period July 1 to June 30, and the license may only be downgraded (a) for the second 12-month period of a biennial licensing period, or (b) upon the renewal of a biennial license.

202.02 An application for a bingo license shall contain the following information:

202.02A The name and location address of the applicant organization and a mailing address if different from the location address;

202.02B The county in which the applicant organization's principal office is located;

202.02C Any state or federal identification numbers held by the applicant organization;

202.02D The class of bingo license applied for and the statutorily required license fee;

202.02E The type of organization, the subsection of section 501(c) of the Internal Revenue Code (IRC) under which the organization is tax exempt, number of members, and affiliation, if any, with a state or national organization;

202.02F The name and complete address of the financial institution where the applicant organization will have its bingo checking account and the account number;

202.02G The names, social security numbers, dates of birth, and titles of the principal officers of the applicant organization;

202.02H The complete address, including the county, of the premises where bingo is to be conducted, and an indication of whether the premises and bingo equipment to be used are owned or rented by the applicant organization;

202.02I If applicable, the name of the lessor of the premises where bingo will be conducted and the lessor of any bingo equipment and the amount of rent to be paid;

202.02J The frequency that bingo will be conducted, including the calendar days of the week and the beginning and ending times for the bingo occasions;

202.02K A statement indicating whether another licensed organization will be co- sponsoring the bingo occasion and, if applicable, the name and state identification number of the co-sponsoring organization;

202.02L The name, complete address, social security number, date of birth, and years of membership of one member as defined in Regulation 35-200.15, of the applicant organization who will serve as the bingo chairperson and, at the applicant organization's option, the names, complete addresses, social security numbers, dates of birth, and years of membership of up to three members, as defined in Regulation 35-200.15, of the applicant organization who will serve as alternate bingo chairpersons; and

202.02M If the applicant organization is applying for a Class II license for the first time, the proposed price structure for the sale or use of bingo cards and bingo card monitoring devices.

202.03 In addition to the license application required by Regulation 35-202.02, each applicant organization is required to apply for and obtain a license for at least one of its members, as defined in Regulation 35-200.15, to serve as the organization's utilization of funds member (see Regulation 35-204). A Class II bingo licensee must also apply for and obtain a license for at least one individual to serve as a gaming manager (see Regulation 35-

206).

202.04 It is the responsibility of the bingo chairperson and a utilization of funds member of the licensed organization to keep the organization's license application information current. The Department must be informed within 30 days of any changes in the information supplied by the licensed organization in its most recent filing with the Department.

202.04A The licensed organization's bingo chairperson or gaming manager must submit a 30 day advance notification to the Department, in writing, and must receive approval from the Department prior to:

202.04A(1) Changing the location of its bingo premises; or

202.04A(2) Changing the days or times it conducts bingo.

202.04B All other application changes must be reported in writing and the Department may require the filing of a new application or schedule. All changes to a licensed organization's application information submitted by a bingo chairperson or gaming manager, other than changes to the days or times of the bingo occasions or a change of the premises at which bingo is conducted, must be confirmed by the signature of an officer of the licensed organization or a utilization of funds member.

202.04C Any individual signing the most current application obligates the licensed organization to comply with the Nebraska Bingo Act and Regulations for that licensing period.

202.05 In addition to all other information requested by the Department, each applicant for a bingo license and each subsequent renewal may, at the discretion of the Department, be required to provide:

202.05A A copy of the applicant organization's articles of incorporation or bylaws or, if not a corporation, a copy of any bylaws or other documents which set forth the organization's structure and purpose;

202.05B Additional evidence of a parent-subordinate relationship if the applicant organization is utilizing the charter date of its parent organization to satisfy the five-year existence requirement; or

202.05C A current roster of all active members.

202.06 All Class I and Class II bingo licenses expire and may be renewed on a biennial basis, according to the following schedule:

202.06A A license to conduct bingo issued to a nonprofit organization holding a certificate of exemption under section 501(c)(3) or (c)(4) of the IRC and any license issued to a utilization of funds member or gaming manager for the nonprofit organization expires on September 30 of each odd-numbered year.

202.06B A license to conduct bingo issued to a nonprofit organization holding a certificate of exemption under section 501(c)(5), (c)(7), (c)(8), (c)(10) or (c)(19) of the IRC, or to any volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad and any license issued to a utilization of funds member or gaming manager for the organizations expires on September 30 of each even-numbered year.

202.07 Applications for license renewal are due 45 days prior to the expiration date of the license, or as otherwise provided in regulation, unless the application pertains only to a limited period bingo occasion. Licenses are not transferable. An organization, utilization of funds member, or gaming manager is not considered licensed and shall not conduct any activity for which a license is required until the organization or individual has physical possession of the printed license issued by the Department.

202.08 The licensed organization shall post conspicuously, at the place where bingo is being conducted, the organization's bingo license and, if applicable, the gaming manager's license. The organization's utilization of funds member license is not required to be posted.

202.08A A licensed organization which has obtained authorization from the Department to conduct a limited period bingo occasion or a restricted limited period bingo occasion as defined in Regulation 35-213 shall post conspicuously, at the premises where bingo is conducted, the Limited Period Bingo Authorization, Form 52.

202.08B The licensed organization must post its current licenses and authorizations issued by the Department. A copy of the license or authorization may not be substituted for the original.

202.08B(1) A licensed organization, utilization of funds member, or gaming manager whose license has been lost, stolen, or destroyed must notify the Department as soon as possible. A duplicate license will be issued for no additional fee.

202.09 Any licensed organization, utilization of funds member, or gaming manager who no longer desires to be licensed and any individual who no longer desires to be designated as the licensed organization's bingo chairperson or alternate bingo chairperson, shall notify the Department in writing of his or her intention to cancel the licenses or designation. The notification shall be signed by:

202.09A An officer of the organization in the case of a licensed organization;

202.09B An officer of the licensed organization and the individual holding the license in the case of a utilization of funds member or gaming manager; or

202.09C An officer of the licensed organization and the individual designated as bingo chairperson or alternate bingo chairperson in the

case of a bingo chairperson or alternate bingo chairperson.

202.09D All notifications of license cancellation must be accompanied by the original licenses issued by the Department.

202.10 If a license is suspended, canceled, or revoked, the licensee shall surrender physical possession of the license to the Department immediately upon receipt of the order of suspension, cancellation, or revocation from the Department.

202.10A In the case of suspension, the Department shall return the licenses to the licensee at the end of the suspension period.

202.10B In the case of cancellation, the former licensee may reapply for a license when the period of cancellation has expired.

202.10C In the case of revocation, the former licensee may not reapply for any license at any time in the future under the Nebraska Bingo Act unless otherwise authorized by the Department.

202.10D When a licensee has successfully appealed an order of suspension, revocation, or cancellation, the Department shall return physical possession of the license which has been suspended, revoked, or canceled.

(Sections 9-202, 9-204.02, 9-205, 9-207, 9-209.01, 9-212, 9-213 9-214, 9-215, 9-216, 9-220, 9-224, 9-225, 9-225.01, 9-225.02, 9-226, 9-230, 9-232.01, 9-232.02, 9-233, 9-237, 9-241.10, and 9-255.05, R.R.S. 2007. November 6, 2010.)

REG-35-203 LAWFUL PURPOSE

203.01 A licensed or previously licensed organization shall spend its bingo profits solely for lawful purposes.

203.01A For purposes of this regulation, bingo profits means the gross receipts collected from one or more bingo games, less reasonable sums necessarily and actually expended for prizes, taxes, license fees, bingo equipment, the cost of renting or leasing a premises for the conduct of bingo, and other allowable expenses.

203.02 Bingo profits may be used internally by a licensed or previously licensed organization or donated outside of the organization, subject to the following:

203.02A Internal use of bingo profits. Lawful purpose uses of bingo profits internally by a licensed or previously licensed organization include:

203.02A(1) Charitable, benevolent, humane, religious, philanthropic, youth sports, educational, civic, or fraternal activities conducted by the licensed or previously licensed organization for the benefit of its

members, such as:

203.02A(1)(a) Religious activities including, but not limited to, creating, operating, or maintaining a church, church school, and their programs and facilities;

203.02A(1)(b) Educational activities including, but not limited to, paying the operating expenses of a school or establishing or continuing scholarship funds;

203.02A(1)(c) Charitable or humane activities including, but not limited to, purchasing food for the needy or to help provide medical care for individuals in need;

203.02A(1)(d) Youth sports activities including, but not limited to, the support or maintenance of team or individual activities which consist of an element of enjoyment or recreation, involving the practice of individual skill, and in which all of the participants are under 19 years of age. Such donations may include the construction, acquisition, improvement, or maintenance of facilities used in conjunction with youth sports activities; and

203.02A(1)(e) Civic or fraternal activities including, but not limited to, those activities which confer a benefit on the membership as a whole, such as paying the reasonable and necessary expenses for officers to travel to regional or national conventions where organization business is discussed; funding ceremonies commemorating religious or patriotic holidays; paying for the construction, acquisition, improvement, or maintenance of the licensed or previously licensed organization's facilities; or paying the general operating expenses of the licensed or previously licensed organization such as non-bingo related payroll expenses, taxes, insurance, or utilities.

203.02A(2) A licensed or previously licensed organization may not use bingo profits for purely social or recreational purposes such as stocking a bar with alcoholic beverages, defraying the cost of a dinner or dance, or paying the expenses for a New Year's Eve party.

203.02B Outside donations of bingo profits. Donating bingo profits outside of the licensed or previously licensed organization is considered a lawful purpose usage of the bingo profits provided the donation is made to an eligible recipient. Only the following entities are eligible to receive an outside donation:

203.02B(1) The State of Nebraska or any political subdivision of the state, if the funds are used exclusively for public purposes such as the funding of parks or the creation or maintenance of public facilities or projects;

203.02B(2) A corporation, trust, community chest, fund, or foundation:

203.02B(2)(a) Created or organized under the laws of Nebraska, which has been in existence for five consecutive years immediately preceding the date of the donation, and which has its principal office located in Nebraska. A licensed or previously licensed organization shall not donate its bingo profits to foreign corporations, trusts, community chests, funds, or foundations, but may donate to a local chapter of such organizations provided that the local chapter has been created or organized under the laws of Nebraska, has been in existence for five years, and has its principal office located in this state;

203.02B(2)(b) Organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, for the prevention of cruelty to children or animals, or to foster national or international amateur sports competition;

203.02B(2)(c) Organized and operated so that no part of the net earnings of which inures to the benefit of any private shareholder or individual; 203.02B(2)(d) Which is not disqualified for tax exemption under section 501(c)(3) of the IRC by reason of attempting to influence legislation; and 203.02B(2)(e) Which does not participate in any political campaign on behalf of any candidate for political office.

203.02B(3) A post or organization of war veterans or an auxiliary unit or society of, trust for, or foundation for any such post or organization:

203.02B(3)(a) Organized in the United States or in any territory or possession of the United States; and

203.02B(3)(b) Organized and operated so that no part of the net earnings of which inures to the benefit of any private shareholder or individual; or

203.02B(4) A volunteer fire department or volunteer first-aid, rescue, or emergency squad or volunteer fire company serving any city, village, county, township, or rural or suburban fire protection district.

203.03 No part of the bingo profits may:

203.03A Benefit any individual member or shareholder of the licensed or previously licensed organization making the donation, except to the extent it is in furtherance of the purposes described in this regulation. A licensed or previously licensed organization may make a direct donation to an individual member of its organization if that organization's activities include (a) making charitable donations to fire, catastrophic illness, or disaster victims, and the individual member is a victim thereof, or (b) making charitable donations to other charitable, benevolent, humane, religious, philanthropic, youth sports, educational, civic, or fraternal activity and the individual member is a beneficiary

thereof or a participant in the activity; or

203.03B Be used for any activity which attempts to influence any legislation, regulation, or ordinance, or participating in or contributing to any political campaign on behalf of any elected official or individual who is or has been a candidate for public office.

203.04 In the case of scholarship funds, the licensed or previously licensed organization may either donate to its own internal scholarship fund, an outside scholarship fund, or an educational institution meeting the guidelines for recipients of outside donations under these regulations.

203.04A A donation to a scholarship fund that does benefit an individual member of the licensed or previously licensed organization or a dependent or immediate family member of the individual member, may qualify as a lawful purpose and may be made either through the organization's own scholarship fund or through a donation directly to the educational institution or scholarship fund meeting the requirements of this regulation.

203.05 Upon dissolution of a licensed organization or upon suspension, cancellation, revocation, or expiration of an organization's license, all remaining profits derived from the conduct of bingo must be utilized for a lawful purpose and may not be distributed to any private individual or shareholder. The disbursement of the remaining profits is subject to the reporting and disbursement requirements contained in Regulation 35-217.01A(1).

203.06 A licensed or previously licensed organization may commingle its revenue from the conduct of bingo with its other operating accounts only after initially depositing the bingo receipts into its bingo checking account. Bingo revenues transferred to other accounts of the licensed or previously licensed organization must be done by writing a check from the bingo checking account or by electronic funds transfer from the bingo checking account. Bingo revenues transferred to other accounts must still be used for lawful purposes.

203.06A It is the duty of the licensed utilization of funds member to keep and maintain records sufficient to prove that bingo revenues transferred from the bingo checking account have been used for lawful purposes.

203.07 All lawful purpose donations must be made by a check written from the licensed or previously licensed organization's bingo checking account, directly to the donee for the ultimate use of the donation. For example, a lawful purpose donation to an eligible recipient must go directly to the recipient for use in a manner complying with section 9-211 of the Nebraska Bingo Act and this regulation.

203.07A All checks must be signed by a licensed utilization of funds member of the licensed organization. An electronic funds transfer must be authorized by a licensed utilization of funds member of the licensed organization.

203.08 No licensed or previously licensed organization, or any representative, may donate or promise to donate any portion of its bingo profits to a recipient outside of the organization in exchange for a payment, gift, or other thing of value from the recipient to any individual, organization, or corporation, including, but not limited to, the licensed or previously licensed organization or any of its members, employees, or agents. Unlawful outside donations include, but are not limited to:

203.08A A licensed or previously licensed organization donating all or a portion of its bingo profits to a second organization in return for a donation or a transfer of all or a portion of the donation from the second organization to the original organization or any representative.

(Sections 9-202, 9-211, 9-217, 9-226, 9-255.03, and 9-255.05, R.R.S. 2007, and section 9-255.04, R.S. Supp., 2009. November 6, 2010.)

REG-35-204 UTILIZATION OF FUNDS MEMBER; LICENSING REQUIREMENTS AND DUTIES

204.01 Each licensed organization must have at least one of its members licensed as a utilization of funds member. To be eligible for a utilization of funds member license, an individual must have been an active and bona fide member of the organization for at least one year prior to applying for the license.

204.01A If a licensed organization can provide evidence that the one-year membership requirement will impose an undue hardship, the Department may waive such requirement. An officer of the licensed organization must provide a written explanation of the nature of the hardship with the utilization of funds member's license application.

204.01B An individual may act as a utilization of funds member for more than one gaming activity of a licensed organization by paying only one licensing fee per licensing period.

204.01C An individual may be licensed as a utilization of funds member for more than one licensed organization by applying for a separate license for each organization and paying a separate licensing fee for each organization.

204.01D A utilization of funds member may also be designated by a licensed organization to serve as the bingo chairperson or alternate bingo chairperson; however, a utilization of funds member may not be licensed as a gaming manager for any licensed organization or hold any other type of license issued under the Nebraska Bingo Act, the Nebraska Lottery and Raffle Act, or the Nebraska Pickle Card Lottery Act.

204.02 An individual is not considered to be licensed as a utilization of funds member and shall not conduct any activity for which such license is required until he or she has obtained physical possession of the printed license issued by the Department. The licensed organization shall apply for the

license on a form supplied by the Department. The application shall contain, at a minimum, the following:

204.02A The name and state identification number of the licensed organization on whose behalf the individual is seeking the utilization of funds member license;

204.02B The name, address, social security number, and date of birth of the individual applying for the utilization of funds member license;

204.02C The date the individual became a member of the licensed organization;

204.02D The signature of the individual applying for the license;

204.02E A statement signed by an officer of the licensed organization indicating the organization's approval of the individual to act as the utilization of funds member on behalf of the organization; and

204.02F The statutorily required license fee. Such fee may be paid by the licensed organization.

204.03 The information contained in the application shall be kept current. An individual licensed as a utilization of funds member shall notify the Department within thirty (30) days of any changes to his or her most recent application filing. Changes must be reported in writing and the Department may require the filing of a new application.

204.04 A utilization of funds member license shall expire as provided in Regulation 35-202.06 and may be renewed biennially. A utilization of funds member license is not transferrable.

204.05 The licensed organization is not required to post the utilization of funds member's license at the premises where it conducts bingo.

204.06 A utilization of funds member for an organization licensed to conduct bingo shall have the following responsibilities:

204.06A Preparation of all applications, reports, and documents filed with any governmental agency by the licensed organization in connection with its bingo activities. If the utilization of funds member is assisted in the preparation of such applications, reports, and documents by any other individual or business, the utilization of funds member shall ensure that the information contained in those reports is true, accurate, and kept up to date;

204.06B Ensuring that bingo equipment and supplies purchased, rented, or leased by the licensed organization are paid for by a check written from the licensed organization's bingo checking account;

204.06C In the case of a Class II bingo licensee, approving individuals to act as gaming managers for the licensed organization;

204.06D With the exception of prizes, ensuring that the licensed organization pays all expenses incurred in the conduct of bingo and its bingo taxes on a timely basis, with a check drawn on the licensed organization's bingo checking account;

204.06E Ensuring that his or her signature is on each check written from the licensed organization's bingo checking account. If an electronic funds transfer is utilized in lieu of a check, such transfers must be authorized by a utilization of funds member;

204.06E(1) A licensed organization may require that checks written by the utilization of funds member be co-signed by one or more parties.

204.06F Ensuring that complete and accurate records of all gaming activities conducted at each bingo occasion are kept to include the date of the bingo occasion, whether it is a regular, limited period, or restricted limited period bingo occasion, the gross receipts, the bingo prizes paid, the fair market value of promotional prizes awarded, the number of players at the occasion, expenses incurred by the licensed organization relating to the bingo occasion, the taxes due and paid and, if the licensed organization will be using pickle card proceeds to pay bingo-related expenses, the gross proceeds from the sale of pickle cards at the bingo occasion;

204.06G Depositing or ensuring that the bingo chairperson or gaming manager deposits all revenues derived from the conduct of all gaming activities conducted at each bingo occasion into the proper bank account of the licensed organization, and ensuring that the revenues derived from bingo are segregated from other income of the licensed organization;

204.06H If bingo revenues are transferred to the licensed organization's general fund account or any other account of the licensed organization, ensuring that the transfer is done only by a check written from the bingo checking account or by an electronic funds transfer from such account, and that bingo revenues transferred in such manner are used only for a lawful purpose as defined in Regulation 35-203;

204.06I Ensuring that the bingo gross receipts of the licensed organization are spent only for lawful purposes as defined in Regulation 35-203, the awarding of prizes, bingo taxes, and bingo expenses as identified in Regulation 35- 214, and ensuring that all lawful purpose donations and all expenses with the exception of prizes are paid only by a check written from the licensed organization's bingo checking account;

204.06I(1) It shall be the duty of the licensed utilization of funds member to keep and maintain records sufficient to prove that bingo revenues transferred from the bingo checking account have been used only for allowable expenses and lawful purposes.

204.06J Ensuring that, upon proper request, all records and documents relating to the licensed organization's bingo activities are made available to the Department or its representatives; and

204.06K If the licensed organization is also licensed to conduct a lottery by the sale of pickle cards, purchasing pickle card units on behalf of the licensed organization to be sold at its bingo occasions.

204.07 An individual licensed as a utilization of funds member shall not have a substantial interest, as defined in Regulation 35-200.20, in any individual or business licensed as a manufacturer, distributor, or commercial lessor.

(Sections 9-202, 9-204.02, 9-207.01, 9-209, 9-209.01, 9-215, 9-225.01, 9-239, 9-240, 9-241.10, 9-255.03, 9-255.07, 9-255.09, and 9-342, R.R.S. 1997. Sections 9-214.01, 9-226, 9-232.01, 9-232.02, 9-233, 9-255.02, 9-255.04, 9-255.05, 9-255.06, and 9-331 R.S.Supp., 2002. November 12, 2002.)

REG-35-205 BINGO CHAIRPERSON AND ALTERNATE BINGO CHAIRPERSON; RESPONSIBILITIES AND DUTIES

205.01 Each licensed organization must designate one bona fide and active member of the organization to be its bingo chairperson. The licensed organization may also designate up to three additional members, as defined in Regulation 35-200.15, to serve as alternate bingo chairpersons.

205.01A A bingo chairperson or alternate bingo chairperson may also be licensed as the organization's utilization of funds member; however, a bingo chairperson or alternate bingo chairperson may not be licensed as a gaming manager for any licensed organization.

205.01B A Class I bingo licensee must have at least one bingo chairperson or alternate bingo chairperson present for the duration of each bingo occasion, including limited period bingo occasions, which the licensed organization conducts.

205.01C The presence of a bingo chairperson or alternate bingo chairperson at a Class II bingo occasion is optional. A Class II bingo licensee is required to have a gaming manager present for the duration of each bingo occasion. A Class II bingo licensee's bingo chairperson or alternate bingo chairperson may substitute for its gaming manager only in an emergency situation.

205.01D In the case of a co-sponsored bingo occasion, each co-sponsoring licensed organization must have at least one bingo chairperson, alternate bingo chairperson, or gaming manager present for the duration of each bingo occasion.

205.02 The bingo chairperson or, in his or her absence, the alternate bingo chairperson, has the following responsibilities and duties:

205.02A Acting as the Department's primary contact for the licensed organization's bingo activities;

205.02B Ensuring, in cooperation with the licensed organization's utilization of funds member, that the organization's bingo license application information filed with the Department is kept current;

205.02C Requesting, in cooperation with the licensed organization's gaming manager (when applicable), Departmental approval for changes to the days, times, or premises where the licensed organization conducts bingo, notifying the Department as required in Regulation 35-209.05 of any changes or additions to the licensed organization's bingo card pricing structure, and requesting approval for the rescheduling of a bingo occasion which was canceled due to an act of God;

205.02D Supervising and directing individuals working at the licensed organization's bingo occasions;

205.02E Ensuring that no one under 18 years of age participates in bingo or a lottery by the sale of pickle cards conducted at the bingo occasion and , except in the case of a limited period bingo occasion, ensuring that no alcoholic beverages are served in the area of the premises in which bingo is conducted;

205.02E(1) Ensuring, in the case of a restricted limited period bingo occasion where individuals under 18 years of age are permitted to play bingo, that such individuals do not sell, purchase, or play pickle cards, and that no alcoholic beverages are served;

205.02F Ensuring that all gaming activities conducted at the licensed organization's bingo occasion are conducted in accordance with the Nebraska Bingo Act, Nebraska Pickle Card Lottery Act, Nebraska Lottery and Raffle Act, or Nebraska Small Lottery and Raffle Act, and any rules and regulations promulgated pursuant to those Acts;

205.02G Resolving any gaming related disputes which may occur at the bingo occasion; 205.02H Ensuring that the licensed organization awards at least 50 percent of its bingo gross receipts in prizes on a quarterly basis;

205.02I Ensuring that no prize awarded exceeds \$1,000 in value for any single regular or limited period bingo game or \$25 in value for any single restricted limited period bingo game;

205.02J Ensuring that the total value of prizes awarded for bingo at the occasion does not exceed \$4,000;

205.02K Ensuring that the total fair market value of promotional prizes awarded does not exceed \$100 for a regular bingo occasion or \$250 for a limited period bingo occasion;

205.02L Ensuring that complete and accurate records of all gaming activities conducted at the bingo occasion are kept, including the date of each bingo occasion, whether it is a regular, limited period, or restricted limited period bingo occasion, the gross receipts, the bingo prizes paid, the fair market value of promotional prizes awarded, the number of players at each occasion, and, if the licensed organization will be using pickle card proceeds to pay bingo related expenses, the gross pickle card sales at each bingo occasion;

205.02M Ensuring that prizes awarded in cash of \$500 or more are properly receipted; 205.02N Ensuring that all revenues received from the conduct of gaming activities at the bingo occasion are turned over to the licensed organization's utilization of funds member or deposited directly into the appropriate bank account of the licensed organization;

205.02O Ensuring that the licensed organization conspicuously posts, at each bingo occasion, its bingo license, the percentage of its bingo gross receipts paid out in prizes for the last preceding quarter, and, when applicable, its gaming manager's license and limited period bingo authorizations; and

205.02P Ordering pickle card units from a licensed distributor on behalf of the licensed organization to be sold at its bingo occasions if the licensed organization is also licensed to conduct a lottery by the sale of pickle cards.

205.03 If a Class II bingo licensee requires both the presence of a gaming manager and a bingo chairperson, the gaming manager is the ultimate authority on gaming related issues at the bingo occasion; however, the bingo chairperson may assist the gaming manager and act as the licensed organization's representative at the bingo game when the gaming manager is not a member of the licensed organization.

205.04 An individual designated as a bingo chairperson or alternate bingo chairperson may not have a substantial interest, as defined in Regulation 35-200.20, in any individual or business licensed as a manufacturer, distributor, or commercial lessor.

(Sections 9-202, 9-204.02, 9-207.01, 9-209, 9-209.01, 9-214.01, 9-225.01, 9-226, 9-232.01, 9-232.02, 9-232.03, 9-241.06, 9-241.08, 9-241.09, 9-241.10, 9-255.02, 9-255.03, 9-255.06, 9-255.07, 9-255.09, 9-331, and 9-342, R.R.S. 2007. November 6, 2010.)

REG-35-206 GAMING MANAGER; LICENSING REQUIREMENTS AND DUTIES

206.01 A Class II bingo licensee must license at least one individual to serve as its gaming manager. This individual is not required to be a member of the licensed organization. The licensed gaming manager shall be the individual responsible for the conduct of all gaming activities at each bingo occasion of the licensed organization.

206.01A An individual may be licensed as a gaming manager for more than one licensed organization, but must obtain a separate gaming manager's license for each organization. A separate license application and license fee is required for the individual, from each organization for which he or she is seeking a gaming manager's license.

206.01B A gaming manager cannot be designated as a bingo chairperson or alternate bingo chairperson for any licensed organization, or hold any other type of license issued pursuant to the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, or the Nebraska Lottery and Raffle Act.

206.02 An individual is not considered to be licensed as a gaming manager and may not conduct any activity for which a license is required until he or she has physical possession of the gaming manager's license issued by the Department. An individual seeking a gaming manager's license must apply for a license on a form supplied by the Department. The application must contain the following information:

206.02A The name and state identification number of the licensed organization;

206.02B The name, address, social security number, date of birth, and signature of the individual applying for the gaming manager's license;

206.02C A statement signed by the licensed organization's utilization of funds member stating its approval of the gaming manager to operate and manage the bingo game on behalf of the organization; and

206.02D The statutorily required license fee. The fee may be paid by the licensed organization.

206.03 The information contained in the application shall be kept current. The gaming manager must notify the Department within 30 days of any changes to the application information. Changes must be reported in writing and the Department may require the filing of a new application.

206.03A The gaming manager's license must be conspicuously posted with the organization's bingo license at the premises where bingo is conducted.

206.04 A gaming manager's license expires as provided in Regulation 35-202.06 and may be renewed biennially. A gaming manager's license is not transferrable.

206.05 An individual applying for a license as a gaming manager must be fingerprinted for criminal background investigation purposes. Two sets of fingerprints on cards supplied by the Department must be submitted to the Nebraska State Patrol, Criminal Investigation Division, along with the required fees.

206.05A If an individual applying for a gaming manager's license has been issued a license by the Nebraska Liquor Control Commission, the Department may, at its discretion, waive the fingerprinting requirement.

206.05B An individual renewing his or her gaming manager's license shall not be required to submit additional fingerprint cards or pay additional fingerprinting fees unless specifically requested to do so by the Department.

206.06 A Class II bingo licensee must have at least one of its gaming managers present for the duration of each bingo occasion or limited period bingo occasion which the licensed organization conducts, except that the organization's bingo chairperson or alternate bingo chairperson may substitute for the gaming manager in an emergency situation.

206.07 The gaming manager is the ultimate authority on gaming related issues on the premises of the bingo occasion. If the licensed organization requires both the presence of a gaming manager and a bingo chairperson, the bingo chairperson or, in his or her absence, the alternate bingo chairperson, may assist the gaming manager and act as the organization's representative at the bingo occasion when the gaming manager is not a member of the organization. The gaming manager has the following responsibilities and duties:

206.07A Supervising and directing all bingo workers and other individuals assisting in the conduct of gaming activities at the bingo occasion;

206.07B Ensuring that no one under 18 years of age participates in bingo or a lottery by the sale of pickle cards and , except in the case of a limited period bingo occasion, that no alcoholic beverages are served in the area of the premises in which bingo is conducted;

206.07B(1) Ensuring, in the case of a restricted limited period bingo occasion where individuals under 18 years of age are permitted to play bingo, that such individuals do not sell, purchase, or play pickle cards, and that no alcoholic beverages are served;

206.07C Resolving any gaming related disputes which may occur during the bingo occasion;

206.07D Ensuring that the licensed organization awards at least 50 percent of its bingo gross receipts in prizes on a quarterly basis;

206.07E Ensuring that no prize awarded exceeds \$1,000 in value for any single regular or limited period bingo game, or \$25 in value for any single restricted limited period bingo game;

206.07F Ensuring that the total value of prizes awarded for bingo at the occasion does not exceed \$4,000;

206.07G Ensuring that the total fair market value of promotional prizes awarded does not exceed \$100 for a regular bingo occasion or \$250 for a limited period bingo occasion;

206.07H Ensuring that prizes awarded in cash of \$500 or more are properly receipted; 206.07I Ensuring that all bingo card sales are properly receipted;

206.07J Ensuring that all revenues received from the conduct of gaming activities at the bingo occasion are turned over to the licensed organization's utilization of funds member or deposited directly into the appropriate bank account of the organization; 206.07K Ensuring that complete and accurate records of all gaming activities conducted at the bingo occasion are kept, including the date of each bingo occasion, whether it is a regular, limited period, or restricted limited period bingo occasion, the gross receipts, the bingo prizes paid, the value of promotional prizes awarded, the number of players at each occasion, and, if the licensed organization will be using pickle card proceeds to pay bingo related expenses, the gross proceeds from the sale of pickle cards at each bingo occasion;

206.07L Ensuring that all gaming activities at the bingo occasion are conducted in accordance with the Nebraska Bingo Act, Nebraska Pickle Card Lottery Act, Nebraska Lottery and Raffle Act, and Nebraska Small Lottery and Raffle Act, and any rules and regulations promulgated pursuant to those Acts;

206.07M Requesting, in cooperation with the licensed organization's bingo chairperson, Department approval for changes to the days, times, or premises where the organization conducts bingo, notifying the Department as required in Regulation 35-209.05 of any changes or additions to the organization's bingo card pricing structure, and requesting approval for the rescheduling of a bingo occasion which was canceled due to an act of God;

206.07N Ensuring that the licensed organization conspicuously posts, at each bingo occasion, its bingo license, the percentage of its bingo gross receipts paid out in prizes for the last preceding quarter, and, when applicable, its gaming manager license(s) and limited period bingo authorization(s); and

206.07O Ordering, if the licensed organization is also licensed to conduct a lottery by the sale of pickle cards, pickle card units from a licensed distributor on behalf of the organization to be sold at its bingo occasions.

206.08 An individual licensed as a gaming manager may not have a substantial interest, as defined in Regulation 35-200.20, in any individual or business licensed as a distributor, commercial lessor, or manufacturer.

(Sections 9-202, 9-204.02, 9-207.01, 9-209, 9-209.01, 214.01, 9-215, 9-226, 9-232.01, 9-232.02, 9-233, 9-241.06, 9-241.08, 9-241.09, 9-241.10, 9-255.02, 9-255.03, 9-255.04, 9-255.05, 9-255.06, 9-255.07, 9-255.09, 9-331, and 9-342, R.R.S. 2007. November 6, 2010.)

REG-35-207 BINGO AND CONCESSION WORKERS; REQUIREMENTS, RESTRICTIONS, AND COMPENSATION

207.01 Bingo workers, other than the bingo chairperson and alternate bingo chairpersons, are not required to be members of the licensed organization conducting the bingo occasion; however, all bingo workers, whether working at a regular, limited period, or restricted limited period bingo occasion, must be at least 18 years of age.

207.01A For purposes of this regulation, bingo worker shall mean and include:

207.01A(1) The bingo chairperson, alternate bingo chairperson(s), and gaming manager(s);

207.01A(2) An individual typically referred to as the caller, who operates the bingo ball selection device and announces to the bingo players the number and letter of the balls selected;

207.01A(3) An individual typically referred to as the cashier, who sells and distributes bingo cards to the bingo players;

207.01A(4) An individual typically referred to as a floor worker who:

207.01A(4)(a) Monitors bingo players during the course of a bingo occasion by walking the floor;

207.01A(4)(b) Sells special bingo cards on the floor to the players;

207.01A(4)(c) Verifies the numbers and winning pattern(s) on bingo cards; and

207.01A(4)(d) Pays bingo winners the appropriate prize; and

207.01A(5) An individual typically referred to as a pickle card seller, who sells or redeems individual pickle cards, or reconciles the inventory of pickle cards at a bingo occasion.

207.02 Only the licensed organization may compensate bingo workers for performing their bingo related duties. Such compensation shall be at an hourly or occasion rate determined by the licensed organization. Compensation of bingo workers must be included within the licensed organization's 14 percent limitation for bingo expenses.

207.02A If a bingo worker is compensated, the compensation must be paid by a check drawn on the licensed organization's bingo checking account, made payable directly to the worker. No bingo worker shall be paid in cash.

207.02B Notwithstanding the restrictions otherwise contained in this regulation, a licensed organization may compensate bingo workers with food and beverages. For example, a licensed organization may allow the bingo workers free concession items at its bingo occasion or the organization may have an annual dinner for the bingo workers. However, the cost of such food and beverage compensation must be paid for by a check drawn on the licensed organization's bingo checking account. The value of such compensation must be included within the licensed organization's 14 percent limitation for bingo expenses.

207.03 A bingo worker shall not play bingo at any bingo occasion where he or she performs any bingo related duty AFTER the first bingo number of the occasion has been called, EXCEPT when:

207.03A The worker is strictly a pickle card seller at the bingo occasion and has absolutely no bingo related duties after the first bingo number of the occasion has been called. Such worker may be permitted to play bingo at a bingo occasion at which he or she is on duty.

207.03B The worker is a bingo chairperson or alternate bingo chairperson. A bingo chairperson or alternate bingo chairperson shall not be permitted to play bingo at a bingo occasion when he or she has performed duties as a bingo chairperson or alternate bingo chairperson. A bingo chairperson or alternate bingo chairperson may be permitted to play bingo at a bingo occasion when he or she has not performed bingo related duties.

207.03C The worker is a gaming manager. A gaming manager shall not be permitted to play bingo at any time, regardless of whether he or she is off duty, at a bingo occasion of an organization for which he or she is licensed as a gaming manager.

207.04 A bingo worker may monitor the bingo cards of a player who is unable to do so for a short time, in an emergency situation, when the player will return promptly to resume play. If a bingo worker monitors the cards of a player, the bingo worker shall not be entitled to share in any prize awarded to that player.

207.05 An individual who merely sets up or takes down tables and chairs or performs only janitorial duties at a bingo occasion may be permitted to play bingo at a bingo occasion at which he or she has performed such duties.

207.05A If an individual is compensated by the licensed organization for performing janitorial duties at a bingo occasion, such compensation must be included within the licensed organization's 14 percent limitation for bingo expenses, and must be paid by a check written from the

licensed organization's bingo checking account.

207.05B An individual may be less than 18 years of age and perform the janitorial duties described by this section; however, with respect to participating in gaming activities at the bingo occasion, any such individual shall be subject to all of the age participation restrictions set forth in the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, and the Nebraska Lottery and Raffle Act.

207.06 A concession worker at a bingo occasion may be permitted to play bingo at a bingo occasion at which he or she performs concession related duties.

207.06A If an individual is compensated for performing concession duties at a bingo occasion, such individual shall not be paid by using revenues derived from the licensed organization's bingo or pickle card activities.

207.06B An individual may be less than 18 years of age and perform concession duties as described by this section; however, with respect to participating in gaming activities at the bingo occasion, any such individual shall be subject to all of the age participation restrictions set forth in the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, and the Nebraska Lottery and Raffle Act.

207.07 Any licensed organization may establish a house rule to further prohibit the playing of bingo by any of its bingo workers, concession workers, other employees, volunteers, officers, or governing officials. Such rule shall be in writing and must be conspicuously posted at the bingo occasion along with any other house rules adopted by the licensed organization. A licensed organization shall not permit by house rule the playing of bingo by anyone prohibited to do so by this regulation.

(Sections 9-202, 9-204.02, 9-209.01, 9-214, 9-215, 9-226, 9-232.01, 9-241.06, 9-241.08, 9-241.10, 9-255.03, and 9-255.04, R.R.S. 1997. March 10, 2002.)

REG-35-208 BINGO PREMISES

208.01 Regardless of the number of licensed organizations authorized to hold bingo occasions within a single structure, building, or aboard a railroad coach car of a dinner or excursion train, not more than two regular bingo occasions per calendar week may be held within the same structure or building or aboard the same dinner or excursion train. For purposes of this regulation, calendar week shall mean 12:01 a.m. Sunday to 12:00 midnight Saturday.

208.01A No more than four limited period bingo occasions with an aggregate of no more than 12 days per 12-month period and no more than two special event bingo occasions with an aggregate of no more than fourteen days per calendar year may be held within a single premises.

208.01B Limited period bingo occasions and special event bingo occasions shall not count against the number of regular bingo occasions allowed within a premises per calendar week.

208.01C Nothing in this regulation shall prohibit the Department from authorizing the use of a premises for the conduct of bingo more than two times per calendar week in the event that a licensed organization has requested and been granted permission to reschedule a bingo occasion canceled due to an act of God.

208.02 The two regular bingo occasions permitted per calendar week in a single premises may be conducted on the same day as long as the occasions are distinct from one another and are not used to award more in prizes than is permitted for a single bingo occasion.

208.02A If two regular bingo occasions are held on the same day, there must be a break of at least three hours between the end of one occasion and the start of the second occasion.

208.03 No premises shall be subdivided to provide multiple premises where games of bingo are managed, operated, or conducted, whether or not the multiple premises have different mailing addresses or legal descriptions. Any building, distinct portion of a building, or a railroad coach car of a dinner or excursion train shall constitute one premises, regardless of the number of addresses or entrances, rooms, halls, enclosures, areas, or separate cars of a dinner or excursion train used to conduct bingo.

208.04 A premises rented or leased by a licensed organization to conduct bingo must be rented or leased from a licensed commercial lessor except when:

208.04A The lessor of the premises receives \$250.00 or less per month in the aggregate from renting or leasing such premises for the conduct of bingo. For purposes of this regulation, the \$250.00 threshold includes the total amount received from the rental or lease of the premises for all regular and limited period bingo occasions, regardless of how many licensed organizations rent or lease the premises, and is solely limited to bingo premises rental or lease payments; or

208.04B The premises is rented or leased by a nonprofit organization solely to its own auxiliary for the conduct of bingo by the auxiliary.

208.05 A licensed organization may conduct bingo only in the county in which the organization has its principal office.

208.05A For purposes of this regulation, a licensed organization's principal office is the place where the principal affairs and business of the organization are transacted, including where the officers and members assemble to discuss and transact the business of the organization, where its meetings are held, and generally where the organization's records are kept.

208.06 Prior to changing the premises where, or the days or time of day when a licensed organization conducts bingo, authorization shall be obtained thirty (30) days in advance from the Department. Such authorization shall be requested in writing by the licensed organization's bingo chairperson or gaming manager and confirmed by the signature of the utilization of funds member. If any such changes result in a change of the rental or lease agreement for the premises or any bingo equipment, or in a change to the existing terms or conditions of any such agreement, the authorization request must be accompanied by a copy of the proposed rental or lease agreement.

208.06A For purposes of this regulation, adding another regularly scheduled bingo occasion is considered a change that requires thirty (30) day advance notification and authorization.

208.07 No alcoholic beverages shall be served at a premises during the conduct of bingo except that alcoholic beverages are permitted at a limited period bingo occasion when no one under 18 years of age is permitted to play bingo.

208.07A If the premises at which bingo or a restricted limited period bingo occasion is conducted contains a lounge or bar area that is licensed to serve or sell alcoholic beverages, the area in which bingo is conducted and played must be completely and physically separate from the lounge or bar area. If a lounge or bar area is completely and physically separate from the area in which bingo is conducted, alcoholic beverages may be served in the lounge or bar area during the conduct of bingo; however, no alcoholic beverages shall be taken from the lounge or bar area to the area where bingo is being conducted or played.

208.07B Near beer, which is defined as beer containing less than one-half of one percent of alcohol by volume, is considered an alcoholic beverage and, therefore, may not be sold or served at any regular or restricted limited period bingo occasion.

208.08 The fair market value which may be charged for the rental or lease of a premises for the conduct of bingo shall not exceed the fair market value charged for the same premises or similar facilities in similar locations when rented or leased for public or social gatherings such as wedding receptions, parties, meetings, or other similar gatherings. The following factors shall be used by the Department in determining compliance with the fair market rental or lease value of a premises:

208.08A The square footage, location, condition, and lawful seating capacity of the premises;

208.08B Parking availability and conditions;

208.08C The day of the week and time of day that bingo will be conducted;

208.08D The terms and conditions of the rental or lease agreement including length of rental or lease commitment and what, if any, services or tangible personal property are included in the agreement;

208.08E The number of similar facilities near the location of the premises; and

208.08F Any other factors having a bearing on the potential rental or lease value of the premises.

None of the above shall be a sole determining factor on the issue of fair market value, but each of them shall be given some weight in assessing whether a premises is being rented or leased for fair market value.

208.09 In determining fair market value, the Department shall also review the total amount of money charged by the commercial lessor for the use of the premises by the licensed organization, including any separate fees charged for all real and personal property, including but not limited to charges for security, janitorial service, concession services, bingo equipment, and the use of furnishings such as tables and chairs.

(Sections 9-202, 9-207.01, 9-216, 9-241.01, 9-241.02, 9-241.04, and 9-241.06, R.R.S. 1997. Sections 9-226, 9-232.01, 9-241.03, 9-255.04, 9-255.06, and 53-103, R.S.Supp., 2002. November 12, 2002.)

REG-35-209 BINGO CARDS

209.01 All bingo cards made available for play by a licensed organization, regardless of whether at a regular bingo occasion or a limited period bingo occasion, must contain numbers preprinted by the licensed manufacturer of the bingo cards. No cards shall be made available for play which require anyone to fill in numbers in blank spaces on a card, or choose or arrange numbers on a card.

209.01A Each card in use at a particular bingo occasion must have a different distribution of playing numbers than any other card in use at that occasion. No two bingo cards in play at the same time may have the same distribution of numbers.

209.01B Duplicating or making copies of bingo cards for sale or use at a bingo occasion is prohibited. A licensed organization must purchase or otherwise obtain bingo cards only from a licensed distributor, unless otherwise authorized by the Department.

209.01C For purposes of compliance with this regulation, an electronic image of a bingo card containing numbers which is downloaded by a licensed manufacturer to a licensed organization's site system shall be considered preprinted by a licensed manufacturer.

209.02 A Class II bingo licensee is required to use only disposable paper bingo cards or facsimiles of bingo cards electronically displayed on a bingo

card monitoring device. Use of disposable paper bingo cards or facsimiles of bingo cards electronically displayed on a bingo card monitoring device by a Class I bingo licensee is optional.

209.02A Disposable paper bingo cards and facsimiles of bingo cards electronically displayed on a bingo card monitoring device must be consecutively numbered from the first card to the last card, or from the first sheet of cards to the last sheet of cards or consecutively numbered through the set. Each card or sheet must have printed on its face both its individual card number (free space number), and the serial number assigned by the manufacturer to that set of disposable cards or facsimiles of bingo cards electronically displayed on a bingo card monitoring device.

209.03 No licensed organization may reserve, or allow to be reserved, any bingo card or cards for use by a particular individual, except braille, large print, or other specially designed cards for use by visually impaired or disabled players.

209.03A Visually impaired or disabled players may use personal braille, large print, or otherwise specially designed bingo cards when a licensed organization does not provide such cards. The licensed organization has the right to inspect, and to reject, any personal card.

209.03B A visually impaired or disabled individual, using a specially designed bingo card or hard card in place of a disposable paper bingo card or hard card, must be charged for using such card at the same rate as other players, regardless of whether or not the licensed organization supplied the specially designed bingo card.

209.04 The price structure for all bingo cards must be posted at the location in the premises where bingo cards are sold. The licensed organization must offer the same price structure for the purchase or use of all bingo cards, to all players at the bingo occasion. A licensed organization shall not offer any promotion or discount on the price of any bingo cards, unless such promotion or discount is made available to all players.

209.04A A licensed organization may have a graduated price structure for the purchase of different types or packets of bingo cards; however, the organization shall not offer discounts on the price charged for disposable paper bingo cards or packets unless the discounted cards or packets are of a different color and of a different series than the regular priced cards or packets. For example, a licensed organization could have the following price structure on disposable paper bingo cards or packets:

3 ON Red Booklet \$ 5.00 AND 3 ON Yellow Booklet 2 for \$9.00

6 ON Blue Booklet 9.00 AND 6 ON Green Booklet 2 for 15.00

9 ON Orange Booklet 12.00 AND 9 ON Purple Booklet 2 for 20.00

However, it would not be permissible to sell a 3 ON booklet and a 6 ON booklet for the price of a 9 ON booklet. A licensed organization must have a predetermined price structure for different types of bingo cards or packets.

209.05 Prior to changing the price structure or adding a new card or packet to the price structure, the gaming manager or bingo chairperson for a Class II bingo licensee must notify the Department in writing of such price changes or additions, at least ten (10) days in advance of the proposed changes or additions, and include the date the price changes or additions will be implemented.

209.05A Prior to the date the price change takes effect, the gaming manager or bingo chairperson and utilization of funds member shall ensure that a physical inventory is taken of the disposable paper bingo cards which will be affected by the price change. Such inventory shall be reported to the Department with the licensed organization's quarterly report for the period in which the price change was implemented.

209.06 The extension of credit by a licensed organization for the purchase or use of bingo cards or bingo card monitoring devices is prohibited. The only acceptable forms of payment for the sale or use of bingo cards or bingo card monitoring devices are cash, check, bank credit or debit card, or in-kind payment as defined in Regulation 35-200.13.

209.06A A licensed organization may sell gift certificates to be used exclusively for the purchase of bingo cards.

Any such gift certificate shall clearly indicate the name of the licensed organization issuing the certificate, and indicate that it is redeemable only for the purchase of bingo cards.

209.06A(1) The only acceptable methods of payment for a gift certificate shall be cash, check, or bank credit or debit card. The sale of gift certificates must be receipted by the licensed organization.

209.06A(2) The proceeds from the sale of bingo card gift certificates shall be deposited in the licensed organization's bingo checking account. The value of a gift certificate shall be included in the bingo gross receipts of the bingo occasion at which it is redeemed.

209.07 A Class II bingo licensee must receipt, by a cash register, the sale of all regular and special bingo cards, instant bingo cards, disposable paper bingo cards used in conjunction with a bingo card monitoring device which are not downloaded by a site system, and any fee charged for the use of a bingo card monitoring device. Receipts must be sequentially numbered and prepared in duplicate. One copy of the receipt shall be given to the player at the time of purchase, and the other copy shall be retained by the licensed organization with its records for each bingo occasion. The receipt shall contain, at a minimum, the following information:

209.07A A description, by cash register key, of the bingo card or packet sold (e.g., 3 ON booklet, 6 ON booklet, instant bingo card, 3 ON special, disposable paper bingo card used in conjunction with a bingo card monitoring device which is not downloaded by a site system, and any fee charged for the use of a bingo card monitoring device, etc.);

209.07B The quantity of each type of bingo card or packet sold;

209.07C The price charged for each type of bingo card or packet sold;

209.07D The extended total price of the bingo cards or packets sold; and

209.07E The date of the bingo occasion.

209.08 Additional bingo cards or packets sold during the course of a bingo occasion must be sold by the cashier and must be receipted in the same manner as bingo cards and packets sold prior to the start of the bingo occasion.

209.08A Special bingo cards may be sold by a floor worker during the course of a bingo occasion but must be receipted in the same manner as bingo cards and packets sold prior to the start of the bingo occasion, or by the following method:

209.08A(1) The cashier must receipt the sale of all bingo paper sold by floor workers through the cash register by type of bingo paper. The cashier must maintain a record to reflect the amount of bingo paper checked out to each floor worker, the number of bingo cards checked back in to the cashier by the floor worker, and the corresponding amount of money returned to the cashier by the floor worker.

209.09 A licensed organization may not give free bingo cards to participants at a bingo occasion; however, coupons redeemable for bingo cards may be awarded as a bingo prize, promotional prize, or as a prize in a lottery or raffle provided the bingo cards are accounted for in the following manner:

209.09A The licensed organization must issue a sequentially numbered coupon to the winner which can be redeemed for the bingo cards. The coupon shall contain the name of the licensed organization and a description of the bingo cards for which the coupon can be redeemed. The value of the coupon shall be determined by the licensed organization's posted selling price of the bingo cards described on the coupon. The value of the coupon shall be included in the licensed organization's bingo gross receipts for the bingo occasion at which the coupon is redeemed.

209.09A(1) The value of any coupon awarded for bingo cards as a "bingo" prize must be included in determining the licensed organization's compliance with the \$4,000.00 bingo prize limitation per bingo occasion. As a bingo prize, the value of the coupon would

not be subject to the 14 percent expense limitation.

209.09A(2) The value of any coupon awarded for bingo cards as a "promotional" prize must be included in determining the licensed organization's compliance with the \$100.00 promotional prize limitation for a regular bingo occasion, or \$250.00 promotional prize limitation for a limited period bingo occasion. As a promotional prize, the value of the coupon would not be an expense of conducting bingo which is subject to the 14 percent expense limitation.

209.09A(3) If the bingo cards are to be awarded as a lottery or raffle prize, the licensed organization must pay for the coupon with proceeds from the organization's lottery/raffle account.

209.10 Instant bingo, as defined in Regulation 35-200.14, is an acceptable form of bingo and instant bingo cards may be sold throughout the bingo occasion. Instant bingo shall be conducted in the following manner:

209.10A A predetermined number of bingo balls for instant bingo shall be drawn at the start of the bingo occasion and witnessed by no fewer than three bingo players. The letters and numbers of the balls drawn must be displayed so they are visible to all players throughout the bingo occasion;

209.10B The serial number(s) of the instant bingo cards being sold must be posted at the location in the premises where regular bingo cards are sold;

209.10C Prizes to be awarded for the instant bingo game must be posted at the location in the premises where regular bingo cards are sold;

209.10D The particular arrangement of numbers or "pattern" required to be covered in order to win must be clearly posted at the location in the premises where regular bingo cards are sold;

209.10E Prizes awarded for instant bingo must be included in the \$4,000.00 prize limitation for a bingo occasion and no single prize awarded for instant bingo may exceed \$1,000.00; and

209.10F If there are no winners by the end of the bingo occasion, additional bingo balls must be drawn and called until there is a winner; however, the winning prize does not have to be the full amount of the jackpot but could be a consolation prize of lesser value.

(Sections 9-202, 9-226, 9-233, 9-241.05, 9-255.01, and 9-255.02, R.R.S. 1997. Sections 9-204.01 and 9-241.10, R.S.Supp., 2004. September 5, 2005.)

REG-35-210 CONDUCT OF THE GAME

210.01 No bingo occasion, except for a limited period bingo occasion, shall last for longer than six consecutive hours. A bingo occasion begins when the first number for the first bingo game is called, or when the first gaming activity starts, whichever comes first, and ends when the last number for the last game is called. A bingo occasion shall not begin without the presence of:

210.01A In the case of a Class I licensee, the bingo chairperson or alternate bingo chairperson; or

210.01B In the case of a Class II licensee, the gaming manager or, in an emergency situation only, the bingo chairperson or alternate bingo chairperson.

210.02 A licensed organization may adopt "House Rules" regarding the conduct of bingo provided such rules are consistent with the provisions of the Nebraska Bingo Act and all rules and regulations adopted and promulgated pursuant to the Act. All "House Rules" shall be conspicuously posted at the location in the premises where bingo cards are sold, and announced to all players prior to the start of the first game.

210.03 A licensed organization may charge an admission fee for entry to the bingo occasion and, upon payment of that fee, the player shall be furnished with a regular bingo card. The licensed organization may accept cash, checks, bank credit or debit cards, or in-kind payments, as defined in Regulation 35- 200.13, to satisfy the admission fee. The fair market value of in-kind payments accepted for an admission fee shall be included in determining the gross receipts for the bingo occasion.

210.04 Bingo cards must be sold and paid for prior to the start of a specified game or specified number of games when they are progressive. Cards may not be sold for a game in progress after the first number of that game is called.

210.05 No player may play or have in his or her possession more bingo cards than the number for which payment was made. This regulation shall not prohibit a player from sharing purchased cards with another individual; however, no one other than a licensed manufacturer or distributor shall be permitted to cut or alter a disposable paper bingo card packet.

210.06 The particular arrangement of numbers or "pattern" required to be covered in order to win a bingo game must be clearly described and announced to the players immediately before each game begins.

210.07 Only the following methods of bingo ball selection are permitted:

210.07A An electrically operated blower machine containing balls which the operator may take from the air one at a time while the blower is in operation, or which provides a trap or other mechanical means for automatically catching not more than one ball at a time while the blower is in operation; or

210.07B A mechanically or manually operated cage which provides a trap or other mechanical means for automatically catching not more than one ball at a time while the cage is in operation.

210.08 Immediately following the drawing of each ball, the caller shall display the letter and number of the ball to the players in that room. If an electrically operated blower machine is used, the letter and number displayed must be visible to the majority of players at all times.

210.08A If more than one room is used to conduct bingo, the bingo caller and the ball selection device must be located in the room where the greatest number of players are present.

210.08B Each Class II bingo licensee must utilize a video camera to monitor the bingo ball selection. The video camera must be focused on the throat or trap of the bingo ball selection device and must clearly display, on a monitor for player viewing, each individual bingo ball as it is selected. If bingo players are seated in more than one room, a display monitor must be located in each room so that all players are able to clearly view the bingo ball selection.

210.09 The letter and number of the ball selected must be called out prior to the selection of the next ball. Once a ball has been selected, it may not be returned to the receptacle until after the conclusion of the game or series of games, if progressive.

210.09A A "House Rule" requiring that the caller must always call the letter and number if a ball is removed from the receptacle is not permissible. If nothing has been called or only the letter preceding the number has been called and "bingo" is claimed, the caller must not continue. If the caller calls the number or any portion of the number and "bingo" is claimed, the caller must continue to call the number in its entirety and the ball drawn does count towards the determination of winners.

210.09B If a player declares a bingo and a ball has been selected and removed from the receptacle, it must be the next ball to be called in the event the declared winning bingo is not valid or in the event that the game is progressive.

210.10 In the case of a Class II bingo licensee, after the letter and number are called, the corresponding letter and number must be displayed for player viewing on a flash or display board; however, the number and letter lit is not necessarily official. Bingo caller errors in announcing the letter and/or number are correctable. A "House Rule" to the contrary is not permissible.

210.10A The use of a flash or display board by a Class I bingo licensee is optional.

210.11 A winner is determined when the specified pattern of called letters and numbers appears on a bingo card. A "House Rule" requiring that a player must obtain "bingo" on the last number called is permissible provided that this rule is clearly posted for all players to see and announced just before the first game begins.

210.12 Immediately upon a player declaring "bingo", the winning card numbers must be stated aloud by a bingo worker. The winning card must be verified by a bingo worker and at least one neutral player unless an electronic bingo verifier system is used.

210.12A In the case of a Class II licensee, the bingo worker shall also check the winning player's receipt to verify that the player paid for the bingo cards in his or her possession.

210.13 After a winner has been verified, any player may call for a verification of all balls not selected. This verification shall be made in the immediate presence of a gaming manager, bingo chairperson or alternate chairperson, and at least one neutral player.

210.14 Once a winner has been verified, the bingo caller shall ask if there are any other "bingos" and, upon receiving no affirmative response, declare the game closed. Once the game has been declared closed, the licensed organization is not responsible for paying any further prizes for the closed game.

210.15 The winning player or players shall receive the designated prize upon verification of the win. If multiple wins occur on a particular game, the game prize is to be apportioned between all players having a verified "bingo". Each licensed organization must establish a "House Rule" regarding its policy for the payment of multiple winners, using one of the following methods:

210.15A The prize is to be equally apportioned based upon the number of players having one or more valid bingos, so that an individual with two winning cards would not receive more of the prize than an individual with only one winning card; or

210.15B The prize is to be equally apportioned based upon the number of winning bingo cards, so that a player with two winning cards would receive double the amount of a player with only one winning card.

210.16 Progressive bingo games in which the winning combination or pattern progresses in difficulty are permissible. For example, a progressive bingo game may consist of a single bingo, double bingo, frame, and fill, all played on the same card.

210.16A For purposes of determining compliance with the prize limitations for a single game, each portion of the progressive game shall be considered a single bingo game, even though the balls are not returned to the receptacle after a winner has been determined and

verified.

(Sections 9-202, 9-204.02, 9-209, 9-209.01, 9-210, 9-214, 9-214.01, 9-226, 9-241.02, 9-241.09, 9-241.10, 9-255, and 9-255.02, R.R.S. 1997. March 10, 2002.)

REG-35-211 BINGO PRIZES; JACKPOT AND OTHER SPECIAL BINGO GAMES

211.01 A licensed organization may not award a single bingo prize that exceeds \$1,000.00 in value, or award more than \$4,000.00 in bingo prizes per bingo occasion. A licensed organization must award at least 50 percent of its bingo gross receipts in bingo prizes on a quarterly basis.

211.02 The amount of the bingo prize for each bingo game shall be conspicuously posted where the bingo cards are sold. A licensed organization may not deviate from the bingo prize amounts posted, unless such posting identifies the minimum attendance required for those prize amounts to be awarded.

211.02A If the minimum attendance is not realized, the licensed organization shall announce the revised bingo prize payouts to all players prior to the call of the first bingo ball, and players shall have the option of obtaining a full refund of monies paid for a bingo card or packet if such a request is made before the first ball is called.

211.03 Merchandise awarded as a bingo prize shall be valued at its fair market value and shall not be redeemable or convertible into cash directly or indirectly by the licensed organization.

211.04 If there is more than one winner on a particular bingo game where merchandise is to be awarded as the bingo prize, and equal division of the merchandise among the multiple winners is not possible, the licensed organization shall:

211.04A Award substitute merchandise prizes to each winner, the aggregate fair market value of which shall be approximately equal to the fair market value of the original merchandise prize; or

211.04B Award cash prizes to each winner, the aggregate amount of which shall be equal to the fair market value of the original merchandise prize.

211.05 If real or personal property is to be awarded as a bingo prize, the licensed organization shall have paid for in full or otherwise become the owner without lien or interest of others of all the real or personal property prior to the bingo occasion at which the property is to be awarded as a prize.

211.05A For purposes of this regulation, real estate and savings bonds are not considered merchandise prizes and must be valued at their purchase price value. Merchant gift certificates are considered to be

merchandise prizes and are to be valued at their face value.

211.05B Bingo cards, admissions to future bingo occasions, bingo supplies, and State Lottery tickets may be awarded as bingo prizes.

Bingo cards must be accounted for as required in Regulation 35-209.09.

211.06 Real or personal property donated to a licensed organization and awarded as a bingo prize shall be valued at its fair market value and shall be included in the determination of compliance with the limitations on the value of bingo prizes which may be awarded in any single bingo game and overall at a bingo occasion.

211.06A The value of real or personal property donated to a licensed organization and awarded as a bingo prize shall not be recorded as a bingo expense of the licensed organization.

211.07 Jackpot bingo games which incorporate a carryover bingo prize feature are permissible when conducted in accordance with the Nebraska Bingo Act and the following provisions:

211.07A Any conditional aspects of the jackpot game and the corresponding bingo prizes to be awarded must be conspicuously posted at the premises where bingo is conducted. The winning combinations and the bingo prizes to be awarded must be clearly described and announced to the players immediately before the jackpot game;

211.07B If the jackpot combination or pattern is not achieved at a particular bingo occasion, the jackpot bingo game must be continued until such time as a consolation winner is determined. The consolation prize does not have to be the full amount of the jackpot but could be a prize of lesser value; and

211.07C If the full amount of the jackpot bingo prize is not awarded at a particular bingo occasion, it may be carried over to the next bingo occasion and increased in value, provided the jackpot bingo prize never exceeds \$1,000.00 and the total value of bingo prizes awarded at the bingo occasion does not exceed \$4,000.00.

211.08 Special jackpot bingo games, for example, "Hot Number", "Hot Ball", or "Share the Pot", where only those players who have paid an additional fee are eligible to participate, are permissible when conducted in accordance with the Nebraska Bingo Act, Regulation 35-211.07, and the following provisions:

211.08A An individual pays an additional amount and receives a ticket or other evidence of payment verifying that he or she has paid to be a participant in the special jackpot bingo game;

211.08A(1) Class II bingo licensees must receipt participants in the same manner as prescribed by Regulation 35-209.07.

211.08B Only the individuals holding a ticket or other evidence of payment are eligible to win the special jackpot bingo prize;

211.08C To begin the game, the number of the first bingo ball called on the initial bingo game is the special jackpot number;

211.08D A player must achieve bingo on the special jackpot number in order to win the special jackpot bingo prize;

211.08E The special jackpot bingo prize can be won on any bingo game played during the bingo occasion;

211.08F If no one achieves a bingo on the special jackpot number by the completion of the last scheduled bingo game, an additional bingo game must be played to determine a consolation winner;

211.08G Only individuals holding a ticket or other evidence of payment for the special jackpot bingo game are allowed to play the additional consolation bingo game;

211.08H The prize for winning the consolation bingo game does not have to be the full amount of the special jackpot but could be a prize of lesser value; and

211.08I If the full amount of the special jackpot bingo prize is not awarded at a particular bingo occasion, it may be carried over to the next bingo occasion and increased in value, provided the special jackpot bingo prize never exceeds \$1,000.00 and the total value of all bingo prizes awarded at the bingo occasion does not exceed \$4,000.00.

211.09 Bingo prizes awarded at a limited period bingo occasion or restricted limited period bingo occasion are subject to the same requirements and limitations as a regular bingo occasion except that the value of a single prize awarded during a restricted limited period bingo occasion shall not exceed \$25.00 in value.

211.09A The aggregate value of all bingo prizes awarded during a limited period bingo occasion or a restricted limited period bingo occasion shall not exceed \$4,000.00 per day for each day of the limited period bingo occasion or restricted limited period bingo occasion. For purposes of this regulation, "day" means a calendar day.

211.10 Prizes awarded for instant bingo games during any bingo occasion are considered bingo prizes and are subject to all requirements and limitations in this regulation. The aggregate value of instant bingo prizes is to be included in the \$4,000.00 total bingo prize limitation for a bingo occasion.

211.11 Promotional game prizes, prizes awarded for winning pickle cards sold by the licensed organization at the bingo occasion, and lottery and raffle prizes awarded at the bingo occasion are not considered bingo prizes

and are not to be included in the \$4,000.00 total bingo prize limitation for a bingo occasion.

211.12 A bingo prize of \$500.00 or more in value must be receipted. The gaming manager or bingo chairperson shall insure that the receipt contains:

211.12A The name, address, and telephone number of the winner;

211.12B The date and amount of payment; and

211.12C The name of the individual who paid the winner.

211.13 The individual paying a \$500.00 or greater bingo prize shall make a good faith effort to insure that the information contained on the receipt is legible and correct. Such receipts may be prepared in a manner of the licensed organization's choice, provided all prescribed information is recorded and retained in the organization's records for a period of three years from the date of payment.

211.13A A licensed organization may satisfy the bingo prize receipting requirement by paying the winner by a check drawn on the organization's bingo checking account, provided the check contains all of the information required by Regulation 35-211.12.

(Sections 9-202, 9-214, 9-226, 9-232.03, 9-241.10, 9-255.02, 9-255.03, and 9-255.04, R.R.S. 1997. March 10, 2002.)

REG-35-212 PROMOTIONAL GAMES AND PRIZES; BINGO ADVERTISING; CONCESSION SALES AND ALCOHOLIC BEVERAGES

212.01 In addition to conducting bingo games and awarding bingo prizes at a bingo occasion, a licensed organization may also conduct promotional games and award promotional game prizes at a bingo occasion.

212.02 A promotional game means a game, scheme, or promotion conducted by a licensed organization at its bingo occasion whereby:

212.02A Participation in the promotional game is restricted to bingo players who are present at the bingo occasion;

212.02B No consideration is charged to participate in the promotional game, other than that charged to play bingo;

212.02C The winner of a promotional game is determined by an element of chance or by some other factor, except that a winner cannot be determined by using any type of pickle card, the game of keno, a scratch-off or rub-off ticket, a promotional game ticket as authorized in section 9-701 of the Nebraska Revised Statutes, any type of non-telecommunication-related, player-activated electronic or electromechanical facsimile of any game of chance, or by using any type of slot machine; and

212.02D The winner is present at the bingo occasion.

212.03 The total fair market value of promotional game prizes for a regular bingo occasion shall not exceed \$100.00. The total fair market value of promotional game prizes for a limited period bingo occasion shall not exceed \$250.00 per day for each day of the limited or restricted limited period bingo. For purposes of this regulation, "day" means a calendar day.

212.03A The total fair market value of promotional game prizes shall not be included when determining the licensed organization's compliance with the statutory limitation on the value of bingo prizes which may be awarded for a single bingo game or overall at a bingo occasion.

212.03B A promotional game prize shall not be used to increase the prize amount to be awarded for winning a bingo game.

212.04 The licensed organization's cost of promotional game prizes is not subject to the 14 percent of bingo gross receipts limitation on bingo expenses.

212.04A Real or personal property donated to a licensed organization and awarded as a promotional game prize shall be valued at its fair market value and included in the determination of compliance with the limitation on the value of promotional game prizes which may be awarded in any single bingo game and overall at a bingo occasion.

However, the value of such donated prizes shall not be recorded as a bingo expense of the licensed organization.

212.05 Real or personal property awarded as a promotional game prize shall be valued at its fair market value and, once awarded, shall not be redeemable or convertible into cash directly or indirectly by the licensed organization.

212.05A A licensed organization shall have paid for in full or otherwise become the owner without lien or interest of others of all real or personal property to be awarded as a promotional prize, prior to the bingo occasion at which such prize is to be awarded.

212.05B For purposes of this regulation, real estate and savings bonds are not considered merchandise prizes and must be valued at their purchase price. Merchant gift certificates are considered to be merchandise prizes and shall be valued at their face value.

212.05C Bingo cards, admissions to future bingo occasions, bingo supplies, and Nebraska State Lottery tickets may be awarded as promotional game prizes. Bingo cards awarded as a promotional prize must be accounted for as required in Regulation 35-209.09.

212.06 A licensed organization shall not reimburse players for the cost of their own transportation to a bingo occasion. A licensed organization may,

however, provide players with transportation to its bingo occasion either at no charge or for a fee. All costs associated with providing transportation to bingo players shall be subject to the 14 percent of bingo gross receipts limitation on bingo expenses.

212.07 Only the licensed organization conducting the bingo occasion shall be permitted to advertise such bingo occasion. The licensed organization's cost of such advertising is a bingo expense which is subject to the 14 percent of bingo gross receipts expense limitation on bingo expenses.

212.07A Unless otherwise restricted by federal law or local ordinance, a licensed organization may use any media to advertise its bingo occasion including, but not limited to, television, radio, newspaper, yellow pages, and billboards; however, no advertisement shall make reference to an aggregate value of bingo prizes exceeding \$4,000.00.

212.08 Concessions such as food or beverages may be served and sold at a bingo occasion provided all the profits from such concession sales are retained by the licensed organization conducting the bingo occasion.

212.08A Revenues received from concession sales shall not be commingled with bingo, pickle card, or lottery/raffle proceeds of the licensed organization or placed in any bingo, pickle card, or lottery/raffle bank account of the organization. Concession sales may be deposited in the General Fund account of the licensed organization, or any other fund or account of the organization, provided the fund or account is not used for gaming activity of the organization.

212.08B A licensed organization shall not use any of the bingo receipts or proceeds derived from its other gaming activities conducted pursuant to Chapter 9 of the Nebraska Revised Statutes to support or supplement its concession activity.

212.08C Concession workers are not considered to be bingo workers and shall not be paid using funds from the licensed organization's bingo activity. Concession workers, if compensated, shall not receive any compensation from bingo, pickle card, or lottery/raffle proceeds of the licensed organization.

212.08D Concession workers at a bingo occasion are not required to be 18 years of age provided they are not involved with any gaming related sales of the licensed organization such as the sale of bingo cards or pickle cards.

212.08E If a concession worker is involved solely with the preparation, sale and serving of food and beverages at the bingo occasion, and is not directly involved with any gaming related activity being conducted at the bingo occasion, and meets the age restriction requirements otherwise provided in these regulations, the concession worker may play bingo at a bingo occasion at which he or she is serving as a concession worker.

212.09 Except as provided in Regulation 35-208.07A, no alcoholic beverages may be served at a premises during the conduct of a licensed bingo occasion except that alcoholic beverages may be served at a limited period bingo occasion when no one under 18 years of age is permitted to play bingo.

(Sections 9-202, 9-210, 9-214, 9-224, 9-241.06, 9-241.07, and 9-255.03, R.R.S. 1997. Sections 9-226, 9-255.02, and 9-255.04, R.S.Supp., 2002. November 12, 2002.)

REG-35-213 LIMITED PERIOD BINGO

213.01 Any Class I or Class II bingo licensee is eligible to request a limited period bingo authorization from the Department. A limited period bingo is a bingo occasion which the Department authorizes a licensed organization to conduct in addition to the organization's regularly scheduled bingo occasions.

213.01A A restricted limited period bingo is a limited period bingo where individuals under 18 years of age are allowed to play bingo, no prize exceeds \$25.00 in value, and no alcoholic beverages may be served.

213.02 A licensed organization seeking to conduct a limited period bingo occasion must request authorization from the Department, in writing, at least ten (10) days in advance of the beginning of the limited period bingo occasion. The request shall be signed by the bingo chairperson or gaming manager of the licensed organization and must include:

213.02A The date or dates of the limited period bingo occasion;

213.02B The location where the limited period bingo occasion is to be conducted;

213.02C The daily starting and ending time of the limited period bingo occasion; and

213.02D An indication of whether individuals under 18 years of age will be allowed to play bingo.

Upon approval of the request, the Department will issue the licensed organization a limited period bingo authorization which must be posted at the location during the time of the limited period bingo occasion.

213.03 A licensed organization may be issued no more than four limited period bingo authorizations in any 12-month period beginning October 1 of each year, for an aggregate total of not more than 12 days in duration.

213.03A A licensed organization may use all 12 days of limited period bingo for one authorization or divide the 12 days available among two, three, or four authorizations.

For example, a licensed organization may conduct a seven- day limited period bingo occasion in the summer and a five- day limited period bingo occasion in the fall.

213.03B In the event that a limited period bingo occasion extends into a new 12-month period, the beginning date stated on the limited period bingo authorization form issued by the Department shall be the determining factor as to which 12-month period the limited period bingo shall be attributable.

213.04 Unless specifically provided otherwise in these regulations, limited period bingo occasions are to be conducted in the same manner as prescribed for regular bingo occasions, and are subject to the same prize restrictions, record keeping, reporting, and tax requirements.

213.05 A licensed organization shall not award a prize that exceeds \$1,000.00 in value in any single limited period bingo game or that exceeds \$25.00 in value in any single restricted limited period bingo game.

213.05A The aggregate value of all bingo prizes awarded during a limited period bingo occasion or a restricted limited period bingo occasion shall not exceed \$4,000.00 per day for each day of the limited or restricted limited period bingo. For purposes of this regulation, "day" means a calendar day.

213.06 Alcoholic beverages may be served at a limited period bingo occasion. Alcoholic beverages may not be served at a restricted limited period bingo occasion.

(Sections 9-202, 9-214, 9-226, 9-232.01, 9-232.03, 9-239, 9-241.02, 9-241.03, 9-241.06, 9-241.07, 9-241.08, 9-241.10, and 9-255.02, R.R.S. 1997. March 10, 2002.)

REG-35-214 BINGO EXPENSES

214.01 A licensed organization may spend no more than 14 percent of its bingo gross receipts for reasonable and necessary expenses relating to the conduct of bingo. The following bingo expenses are exempt from the 14 percent expense limitation:

214.01A Bingo license fees paid to the Department;

214.01B Bingo taxes paid to the Department;

214.01C Bingo prizes and promotional prizes awarded at the bingo occasions;

214.01D The cost of purchasing, renting, or leasing bingo equipment including the purchase of disposable paper bingo cards; and

214.01E The cost of the rental or lease of a premises for the conduct of bingo and the purchase, rental, or lease of personal property necessary for the conduct of bingo such as tables, chairs, video monitors, public address systems, etc.

214.01F All other expenses are subject to the 14 percent expense limitation.

214.02 Bingo supplies such as daubers, chips, tape, and glue sticks must be purchased by a check written on the licensed organization's bingo checking account. The organization's cost of these items are subject to the following restrictions:

214.02A If a licensed organization awards a bingo supply as a prize for a bingo game, the organization's cost of the bingo supplies are not subject to the 14 percent expense limitation;

214.02B If a licensed organization awards bingo supplies as promotional game prizes, the organization's cost of the supplies is considered an advertising/promotional game expense that is subject to the expense limitation. For purposes of complying with the promotional game prize limitations contained in Regulation 35-212, the supplies must be valued at their fair market value;

214.02C If a licensed organization provides bingo supplies at no charge to players, the organization's cost of the supplies is an advertising/promotional expense that is subject to the expense limitation;

214.02D If a licensed organization resells the bingo supplies at a price less than its cost, the difference between the organization's cost and the proceeds received through the resale of such items is considered an advertising/promotional expense that is subject to the expense limitation;

214.02E If a licensed organization resells the bingo supplies and recovers its cost or makes a profit from the sales, the organization's cost of the supplies is not subject to the expense limitation.

214.02F All revenues received by a licensed organization from the sale of bingo supplies must be deposited in the organization's bingo checking account; however, the revenues shall not be considered part of the organization's bingo gross receipts for purposes of determining the bingo tax due.

214.03 For purposes of determining a licensed organization's compliance with the statutory limitation on expenses, the 14 percent limitation is calculated using the organization's bingo gross receipts on an annual basis, based upon the time period which coincides with the annual reporting requirements contained in Regulation 35-217.

214.04 A licensed organization which is also licensed to sell pickle cards at its bingo occasions may transfer a portion of its pickle card proceeds to its bingo checking account to pay bingo expenses. The portion of the pickle card proceeds which may be transferred to pay bingo expenses is calculated using the bingo gross receipts and pickle card gross proceeds from the annual reporting period as prescribed in Regulation 35-217, based upon the percent that the gross proceeds from the sale of pickle cards at the bingo occasions represents to the total of bingo gross receipts and pickle card gross proceeds at the bingo occasions for the same period. For example:

If annual bingo gross receipts are: \$500,000; and
annual pickle card gross proceeds at bingo are: \$750,000;
Then total annual bingo/pickle activity is: \$1,250,000.

In this example, the annual pickle card gross proceeds at bingo represent 60 percent of the total of the bingo and pickle card activity at the bingo occasions (\$750,000 divided by \$1,250,000 equals 60 percent). Therefore, up to 60 percent of the bingo expenses, excluding prizes and taxes, may be transferred from the licensed organization's pickle card checking account to its bingo checking account to pay bingo expenses. If the annual bingo expenses were \$120,000, 60 percent of \$120,000 would be \$72,000. Thus the licensed organization may transfer up to \$72,000 from its pickle card checking account to its bingo checking account to pay the bingo expenses.

214.05 A licensed organization that uses pickle card proceeds to pay bingo expenses is required to maintain records of pickle card sales at its bingo occasions as provided in Regulation 35-216, and to report such sales as provided in Regulation 35-217.

214.06 Any amount which a licensed organization transfers from the pickle card checking account to the bingo checking account which is not used for the payment of bingo expenses must be used by the organization for a lawful purpose.

214.07 Related organizations, as defined in Regulation 35-201.03A, which are co-sponsoring a bingo occasion where only one of the organizations is licensed to sell pickle cards at the bingo occasions, may also allocate bingo expenses as provided in Regulation 35-214.04.

214.08 All bingo expenses must be paid by checks written on the licensed organization's bingo checking account. The checks must be made payable directly to the parties with whom the expenses were incurred. No bingo expenses may be paid directly from the licensed organization's pickle card checking account. Any proceeds from the sale of pickle cards at the bingo occasions which are used to pay bingo expenses must be transferred to the bingo checking account in order to pay the bingo expenses.

(Sections 9-202, 9-210, 9-226, 9-241.10, 9-255.02, 9-255.03, 9-255.05, 9-302, 9-308, 9-312, and 9-347, R.R.S. 2007, and section 9-255.04, R.S. Supp., 2009. November 6, 2010.)

REG-35-215 BINGO AND OTHER TAXES

215.01 Each Class I and Class II bingo licensee shall remit to the Department a state bingo tax in the amount of three percent of its bingo gross receipts.

215.01A For purposes of calculating the bingo tax due, gross receipts shall include revenues received from admission fees when such admissions are directly related to the playing of bingo, the sale or use of bingo cards, the use of bingo card monitoring devices, and the fair market value of any in-kind payments, as defined in Regulation 35-200.13.

215.01B Concession revenue received by the licensed organization from the sale of food and beverages at the bingo occasion and revenue generated from the sale of bingo supplies shall not be included in gross receipts for the purposes of calculating the bingo tax.

215.02 The state bingo tax shall be remitted by the licensed organization on a quarterly basis, no later than thirty (30) days after the close of the preceding calendar quarter. The tax shall be reported on a Nebraska Bingo Tax Return, Form 51B, and accompanying schedules supplied by the Department. Additional reporting requirements for the tax return are contained in Regulation 35-217.05.

215.02A A quarterly tax return must be filed with the Department even if the licensed organization conducted bingo for only a portion of the reporting period. For example, if the licensed organization did not begin conducting bingo until the second month of the reporting period, or ceased its bingo activities before the end of the reporting period, a quarterly tax return would still be due. A tax return shall also be filed even if the licensed organization had no bingo activity to report during the quarterly reporting period.

215.03 Returns properly signed and accompanied by remittance will be considered timely filed if mailed, postage prepaid, or personally delivered to the Department on or before the thirtieth (30th) day of the month following the close of the quarter.

215.03A When the thirtieth (30th) day of the month falls on a Saturday, Sunday, or a day considered a holiday by the Tax Commissioner's office, the return shall be considered timely filed if mailed postage prepaid or personally delivered to the Department on the next succeeding day which is not a Saturday, Sunday, or a day considered a holiday by the Tax Commissioner's office.

215.03B A United States Postal Service postmark will be conclusive evidence of the date of mailing for the purpose of timely filing a return.

215.03C Failure to file the return or remit the tax due by the due date will subject the licensed organization to assessment of a penalty of

\$25.00 or ten percent of the tax due, whichever is greater. In addition, interest will be imposed at the rate specified in section 45-104.02 of the Nebraska Revised Statutes, as amended, from the due date to the date paid.

215.04 All licensed organizations are required to pay the Nebraska Sales and Use Tax on the cost of bingo equipment and supplies purchased, unless exempt from Nebraska Sales and Use Tax as set forth in the Nebraska Sales and Use Tax Regulations.

215.05 All licensed organizations are required to collect and remit sales tax on bingo supplies sold to bingo players, and on any fee charged for the use of a bingo card monitoring device. Licensed organizations are not required to collect or remit sales tax from bingo players for the sale or use of bingo cards.

215.05A A licensed organization may purchase bingo supplies and not pay sales tax at the time of purchase on items it intends to resell, by purchasing the items for resale. A licensed organization must present a properly completed Resale Certificate, Section A, of the Nebraska Resale and Exempt Sale Certificate, Form 13, to the distributor or other retail outlet from which it purchases the bingo supplies. The licensed organization is then required to collect and remit sales tax on the full selling price of the bingo supplies when sold to bingo players.

215.05B If a licensed organization pays sales tax on the bingo supplies at the time of purchase, the organization should then collect sales tax on the full selling price of the supplies when sold to bingo players, but only remit sales tax on the difference between its cost and the price charged the players.

(Sections 77-2706, 77-2708, and 77-27,125, R.R.S. 1996. Sections 9-202, 9-226, 9-239, and 9-240, R.R.S. 1997. Sections 77-2702.16, 77-2703, 77-2704.12, and 77-2704.15, R.S.Supp., 2002. November 12, 2002.)

REG-35-216 ORGANIZATION RECORD KEEPING REQUIREMENTS

216.01 Each Class I and Class II bingo licensee shall maintain complete and accurate accounting records with detailed supporting and subsidiary records sufficient to furnish information regarding all transactions pertaining to its bingo activities. Such records shall be maintained for a period of not less than three years after the Nebraska Bingo Tax Return, Form 51B, or the Nebraska and Local Sales and Use Tax Return, Form 10, is filed, or for a period not less than three years from the date of the end of the licensee's fiscal year, whichever is later.

216.01A All records required by the Nebraska Bingo Act and regulations adopted pursuant thereto shall be open to inspection by the Department as well as any law enforcement officials.

216.02 Each licensed organization shall maintain separate bingo activity records from all other records of the organization. The following types of

records must be maintained by the licensed organization:

216.02A Invoices for all purchases of bingo equipment and supplies, including the types of equipment and supplies purchased, the name of the distributor or other entity from whom the supplies and equipment were purchased, the price paid, and the check number of the check used to purchase such equipment and supplies;

216.02B The date, gross receipts collected, and number of players at each bingo occasion, including limited period bingo occasions conducted by the licensed organization, and amounts received by the organization from the sale of bingo supplies to bingo players.

216.02B(1) If a licensed organization will be transferring pickle card proceeds into its bingo checking account to pay a portion of its expenses of conducting bingo, the organization must also keep a record of its gross proceeds from the sale of pickle cards at each bingo occasion.

216.02C For all sales of disposable paper bingo cards and electronic facsimiles of bingo cards downloaded to the organization's site system:

216.02C(1) A complete description, including color (if applicable), of each type of bingo card or packet sold at each bingo occasion (i.e., 3 ON red booklet, 6 ON yellow booklet, 3 ON green specials, instant bingo cards, singles, doubles, triples, etc.);

216.02C(2) The quantity of each type of bingo card or packet sold;

216.02C(3) The licensed organization's selling price of each type of bingo card or packet sold; and

216.02C(4) The serial numbers of the bingo cards or packets sold (for packets, the serial number of the top sheet of the packet; for instant bingo cards, the serial number of the series);

216.02D The number of bingo card monitoring devices issued to bingo players per bingo occasion;

216.02E The amount paid out in cash for bingo prizes at each bingo occasion, receipts required by Regulation 35- 211.12, and the fair market value of any merchandise awarded as bingo prizes at each bingo occasion;

216.02F The licensed organization's cost and the fair market value of promotional prizes awarded at each bingo occasion;

216.02G The complete name, address, and social security number of each bingo worker, gaming manager, utilization of funds member, bingo chairperson or alternate bingo chairperson, and any other individual or business who is paid for any work connected with the licensed organization's bingo activity and the corresponding wage, salary, or

other compensation paid; and

216.02H All other expenses incurred in connection with bingo including, but not limited to, amounts paid to bookkeepers, attorney or janitorial staff, rent and utilities for the bingo premises, bingo license fees, bingo advertising costs, bad checks written to the licensed organization, and any state or federal gaming taxes paid.

216.03 Each licensed organization is required to have a separate bingo checking account to be used exclusively for the bingo activities of the organization. The licensed organization must maintain the following records in connection with that account:

216.03A All deposits, withdrawals, and transfers;

216.03B All canceled checks; and

216.03C All bank statements.

216.04 A licensed organization must maintain detailed records of all expenditures from any bank account in connection with its bingo activities. Such records shall include a description of the purpose of each expenditure.

216.04A A licensed organization must maintain a bingo checking account into which all bingo gross receipts less cash prizes paid must be initially deposited, and from which all bingo expenses and lawful purpose donations must be made.

216.04B A licensed organization may periodically transfer bingo revenues either by electronic funds transfer or by a check written from the bingo checking account to other bank accounts of the organization, including higher interest bearing savings accounts or certificates of deposit.

However, such transfer shall not be considered a lawful purpose donation in and of itself, and the organization must be able to show that the bingo revenues transferred to those accounts are either still maintained in those accounts or were used for a lawful purpose as set out in Regulation 35-203.

(Sections 9-202, 9-204.02, 9-209.01, 9-214, 9-225.01, 9-226, 9-239, 9-240, 9-241.10, 9-255.03, 9-255.04, 9-255.05, 9-266, 9-308, and 9-347, R.R.S. 1997. Sections 9-204, 9-204.01, and 9-204.04, R.S.Supp., 2004. September 5, 2005.)

REG-35-217 ORGANIZATION REPORTING REQUIREMENTS

217.01 Each Class I and Class II bingo licensee must file an annual report of its bingo activities on forms supplied by the Department. In addition, each Class II bingo licensee must file a quarterly report of its bingo activities on forms supplied by the Department.

217.01A The annual report covers the licensed organization's bingo activities from July 1 to June 30 and must be filed with the Department by August 15 of each year.

217.01A(1) An annual report must be filed with the Department by August 15 of each year even if the licensed organization does not intend to renew its bingo license or does not intend to retain its bingo license for the second year of the biennial licensing period, its license renewal application has been denied, or its license has been canceled, suspended, or revoked during the reporting period. In addition, a licensed organization which has had its license renewal application denied, or its license canceled, suspended, or revoked, is also required to:

217.01A(1)(a) Submit a written disbursement plan with the Department no later than 45 days after the expiration date of its bingo license or the effective date of the license renewal application denial or license cancellation, suspension, or revocation. The plan must identify the specific purposes for which the remaining profits will be utilized, subject to approval by the Department; and

217.01A(1)(b) Continue to file a bingo revenues status report by August 15 of each year, on a form supplied by the Department, listing all disbursements of bingo revenue until all such revenues have been expended either for allowable expenses or for lawful purposes unless otherwise directed by the Department.

217.01A(2) An annual report must be filed with the Department even if the licensed organization conducted bingo for only a portion of the reporting period. For example, if the licensed organization did not begin conducting bingo until the second quarter of the reporting period, or ceased its bingo activities before the end of the reporting period, an annual report is still required.

217.01A(3) An organization's license will not be renewed unless and until complete and accurate annual reports, for all applicable reporting periods, are filed with the Department.

217.01B The quarterly reports are due 30 days after the end of the first, third, and fourth calendar quarters of each year. An annual report shall be filed in place of a quarterly report for the second calendar quarter.

217.01B(1) A quarterly report must be filed with the Department even if the licensed organization conducted bingo for only a portion of the quarterly reporting period. For example, if the licensed organization did not begin conducting bingo until the second month of the reporting period, or it ceased its bingo activities before the end of the quarter, a quarterly report is still required.

217.02 The licensed organization's utilization of funds member must ensure that a copy of the organization's annual report is submitted to the organization's membership by August 15 of each year. In addition, the utilization of funds member shall make a copy of the annual report available to any member of the licensed organization, upon request.

217.03 The annual and quarterly reports must include the following information:

217.03A The bingo gross receipts, including revenues received by the licensed organization for the sale or use of bingo cards, fees charged for admission to bingo occasions, fees charged for the use of bingo card monitoring devices, and the value of any in-kind payments;

217.03B Amounts received from the sale of bingo supplies to bingo players;

217.03C The bingo prizes paid by the licensed organization in cash and by check;

217.03D The licensed organization's cost of merchandise awarded as a bingo or promotional prize;

217.03E A breakdown of all expenses incurred by the licensed organization in connection with its bingo activities. This includes items such as compensation paid to bingo workers or any other individuals for work performed in connection with the licensed organization's bingo activities, payroll taxes, the cost of legal, bookkeeping, janitorial and security services in connection with the licensed organization's bingo activities, amounts paid for the rental or lease of a premises to conduct bingo including furniture or fixtures, maintenance, repairs, and janitorial expenses included in the rental or lease agreement, amounts paid for the purchase, rental, or lease of bingo equipment and bingo supplies; amounts paid for utilities at the premises where bingo is conducted; bingo license fees, state bingo taxes, and advertising expenses, including the licensed organization's cost of promotional game prizes;

217.03F All other expenses incurred or income derived by the licensed organization in connection with its bingo activities, whether paid from or deposited in the licensed organization's bingo checking account or another bank account of the organization including, but not limited to, such things as overages or shortages of bingo receipts, interest earned on the bingo bank accounts, and repairs and maintenance costs not covered in a current rental or lease agreement;

217.03G The licensed organization's net profit or loss from the conduct of bingo;

217.03H A detailed summary of the licensed organization's lawful purpose use of the bingo profits including:

217.03H(1) A detailed itemization of expenditures made from the bingo checking account for internal uses of bingo profits by the licensed organization. The itemization must include the date, amount, check number, and description of the purpose for the internal expenditure;

217.03H(2) Transfers of funds made from the licensed organization's bingo checking account to the general fund of the organization and a detailed itemization of how such funds were expended for a lawful purpose;

217.03H(3) Transfers of funds made from the bingo checking account to any special funds or trust funds which are not certificates of deposit or organization savings accounts and a detailed itemization of how the funds were expended for a lawful purpose; and

217.03H(4) A detailed itemization of expenditures of external donations. The itemization shall include the name and address of the party to whom the external donation was made, the date, amount, and check number of the donation, and a description of the intended use for the donation;

217.03I A summary of the licensed organization's bingo checking account activity and of any other bingo related bank accounts, savings accounts, or certificates of deposit including:

217.03I(1) The name and complete address of the financial institution where the account is maintained and the account number and balance of the account at the beginning of the reporting period; total deposits made during the reporting period; total interest earned during the reporting period; total disbursements made during the reporting period; and the balance of the accounts at the end of the reporting period;

217.03I(2) Bingo cash and checks on hand for the beginning and ending dates of the reporting period;

217.03I(3) Deposits or transfers to the bingo checking account which are not bingo receipts, such as transfers or deposits made from the licensed organization's pickle card checking account to the bingo checking account; and

217.03I(4) Any other disbursements from the bingo checking account which are not listed as bingo prizes, bingo expenses, or lawful purpose donations;

217.03J Regarding Class II bingo licensees only, a summary of the disposable paper bingo card inventory including:

217.03J(1) A description of each disposable paper bingo card packet (e.g., 6 ON 13 UP, 18 ON 13 UP) including the color; and

217.03J(2) The beginning and ending inventory for the reporting period; the quantity purchased by the licensed organization; and the quantity sold and the selling price of each type of card or packet; and

217.03K If the licensed organization is using bingo card monitoring devices to conduct bingo, the type of device, the number of electronic facsimiles of bingo cards or packets downloaded into the devices, the number of disposable paper bingo cards or packets sold to be monitored by the devices, the licensed organization's selling price for the electronic facsimiles of bingo cards or packets and disposable paper bingo cards or packets to be monitored by the devices, the total gross receipts from the sale of electronic facsimiles of bingo cards or packets and disposable paper bingo cards or packets to be monitored by the devices and, if players are charged a separate fee for the use of a bingo card monitoring device, the number of devices used during the reporting period, the fee (if any) charged per device, and the total gross receipts from the games monitored by the devices.

217.04 The annual and quarterly reports must be signed by an officer, the utilization of funds member of the licensed organization, and the preparer of the report signifying that, under penalty of law, they have reviewed the report and, to the best of their knowledge and belief, found it to be a complete, true, and accurate accounting of the organization's bingo activities.

217.05 Each Class I and Class II bingo licensee must also file a quarterly tax return and summary of its bingo activities on forms supplied by the Department. The tax return and summary must be accompanied by the remittance of the state bingo tax as provided in Regulation 35-215. The quarterly tax return and accompanying bingo activity summary must contain the following information for each bingo occasion conducted during the reporting period:

217.05A The date of the bingo occasion and the number of players in attendance;

217.05B The type of occasion (i.e., regular or limited period);

217.05C The bingo gross receipts including revenues received by the licensed organization for the sale or use of bingo cards, fees charged for admission to bingo occasions, fees charged for the use of bingo card monitoring devices, and the value of any in-kind payments;

217.05D The total value of the bingo prizes awarded including prizes paid in cash or by check and merchandise prizes. Merchandise awarded as a bingo prize must be listed at its fair market value;

217.05E The total value of promotional game prizes awarded in cash or by check and merchandise prizes. Merchandise awarded as a promotional prize must be listed at its fair market value; and

217.05F If the licensed organization uses pickle card proceeds to pay a portion of the operating expenses of conducting bingo, the gross proceeds from the sale of pickle cards at the bingo occasion.

217.06 The quarterly tax return must be signed by an officer, the utilization of funds member of the licensed organization, and the preparer of the tax return signifying that, under penalty of law, they have reviewed the return and accompanying summary and, to the best of their knowledge and belief, found them to be a complete, true, and accurate accounting of the organization's bingo activity.

(Sections 9-202, 9-204, 9-204.01, 9-204.04, 9-211, 9-217, 9-225.01, 9-226, 9-232.02, 9-233, 9-239, 9-240, 9-255.03, 9-255.05, and 9-347, R.R.S. 2007 and section 9-255.04 R.S. Supp., 2009. November 6, 2010.)

REG-35-218 COMMERCIAL LESSOR: LICENSE; REQUIREMENTS; AND DUTIES

218.01 No individual, organization, or business shall rent or lease a premises for the conduct of bingo without first obtaining a commercial lessor's license from the Department and registering the premises, except that such license and registration shall not be required:

218.01A When the individual, organization, or business renting or leasing the premises does not receive more than \$250.00 per month in the aggregate from renting or leasing the premises for the conduct of bingo.

218.01A(1) The \$250.00 threshold shall include rental or lease payments for the premises for the conduct of bingo only and shall be cumulative, regardless of the number of licensed organizations separately renting or leasing the premises to conduct bingo; or

218.01B If a nonprofit organization owning its own premises rents or leases the premises solely to its own auxiliary.

218.01B(1) If a nonprofit organization rents or leases a premises for the conduct of bingo to an organization other than its own auxiliary, it shall be required to obtain a commercial lessor's license and register the premises unless it meets the exception contained in Regulation 35-218.01A.

218.02 A commercial lessor's license shall only be issued to those applicants doing business in Nebraska or authorized to do business in Nebraska. Authorization to do business in Nebraska requires:

218.02A A domestic corporation to file Articles of Incorporation with the Nebraska Secretary of State's office;

218.02B A domestic limited liability company to file Articles of Organization with the Nebraska Secretary of State's office; or

218.02C A foreign corporation or foreign limited liability company to obtain a certificate of authority to transact business in Nebraska from the Nebraska Secretary of State's office or to become domesticated by filing the requisite documents with the Nebraska Secretary of State's office and paying any required fees.

218.03 An individual, organization, or business seeking a commercial lessor's license must apply for such license on a form prescribed by the Department. In addition, each premises to be rented or leased by the lessor for the conduct of bingo must be separately registered. The application and registration forms shall contain, at a minimum, the following information:

218.03A The name, address, and state and federal identification numbers of the applicant;

218.03B The type of ownership of the business and the name, social security number, home address, and date of birth of:

218.03B(1) If a sole proprietorship, the individual owner;

218.03B(2) If a partnership, each partner and spouse;

218.03B(3) If a limited liability company, each member and spouse;

218.03B(4) If a corporation, each officer and spouse and each individual or entity holding ten percent or more of the debt or equity of the corporation. If an entity holding ten percent or more of the debt or equity of the applicant corporation is a partnership, limited liability company, or corporation, the information required in Regulation 35-218.03B must be supplied for each partner of the partnership, each member of the limited liability company, or each officer of the corporation and every individual or entity holding ten percent or more of the debt or equity of the partnership or corporation; or

218.03B(5) If a nonprofit organization or nonprofit corporation, each officer and the individual designated as manager;

218.03C If the applicant is not the owner of the premises to be registered, the name, address, social security number, date of birth, type of involvement, and percent of ownership of each individual or business having ownership interest in the premises. The applicant shall also include, with the application and/or registration, copies of all rental, lease, or sublease agreements between the applicant and the owner of the premises;

218.03D If the applicant is not a resident or a corporation, the full name, business address, and home address of an individual who is a resident of and living in this state who is at least 19 years of age, to act as the lessor's resident agent for the purpose of receipt and acceptance of service of process and other communications on behalf of the lessor;

218.03E The location address and legal description of each premises to be registered;

218.03F The name and state identification number of each organization seeking to conduct bingo at the premises; and

218.03G The day(s) and time of day the organization intends to conduct bingo.

218.04 The applicant shall also be required to complete a supplemental questionnaire providing detailed information regarding physical characteristics of the premises to be rented or leased including, but not limited to, the square footage of the premises, the lawful seating capacity of the premises, the appraised value of the premises, the amount of rent or other consideration which is charged directly or indirectly for each bingo occasion to be conducted in the premises, the amount of rent or other consideration charged for use of the premises for functions other than bingo, a description of any tangible personal property included in the rental or lease agreement, and any other factors used by the commercial lessor in determining the rental or lease amount to be charged for use of the premises.

218.04A The amount which may be charged for the rental or lease of a premises for the conduct of bingo shall not exceed the fair market value amount charged for the same premises or for facilities in similar locations when rented or leased for public or social gatherings such as wedding receptions, parties, meetings, or other similar gatherings. Regulation 35-208.08 specifies other factors that are to be used in determining fair market value.

218.05 A copy of the written rental or lease agreement between the organization and the applicant shall also accompany the commercial lessor's license application and premises registration. Rental or lease agreements may cover both real and personal property rented or leased to the licensed organization. Rental or lease agreements for bingo equipment shall be separate from rental or lease agreements for a premises.

218.05A All rental and lease agreements between a commercial lessor and a licensed organization must receive preapproval by the Department.

218.06 Each registration of a premises shall be accompanied by the statutorily required fee. Such registration and the commercial lessor's license shall expire on September 30 of each odd-numbered year and may be renewed biennially. An application to renew a commercial lessor's license

and registration of a premises is due 45 days prior to the expiration date of the license and registration. A commercial lessor's license and registration of a premises is not transferrable.

218.06A The original commercial lessor's license as well as the registration of premises issued by the Department must be publicly posted at the premises.

218.07 It shall be the responsibility of the commercial lessor to keep the application and registration information current. The Department shall be notified in writing within thirty (30) days of any changes to the application or registration information.

218.08 An individual, organization, or business is not considered to be licensed as a commercial lessor and a premises is not considered to be registered until physical possession of the license and/or registration issued by the Department has been obtained.

218.08A A commercial lessor who no longer desires to be licensed or who no longer intends to rent or lease a premises for the conduct of bingo shall notify the Department in writing. Such notification shall be accompanied by the original license and/or registration certificate.

218.09 A licensed commercial lessor, the owner of a premises, and all parties who rent, lease, or sublease a premises which ultimately is rented or leased to a licensed organization for the conduct of bingo, and any individual with a substantial interest in a commercial lessor, and the employees of a commercial lessor shall not be involved directly or indirectly with the conduct of any bingo occasion. Such parties shall not manage, operate, promote, advertise, or administer bingo, nor derive any financial gain from any gaming activities regulated under Chapter 9, except as provided in section 9-255.06 of the Nebraska Bingo Act.

218.09A As used in this regulation, the term "involved directly or indirectly" shall include, but not be limited to, the payment of any expense of a licensed organization, whether such payment is by loan or otherwise; conducting advertising on behalf of the licensed organization conducting the bingo game; or doing any acts which would constitute the conduct of the bingo game such as determining what games will be played at a bingo occasion, acting as a bingo caller, selling admissions or bingo cards, or preparing records for the bingo occasion.

218.09B Nothing in this regulation shall be construed to prohibit an individual, officer, or employee of an organization which is licensed to conduct bingo, but which may also hold a license as a commercial lessor, from involvement with its own bingo game. However, when a licensed organization acts as a commercial lessor to another licensed organization, no individual, officer, or employee of the organization acting as a commercial lessor shall be involved directly or indirectly with the conduct of bingo on behalf of another organization.

218.10 No commercial lessor, or individual or business connected to, interested in, otherwise involved directly or indirectly with or who has a substantial interest in a commercial lessor, shall be designated as a bingo chairperson or alternate bingo chairperson, or be licensed as a gaming manager, utilization of funds member, or sales agent. A licensed commercial lessor shall not be licensed as or have a substantial interest, as defined in Regulation 35-200.20, in any individual or business licensed as a distributor, manufacturer, or manufacturer-distributor pursuant to Chapter 9.

(Sections 9-202, 9-204.02, 9-207.01, 9-209, 9-209.01, 9-216, 9-225.01, 9-241.04, 9-241.07, 9-241.08, 9-241.10, 9-307, 9-313, 9-320, and 9-616, R.R.S. 1997. Sections 9-214.01, 9-226, 9-241.05, and 9-255.06, R.S.Supp., 2002. November 12, 2002.)

REG-35-219 DISTRIBUTOR OF BINGO EQUIPMENT: LICENSE; REQUIREMENTS; AND DUTIES

219.01 Any individual or business which intends to sell, rent, lease, or otherwise provide bingo equipment in this state to a licensed organization or licensed commercial lessor for use in a bingo game regulated by the Nebraska Bingo Act must first apply for and obtain a distributor's license from the Department. A distributor's license shall not be required of:

219.01A An individual or business which sells or otherwise supplies only bingo supplies;

219.01B A third party which provides only for the financing of bingo equipment retaining a security interest in such equipment until such time as the purchaser has clear title. However, a distributor's license would be required of the individual or business which is selling, renting, or leasing the equipment directly to the licensed organization or licensed commercial lessor;

219.01C A licensed organization when it lends, without charge, its bingo equipment, excluding disposable paper bingo cards, to another licensed organization on an emergency basis or to a qualifying nonprofit organization for use at a special event bingo conducted pursuant to Regulation 35-222;

219.01D A licensed organization which, with prior approval from the Department, sells or donates its old bingo equipment to another licensed organization when it is purchasing or intends to purchase new bingo equipment; or

219.01E An organization which has voluntarily canceled its bingo license, allowed the license to lapse, or has had its license suspended, canceled, or revoked and which, with prior approval from the Department, sells or donates its bingo equipment to another licensed organization.

219.02 To qualify for a distributor's license, the applicant must be authorized to conduct business in Nebraska and have its principal office located within this state.

219.02A Authorization to do business in Nebraska requires:

219.02A(1) A domestic corporation to file Articles of Incorporation with the Nebraska Secretary of State's office;

219.02A(2) A domestic limited liability company to file Articles of Organization with the Nebraska Secretary of State's office;

219.02A(3) A foreign corporation or foreign limited liability company to obtain a certificate of authority to transact business in Nebraska from the Nebraska Secretary of State's office or to become domesticated by filing the requisite documents with the Nebraska Secretary of State's office and paying any required fees; or

219.02A(4) A domestic partnership, foreign partnership, or limited liability partnership to file any forms that may be required by the Nebraska Secretary of State's office.

219.03 Applicants seeking a distributor's license who intend to be engaged in business in this state, as defined in section 77-2702.06 of the Nebraska Revised Statutes, as amended, shall also submit a Nebraska Tax Application, Form 20, to obtain a Nebraska Sales and Use Tax Permit.

219.03A Licensed distributors are required to obtain a Nebraska sales tax permit and must collect and remit sales tax on the gross receipts derived from the sale, rental, or lease of all bingo supplies and equipment in Nebraska, except that sold for resale or sold, rented, or leased to organizations exempt as set forth in Sales and Use Tax Regulation 1-012, which have presented a properly completed Nebraska Resale or Exempt Sale Certificate, Form 13.

219.04 An individual or business applying for a distributor's license shall do so on a form prescribed by the Department. The applicant shall include with the application form the statutorily required license fee and, at a minimum, the following information:

219.04A The business name and address of the applicant and the name and address of each of the applicant's separate locations warehousing bingo equipment;

219.04B The type of ownership of the business and the name, social security number, home address, and date of birth of:

219.04B(1) If a sole proprietorship, the individual owner;

219.04B(2) If a partnership, each partner and spouse;

219.04B(3) If a limited liability company, each member and spouse; or

219.04B(4) If a corporation, each officer and spouse, each director or board member, and each individual or entity holding ten percent or more of the debt or equity of the corporation. If an entity holding ten percent or more of the debt or equity of the applicant corporation is a partnership, limited liability company, or corporation, the information required in Regulation 35-219.04B must be supplied for each partner of the partnership, each member of the limited liability company, or each officer of the corporation and every individual or entity holding ten percent or more of the debt or equity of the partnership or corporation.

219.04C A completed and notarized Personal History Record and Background Disclosure form supplied by the Department for each individual listed pursuant to Regulation 35- 219.04B, except for spouses who have completed and had notarized the Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure form; and

219.04D Two sets of fingerprints on cards supplied by the Department and the requisite fees established by the Nebraska State Patrol and the Federal Bureau of Investigation for each individual listed pursuant to Regulation 35-219.04B, except for spouses who have completed and had notarized the Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure form. Fingerprint cards and the required fees must be submitted to the Nebraska State Patrol, Criminal Identification Division.

219.05 The applicant or licensee shall notify the Department within thirty (30) days of any change in the information submitted on or with the application form. Changes must be reported in writing and the Department may require the filing of a new application.

219.05A Changes shall be confirmed by the signature of an owner, partner, member, or officer of the distributor. Any individual signing the most current application shall obligate the distributor to comply with the Nebraska Bingo Act and accompanying regulations for that licensing period.

219.06 A distributor's license shall expire on September 30 of every odd-numbered year and may be renewed biennially. An application for license renewal shall be due 45 days prior to the expiration date of the license. A distributor's license is not transferable.

219.07 A distributor is not considered licensed until it has physical possession of the printed license issued by the Department.

219.07A A distributor who has had its license lost, stolen, or destroyed must notify the Department as soon as possible. The distributor shall

send a written statement to the Department signed by an owner, officer, member, or partner confirming the loss, theft, or destruction of the license. A duplicate license will be issued for no additional fee under such circumstances.

219.07B Any individual or business licensed as a distributor pursuant to section 9-330 of the Nebraska Pickle Card Lottery Act may act as a distributor pursuant to the Nebraska Bingo Act without submitting an additional licensing fee. Such individual or business shall comply in every other respect with the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, and all rules and regulations adopted and promulgated pursuant to such Acts.

219.07C A distributor which no longer desires to be licensed shall notify the Department, in writing, of its intention to cancel its license. Such notification shall be signed by an owner, officer, member, or partner of the distributorship. A notification of cancellation shall be accompanied by the original license issued by the Department.

219.08 A licensed distributor, or any individual or business having a substantial interest therein, is prohibited from holding any other licenses issued pursuant to the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, the Nebraska Lottery and Raffle Act, or the Nebraska County and City Lottery Act, except as provided in section 9-330 of the Nebraska Pickle Card Lottery Act, and section 9-632 of the Nebraska County and City Lottery Act.

219.08A A licensed distributor, or employee or spouse of a licensed distributor, shall not have a substantial interest, as defined in Regulation 35-200.20, in any other distributor, manufacturer, licensed organization, pickle card operator, or lottery operator conducting gaming activities under the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, the Nebraska Lottery and Raffle Act, or the Nebraska County and City Lottery Act.

219.08B A licensed distributor or employee or spouse of a licensed distributor shall not participate in the operation or conduct of any kind of gaming activity regulated under Chapter 9 of the Nebraska Revised Statutes, except to the exclusive extent of his or her duties as a licensed distributor or employee thereof.

219.08C A licensed distributor shall not be connected, interested, or otherwise concerned directly or indirectly with any individual or business licensed as a manufacturer or commercial lessor.

219.09 A licensed distributor shall purchase or otherwise obtain bingo equipment only from a licensed manufacturer. A licensed distributor shall sell or otherwise provide bingo equipment only to an organization licensed to conduct bingo, a licensed commercial lessor, or a qualifying nonprofit organization which has obtained a special event bingo permit, except that a licensed distributor shall not sell or otherwise provide disposable paper bingo cards to anyone in Nebraska other than (a) a licensed organization or, (b) a qualifying nonprofit organization which has obtained a special event

bingo permit, without written authorization from the Department.

219.09A Nothing in this regulation shall be construed to prohibit a licensed distributor from selling or otherwise providing bingo equipment to:

219.09A(1) A federally recognized Indian tribe;

219.09A(2) Another distributor with prior approval by the Department; or

219.09A(3) A purchaser residing outside Nebraska provided the transaction is invoiced in the manner prescribed in Regulation 35-219.12.

219.10 The price charged by a licensed distributor for bingo equipment shall not be fixed or set by agreement among licensed distributors in any manner, either expressed or implied.

219.10A No distributor shall offer or agree to offer anything of value to any individual or licensee in exchange for an agreement or commitment by such individual or licensee to exclusively buy, sell, or use bingo equipment sold by such distributor.

219.10B No individual or licensee shall accept or agree to accept anything of value from a distributor in exchange for an agreement or commitment by such individual or licensee to exclusively buy, sell, or use bingo equipment sold by such distributor.

219.11 A licensed distributor shall not be prohibited from cutting and assembling disposable paper bingo cards into single sheet, booklet, or packet form for resale to a licensed organization or qualifying nonprofit organization which has obtained a special event bingo permit provided that such paper is manufactured by and obtained from a licensed manufacturer.

219.12 A distributor shall issue an invoice to each purchaser of bingo supplies and equipment. Each invoice shall contain the following information:

219.12A The name and complete address of the purchaser and, if the purchaser is a licensed organization, the organization's state identification number;

219.12B The name of the individual placing the order;

219.12C The date of the invoice and invoice number;

219.12D A description of the bingo supplies or equipment including serial numbers when applicable;

219.12E For all transactions involving disposable paper bingo cards and/or electronic facsimiles of bingo cards which are downloaded to a

licensed organization's site system:

219.12E(1) A complete description, including color (if applicable) of the bingo card or packet (i.e., 3 ON red booklet, 6 ON yellow booklet, 3 ON green specials, instant bingo cards, singles, doubles, triples, etc.),

219.12E(2) The quantity sold, exchanged, or returned (number of packets per case; for instant bingo cards and specials, the total number of sheets), and

219.12E(3) The serial numbers of the bingo cards or packets (if in packets, the serial number of the top sheet of the packet; for instant bingo cards, the serial number of the series);

219.12F For each organization to whom the distributor supplies bingo card monitoring devices, the number of and cost charged per device, per bingo occasion;

219.12G The price charged for the bingo supplies or equipment, applicable taxes, and the total amount to be paid, exchanged, or returned by the purchaser; and

219.12H The manner of delivery or shipment, including the name address, and telephone number of the entity with whom delivery or shipment is made.

219.13 A licensed distributor shall be required to keep the following records:

219.13A Copies of all invoices for the purchase of bingo supplies and equipment from licensed manufacturers or any other source;

219.13B Copies of all invoices for the sale, return, exchange, rental, or lease of bingo supplies and equipment to licensed organizations, commercial lessors, special event bingo permittees, federally recognized Indian tribes, and any other customers whether located within or outside this state;

219.13C Copies of all rental, lease, or other contractual agreements relating to bingo equipment or supplies between the distributor and a manufacturer, licensed organization, commercial lessor, special event bingo permittee, or any other individual or business; and

219.13D A detailed record of any bingo supplies or equipment lost, stolen, or destroyed by the distributor.

219.14 All records required by this regulation shall be maintained for a period of not less than three years from the date of the end of the licensee's fiscal year. The Department may request periodic reporting from a licensed distributor regarding any information required to be kept by this regulation.

(Sections 77-2702.06, 77-2702.08, 77-2706, and 77-2708, R.R.S. 2003. Sections 9-202, 9-207.01, 9-209, 9-212, 9-217.01, 9-224, 9-241.08, 9-241.10, 9-255.01, 9-255.07, 9-255.09, 9-330, and 9-616, R.R.S. 1997. Sections 9-1,104, 9-213, 9-214.01, 9-226, 9-230.01, 9-241.05, 9-255.08, 77-2702.16, 77-2703, 77-2704.11, 77-2704.12, 77-2704.15, and 77-2705, R.S.Supp., 2002. Sections 9-204, 9-204.01, and 9-204.04, R.S.Supp., 2004. September 5, 2005.)

REG-35-220 MANUFACTURER OF BINGO EQUIPMENT: LICENSE; REQUIREMENTS; AND DUTIES

220.01 Any individual or business which manufactures bingo equipment and intends to sell, rent, lease, or otherwise provide such equipment in this state, must first obtain a manufacturer's license from the Department. A manufacturer's license shall not be required of:

220.01A An individual or business which manufactures or intends to sell only bingo supplies such as ink daubers, chips, tape, or glue sticks; or

220.01B An individual or business which manufactures electronic equipment which is not an integral part of the conduct of bingo such as television monitoring systems, computer terminals or printers, or cash registers.

220.02 A manufacturer's license shall only be issued to those applicants doing business in Nebraska or authorized to do business in Nebraska.

220.02A Authorization to do business in Nebraska requires:

220.02A(1) A domestic corporation to file Articles of Incorporation with the Nebraska Secretary of State's office;

220.02A(2) A domestic limited liability company to file Articles of Organization with the Nebraska Secretary of State's office;

220.02A(3) A foreign corporation or foreign limited liability company to obtain a certificate of authority to transact business in Nebraska from the Nebraska Secretary of State's office or to become domesticated by filing the required documents with the Nebraska Secretary of State's office and paying any required fees; or

220.02A(4) A domestic partnership, foreign partnership, or limited liability partnership to file any forms that may be required by the Nebraska Secretary of State's office.

220.02B Applicants seeking a manufacturer's license and who intend to be engaged in business in this state as defined in section 77-2702.06 of the Nebraska Revised Statutes, as amended, shall also submit a Nebraska Tax Application, Form 20, to obtain a Nebraska Sales and Use Tax Permit.

220.02B(1) A licensed manufacturer engaged in business in this state as defined in section 77- 2702.06 may accept a properly completed Resale Certificate, Section A, of the Nebraska Resale and Exempt Sale Certificate, Form 13, from a licensed distributor in Nebraska, in lieu of charging and collecting sales tax from the distributor.

220.03 An individual or business shall apply for and obtain a manufacturer's license from the Department prior to supplying any bingo equipment in this state, or engaging in any interstate activities relating to such bingo equipment. The applicant shall include with the application form prescribed by the Department the statutorily required license fee and, at a minimum, the following information:

220.03A The business name and address of the applicant and the name and address of each of the applicant's separate locations at which manufacturing, warehousing, selling, or promotion of bingo equipment occurs;

220.03B The type of ownership of the business and the name, social security number, home address, and date of birth of:

220.03B(1) If a sole proprietorship, the individual owner;

220.03B(2) If a partnership, each partner and spouse;

220.03B(3) If a limited liability company, each member and spouse;

220.03B(4) If a corporation, each officer and spouse, each director or board member, and each individual or entity holding ten percent or more of the debt or equity of the corporation. If an entity holding ten percent or more of the debt or equity of the applicant corporation is a partnership, limited liability company, or corporation, the information required in Regulation 35-220.03B must be supplied for each partner of the partnership, each member of the limited liability company, or each officer of the corporation and every individual or entity holding ten percent or more of the debt or equity of the partnership or corporation.

220.03C If the applicant is not a resident or a corporation, the full name, business address, and home address of an individual who is a resident of and living in this state who is 19 years of age or older, to act as the manufacturer's resident agent for the purpose of receipt and acceptance of service of process and other communications on behalf of the manufacturer;

220.03D Upon request, a list of all Nebraska licensed distributors in which the applicant has some financial interest and the details of such interest. For purposes of this regulation, financial interest shall include, among all other interests, any indebtedness from the applicant to another individual or business or from another individual or business to

the applicant in excess of \$500.00;

220.03E A completed and notarized Personal History Record and Background Disclosure form supplied by the Department for each individual listed pursuant to Regulation 35- 220.02B except for spouses who have completed and had notarized the Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure form; and

220.03F Two sets of fingerprints on cards supplied by the Department and the requisite fees established by the Nebraska State Patrol and Federal Bureau of Investigation for each individual listed pursuant to Regulation 35- 220.02B, except for spouses who have completed and had notarized the Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure form. Fingerprint cards and the required fees must be submitted to the Nebraska State Patrol, Criminal Identification Division.

220.04 The applicant or licensee shall notify the Department within thirty (30) days of any change in the information submitted on or with the application form.

220.04A Changes must be reported in writing, and the Department may require the filing of a new application.

220.04B Changes shall be confirmed by the signature of an owner, officer, member, or partner of the manufacturer.

Any individual signing the most current application shall obligate the licensee to comply with the Nebraska Bingo Act and accompanying regulations for that licensing period.

220.05 A manufacturer's license shall expire on September 30 of every odd-numbered year and may be renewed biennially. An application for license renewal shall be due 45 days prior to the expiration date of the license. A manufacturer's license is not transferable.

220.06 A manufacturer is not considered licensed until it has physical possession of the printed license issued by the Department.

220.06A A manufacturer which has had its license lost, stolen, or destroyed must notify the Department as soon as possible. The manufacturer shall send a written statement to the Department signed by an owner, officer, member, or partner confirming the loss, theft, or destruction of the license. A duplicate license will be issued for no additional fee under such circumstances.

220.06B Any individual or business licensed as a manufacturer pursuant to section 9-332 of the Nebraska Pickle Card Lottery Act may act as a manufacturer pursuant to the Nebraska Bingo Act without submitting an additional licensing fee. Such individual or business shall comply in every other respect with the Nebraska Bingo Act, the Nebraska Pickle

Card Lottery Act, and all rules and regulations adopted and promulgated pursuant to such Acts.

220.06C A manufacturer which no longer desires to be licensed shall notify the Department, in writing, of its intention to cancel its license. Such notification shall be signed by an owner, officer, member, or partner of the manufacturer. A notification of cancellation shall be accompanied by the original license issued by the Department.

220.07 A licensed manufacturer, or any person having a substantial interest therein, is prohibited from holding any other licenses issued pursuant to the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, the Nebraska Lottery and Raffle Act, or the Nebraska County and City Lottery Act, except as provided in section 9-332 of the Nebraska Pickle Card Lottery Act, and section 9-632 of the Nebraska County and City Lottery Act.

220.07A A licensed manufacturer or employee or spouse of a licensed manufacturer shall not have a substantial interest, as defined in Regulation 35-200.20, in any other manufacturer, distributor, manufacturer-distributor, licensed organization, or lottery operator conducting gaming activities under the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, the Nebraska Lottery and Raffle Act, or the Nebraska County and City Lottery Act.

220.08 A licensed manufacturer or employee or spouse of a licensed manufacturer shall not participate in the operation or conduct of any kind of gaming activity regulated under Chapter 9 of the Nebraska Revised Statutes, except to the exclusive extent of his or her duties as a licensed manufacturer or employee thereof.

220.09 Unless specifically authorized by the Department, a licensed manufacturer shall not sell or otherwise provide bingo equipment in Nebraska to anyone other than a licensed distributor. Nothing in this regulation shall be construed to prohibit a licensed manufacturer from:

220.09A Selling or otherwise providing bingo equipment to a federally recognized Indian tribe; or

220.09B Selling or otherwise providing bingo equipment, excluding disposable paper bingo cards, to a qualifying nonprofit organization conducting special event bingo as defined in Regulation 35-222.

220.10 The price charged by a licensed manufacturer for bingo equipment shall not be fixed or set by agreement among licensed manufacturers in any manner, either expressed or implied.

220.10A No manufacturer shall offer or agree to offer anything of value to any individual or licensee in exchange for an agreement or commitment by such individual or licensee to exclusively buy, sell, or use bingo equipment sold by such manufacturer.

220.10B No individual or licensee shall accept or agree to accept anything of value from a manufacturer in exchange for an agreement or commitment by such individual or licensee to exclusively buy, sell, or use bingo equipment sold by such manufacturer.

220.11 A licensed manufacturer shall not be connected, interested, or otherwise concerned directly or indirectly with any individual or business licensed as a distributor or commercial lessor.

220.12 No manufacturer shall affix to any bingo supply or equipment any statement indicating any endorsement of that particular bingo supply or equipment by the State of Nebraska, the Department, or any division thereof. Additionally, no other statement indicating any such endorsement shall be made verbally or in writing.

220.13 Only a licensed manufacturer shall produce by assembling from raw materials or subparts a whole or partial piece of bingo equipment.

220.13A Nothing in this regulation shall prohibit a licensed manufacturer, with prior approval by the Department, from subcontracting services with an individual or business to assemble, manufacture, produce, make, print, convert, or modify bingo equipment to be used in a bingo game regulated by the Nebraska Bingo Act; however, the Department may require such subcontracting entity to first apply for and obtain a manufacturer's license. This shall include, but not be limited to:

220.13A(1) The printing of disposable paper bingo cards and the printing and assembly of hard bingo cards or shutter cards;

220.13A(2) The placing of face numbers, serial numbers, or sequential numbers on any disposable paper bingo card, hard card, or shutter card;

220.13A(3) The development or modification of any proprietary computer program which is used in and is an integral part of a bingo card monitoring device, site system, or host system to conduct or play bingo; and

220.13A(4) The manufacturing of bingo balls or the printing of numbers or colors on such balls.

220.13B For purposes of this regulation, day-to-day maintenance or upkeep of bingo equipment such as replacing a light bulb or electrical plug, inserting or removing balls from a blower machine, or other routine maintenance conducted by the licensed organization shall not be prohibited.

220.13C Nothing in this regulation shall be construed to prohibit:

220.13C(1) A licensed distributor from obtaining disposable bingo paper from a licensed manufacturer and cutting and assembling such paper into booklets, packets, or single sheets, for resale to licensed organizations; or

220.13C(2) The conversion of an electronic facsimile of a bingo card by a licensed organization's site system to a printout containing the cards and corresponding face numbers loaded into a bingo card monitoring device.

220.14 A manufacturer shall issue an invoice for each transaction involving bingo supplies or equipment. The invoice shall contain the following information:

220.14A The name and complete address of the purchaser;

220.14B The date of the invoice and an invoice number;

220.14C A complete description of the bingo supply or equipment, including the serial number (if applicable) and for all transactions involving disposable paper bingo cards:

220.14C(1) A complete description, including color, of the bingo card or packet (e.g., 3 ON Red booklet, 6 ON Blue booklet, 3 ON Green specials, instant bingo cards in singles, doubles, triples, etc.);

220.14C(2) The quantity sold, returned, or exchanged (e.g., number of packets per case, or total number of sheets for instant bingo cards and specials); and

220.14C(3) The serial numbers of the bingo cards or packets (if in packets, the serial number of the top sheet of the packet; for instant bingo cards, the serial number of the series);

220.14D The price charged for the bingo supply or equipment and the total amount to be paid, exchanged, or returned by the distributor; and

220.14E The manner of delivery or shipment, including the name of the individual, firm, or corporation with whom shipment or delivery is made.

220.15 A licensed manufacturer must receive Departmental approval, prior to offering for resale in Nebraska, for any type of bingo card which does not comply with or which has additional features to those described in Regulation 35-200.09C(1) or 35- 200.09C(2). Approval by the Department shall be based upon, but not limited to, the manufacture, assembly, and packaging of the bingo cards and any other specifications imposed by the Nebraska Bingo Act or regulations.

220.16 A licensed manufacturer shall be required to keep the following records:

220.16A Copies of all invoices for the sale, return, exchange, rental, or lease of bingo supplies and equipment to licensed distributors and any other individual or business located in this state; and

220.16B Copies of all rental, lease, or other contractual agreements relating to bingo supplies and equipment between the manufacturer and a licensed distributor or any other individual or business in this state.

220.17 All records required by this regulation shall be maintained for a period of not less than three years from the last day of the manufacturer's fiscal year. The Department may request periodic reporting from a licensed manufacturer regarding any information required to be kept by this regulation.

(Sections 77-2702.06, 77-2702.08, 77-2702.16, 77-2704.11, 77-2705, 77-2706, and 77-2708, R.R.S. 2003. Sections 9-202, 9-207.01, 9-209, 9-212, 9-217.01, 9-224, 9-241.07, 9-241.08, 9-255.01, 9-255.07, 9-255.09, 9-255.10, 9-332, and 9-616, R.R.S. 1997. Sections 9-1,104, 9-204, 9-204.01, 9-204.04, 9-213, 9-214.01, 9-226, 9-230.01, 9-241.10, 9-255.08, 77-2703, 77-2704.12, and 77-2704.15, R.S.Supp., 2004. September 5, 2005.)

REG-35-221 BINGO CARD MONITORING DEVICES

221.01 Bingo card monitoring devices and site system software shall be sold, rented, leased, or otherwise provided in this state only by a licensed manufacturer. Licensed manufacturers shall sell, rent, lease, or otherwise provide such equipment only to a licensed distributor.

221.01A The price which a licensed manufacturer may charge a licensed distributor for the sale, rental, lease, or other use of a bingo card monitoring device, site system, or the electronic facsimiles of bingo cards downloaded to bingo card monitoring devices shall not be based upon a percentage of the bingo gross receipts of any licensed organization.

221.01B A copy of any contractual agreement between a licensed manufacturer and a licensed distributor relative to the marketing of the manufacturer's equipment in this state shall be provided to the Department.

221.02 No bingo card monitoring device or site system software shall be sold, rented, leased, or otherwise provided to any individual, business, or organization in this state for use in a bingo game conducted pursuant to the Nebraska Bingo Act unless and until such device and system software have been approved by the Department.

221.02A Approval of a bingo card monitoring device or site system software will be based upon conformance with the requirements contained in this regulation and testing criteria established by the Charitable Gaming Division.

221.03 A licensed manufacturer seeking approval of a bingo card monitoring device or site system software may be required to submit a prototype of the device or system software to the Department for testing and review. Pursuant to the Nebraska Bingo Act, the manufacturer shall be responsible for the actual costs of testing and examining bingo card monitoring devices and site system software.

221.03A Once approved, any subsequent hardware or software modifications must be preapproved by the Department. At the Department's discretion, such modifications may be subject to additional testing.

221.04 Each bingo card monitoring device which requires a site system to download electronic facsimiles of bingo cards into the device shall have a unique identification number coded into the device's software or otherwise assigned and protected, such as by password, so that such number can only be changed by the manufacturer. Such identification number must be communicated from the device to the site system whenever the device is connected to the site system, and printed on all transaction logs, including the player's receipt. Manual input of a device identification number into the site system or on any transaction log or receipt is prohibited.

221.05 Each bingo card monitoring device shall be programed to automatically erase all bingo cards and/or bingo card face numbers stored in the device (a) upon turning off the device after the last bingo game of the occasion has been played or upon placing the device into a charging unit, and (b) by some secondary timing method established by the manufacturer and approved by the Department.

221.06 No bingo card monitoring device shall be equipped to allow bingo players the ability to design their own bingo cards by choosing, rearranging, or placing numbers on a card.

221.07 A site system shall not be able to engage in any type of sale, void, or reload transaction unless a bingo card monitoring device is connected to and communicating with the site system.

221.08 A site system supplied for use in Nebraska must have the capability to restrict no more than 72 bingo card faces per bingo game from being downloaded into any one bingo card monitoring device.

221.08A The site system must also be interfaced with a printer which produces a hard copy transaction log and a receipt for the player. All electronic facsimiles of bingo cards downloaded to bingo card monitoring devices shall comply in every respect with Section 9-204.01 of the Nebraska Bingo Act and Nebraska Bingo Regulation 35-209.

In addition, the hard copy transaction log must provide the following information:

221.08A(1) The organization's name; 221.08A(2) The organization's Nebraska State Identification Number;

221.08A(3) The date and time of each transaction;

221.08A(4) The bingo card monitoring device identification number related to each transaction;

221.08A(5) The price and number of bingo cards and/or packets loaded into each device; and

221.08A(6) The dollar amount of the sale of bingo cards for each transaction.

The site system must also produce a summary report after each bingo occasion which includes all of the information required by Regulation 35-221.32.

221.08B A receipting function for bingo cards must be self-contained within the site system and must record and print out, on a copy which is given to the player, the following information:

221.08B(1) The organization's name;

221.08B(2) The organization's Nebraska State Identification Number;

221.08B(3) The bingo occasion site (location);

221.08B(4) A sequential transaction or receipt number;

221.08B(5) The bingo card monitoring device identification number (Which cannot be manually entered);

221.08B(6) The date and time of the transaction;

221.08B(7) The total number of bingo cards purchased and the price per card or packet of electronic facsimiles of bingo cards; and

221.08B(8) The series of electronic facsimiles of bingo cards.

221.09 Either the site system or a bingo card monitoring device shall be able to provide the winning game patterns required for the entire bingo occasion. A printout or electronic display of the winning patterns must be available upon demand at the bingo occasion, if requested by Department personnel.

221.10 If the Department detects or discovers any malfunction or problem with a bingo card monitoring device or site system that could affect the security or integrity of the bingo game, the bingo card monitoring devices, or the site system, the Department may direct the manufacturer, distributor, or licensed organization to cease providing or using the bingo card monitoring devices or site system, as applicable. The Department may

require the manufacturer to correct the problem or recall the devices or system immediately upon notification by the Department to the manufacturer. Failure to take the corrective action requested may result in the seizure of the devices and/or site system.

221.10A If a manufacturer, distributor, or licensed organization detects or discovers any malfunction or problem with the bingo card monitoring devices or site system which could affect the security or integrity of the bingo game, bingo card monitoring devices, or site system, the manufacturer, distributor, or licensed organization, as applicable, shall discontinue use of the devices or site system and notify the Department by telephone by the next working day of such action and the nature of the problem detected. The Department may request further explanation in writing if deemed necessary.

221.11 A licensed distributor shall purchase, rent, lease, or otherwise obtain bingo card monitoring devices and site system software only from a manufacturer licensed by the Department. A licensed distributor shall sell, rent, lease, or otherwise provide only bingo card monitoring devices and site system software which have been approved by the Department.

221.12 A licensed distributor shall sell, rent, lease, or otherwise provide bingo card monitoring devices and site system software in this state only to an organization holding a Class I or Class II bingo license.

221.12A Bingo card monitoring devices and site system software shall not be sold, rented, leased, or otherwise provided to a licensed commercial lessor or special event bingo permittee.

221.13 Before the initial use of any bingo card monitoring devices or site system software by a licensed organization, the licensed distributor must notify the Department in writing of the sale, rental, lease, providing, and/or installation of any such devices or software. Such notification shall include:

221.13A The complete name and address of the licensed organization and its state identification number;

221.13B The type of equipment (including serial numbers) sold, rented, leased, provided, or installed;

221.13C The expected start-up date for use of the equipment by the licensed organization; and

221.13D A copy of the sale/purchase, rental, or lease agreement between the licensed distributor and the licensed organization for the equipment. Such agreement shall be in writing and shall not be based upon a percentage of the licensed organization's bingo gross receipts. All sale/purchase, rental and lease agreements shall be subject to approval by the Department.

221.14 The licensed distributor shall serve as the initial contact for the licensed organization with respect to requests for installation, service,

maintenance, or repair of bingo card monitoring devices and site systems, and for the ordering of the electronic facsimiles of bingo cards to be downloaded to the organization's site system, if applicable. The distributor may, as needed, enlist the aid of the licensed manufacturer in providing service, repair, or maintenance of the devices or site system.

221.14A A licensed manufacturer may, with Departmental approval, authorize or subcontract with an individual or business to service, maintain, or repair bingo card monitoring devices and/or site systems; however, the ultimate liability for such service, maintenance, or repair shall be solely that of the licensed manufacturer.

221.15 The licensed distributor shall invoice the licensed organization and collect any and all payments for the sale of electronic facsimiles of bingo cards, and the sale, rental, lease, or other use of bingo card monitoring devices and site systems.

221.15A The distributor may, at its discretion, allow the licensed manufacturer to generate the invoice; however, all payments by the licensed organization must be remitted directly to the distributor. The licensed distributor must insure that its name, complete address, and telephone number appear on the invoice as well as the name, complete address, and state identification number of the licensed organization.

221.16 Bingo card monitoring devices and site systems may be transported by a licensed distributor, gaming manager, bingo chairperson, or alternate bingo chairperson from one premises to another for use by more than one licensed organization.

221.17 A licensed organization shall purchase, rent, lease, or otherwise obtain bingo card monitoring devices and site system software only from a Nebraska licensed distributor.

221.17A A licensed organization may obtain computer terminals and/or printers to be used in conjunction with its site system software from any source.

221.18 Bingo card monitoring devices shall be rented, leased, or otherwise provided to bingo players only by the licensed organization conducting the bingo occasion, and only at the time and place of the bingo occasion. A bingo player using a bingo card monitoring device must be physically present on the premises during the time of the bingo occasion in order to be eligible to play bingo or win any bingo prize.

221.18A The use of a player-owned bingo card monitoring device at a bingo occasion conducted pursuant to the Nebraska Bingo Act is prohibited. A player may utilize only a bingo card monitoring device which has been obtained from the licensed organization conducting the bingo occasion.

221.19 Bingo card monitoring devices shall be made available to players on a first-come, first-serve basis. No device may be reserved for any player,

except that a device may be reserved for any player with a disability that would restrict his or her ability to mark cards and where such disability is consistent with definitions set forth in the Americans with Disabilities Act.

221.19A Regardless of the number of bingo card monitoring devices made available for play, at least one device shall be reserved by the licensed organization as a back-up device, in the event a device in play malfunctions.

221.20 No bingo player shall be allowed to utilize more than one bingo card monitoring device at any time during a bingo occasion.

221.20A A licensed organization may, at its discretion, allow two or more players to share the same bingo card monitoring device provided the device is not loaded with more than 72 bingo card faces per bingo game.

221.20B A licensed organization may establish a house rule prohibiting the sharing of a single bingo card monitoring device by more than one player.

221.21 No person shall be permitted to load a bingo card monitoring device with more than 72 bingo card faces per game. No bingo player shall be permitted to use a bingo card monitoring device to monitor more than 72 bingo cards per game. A bingo card monitoring device cannot be used to monitor hard bingo cards or shutter cards. A bingo card monitoring device may only be used to monitor electronic facsimiles of bingo cards or disposable paper bingo cards.

221.22 A licensed organization shall not permit a bingo player to choose or reject any bingo cards which are sold in conjunction with a bingo card monitoring device.

221.23 At the licensed organization's discretion, a bingo player may, in addition to the maximum 72 bingo cards per game which he or she purchases to monitor with a bingo card monitoring device, purchase additional bingo cards to play without the aid of a bingo card monitoring device.

221.23A The type of additional bingo cards which can be sold to players shall be determined by the class of bingo license held by the licensed organization conducting the bingo occasion.

221.23A(1) Class II bingo licensees may sell only disposable paper bingo cards as additional cards to be played without the assistance of a bingo card monitoring device.

221.23A(2) Class I bingo licensees may sell either disposable paper bingo cards, hard cards, or shutter cards as additional cards to be played without the assistance of a bingo card monitoring device.

221.24 Only a bingo worker of the licensed organization shall download electronic facsimiles of bingo cards into a bingo card monitoring device or enter disposable paper bingo card face numbers into any such device. Such downloading or entering shall be done only:

221.24A Upon payment for the cards by the player. The preloading of any cards into a bingo card monitoring device before payment is received from the player utilizing the device at the bingo occasion, is prohibited;

221.24B On the premises of the licensed organization's bingo occasion; and

221.24C During the time of the bingo occasion.

221.25 A licensed organization utilizing bingo card monitoring devices must clearly post a sign in the vicinity of the cashier advising players to (a) verify that the face numbers entered into the device which they are utilizing match the face numbers of the disposable paper which they have purchased, or (b) verify that the number of electronic facsimiles of bingo cards downloaded into the device corresponds to the number of cards they purchased. Such sign shall also advise the players that any errors in the entering or downloading of the bingo cards into a bingo card monitoring device must be corrected by a bingo worker before the calling of the first number of the first bingo game, and that any "bingo" achieved on a face number entered in error shall be deemed invalid.

221.26 A licensed organization utilizing bingo card monitoring devices which require a site system to download electronic facsimiles of bingo cards into bingo card monitoring devices must ensure that the bingo cards downloaded to bingo card monitoring devices are of a different series than any disposable paper bingo cards sold for play with or without the use of bingo card monitoring devices, in order to avoid duplication of faces in play.

221.27 A licensed organization utilizing bingo card monitoring devices which are used in conjunction with disposable paper bingo cards which are NOT printed by a site system must ensure that the disposable paper bingo cards used with such devices are of a unique color, either by screen face or by border, and not sold by the organization for use other than with a bingo card monitoring device. In addition, the licensed organization must:

221.27A Stamp the filler sheet or last page of each disposable paper bingo card packet and each single sheet of disposable paper bingo cards with the date of the bingo occasion at which it is sold; and

221.27B Advise the player that the filler sheet must remain attached to the packet and that any "bingo" obtained on an undated packet or single sheet or packet without the filler sheet attached will not be valid.

221.28 A licensed organization may, at its discretion, require a player to purchase a minimum number of electronic facsimiles of bingo cards or

disposable paper bingo cards in order to utilize a bingo card monitoring device; however, the price that a licensed organization may charge a player for bingo cards used in conjunction with a bingo card monitoring device shall be the same as the price charged by the organization for bingo cards played without the use of such a device.

221.28A Both Class I and Class II bingo licensees utilizing bingo card monitoring devices which require a site system to download electronic facsimiles of bingo cards into bingo card monitoring devices shall comply with Nebraska Bingo Regulation 35-209.05 with respect to submitting a bingo card price structure to the Department, and reporting any subsequent changes to that structure.

221.29 A licensed organization may, at its discretion, charge a separate fee to players for the use of a bingo card monitoring device; however, if an organization charges a separate fee for the use of a bingo card monitoring device:

221.29A The fee charged must be a flat fee, regardless of the number of bingo cards purchased or any other factor;

221.29B The fee must be separately stated on the cash register and bingo player's receipt;

221.29C The fee shall be included in determining the bingo gross receipts; and

221.29D The amount of the fee shall be subject to sales tax.

221.30 The sale of all disposable paper bingo cards used in conjunction with a bingo card monitoring device, by either a Class I or Class II bingo licensee, must be receipted through a cash register. Such receipt must be displayed by each player at all times during the bingo occasion, and verified as correct and current by a bingo worker any time a "bingo" is declared by a player.

221.30A Additional disposable paper bingo cards sold by a Class II bingo licensee which will not be used in conjunction with a bingo card monitoring device must be receipted as required by the Nebraska Bingo Act and accompanying regulations and, in addition, the cash register and player's receipt must identify and show the sale of additional disposable paper bingo cards separately from the disposable paper bingo cards which are sold in conjunction with a bingo card monitoring device.

221.31 The numbers appearing on a bingo card identified by a bingo card monitoring device as a winning bingo card must be verified by a bingo worker at the time the winner is determined and prior to prize(s) being awarded in order to insure that the numbers on the bingo card identified in fact have been drawn from the receptacle.

221.31A The verification shall be done by a bingo worker in the immediate presence of at least one neutral player by verbally

announcing either:

221.31A(1) The numbers of the winning bingo pattern; or

221.31A(2) The winning bingo card's face number for entry into an electronic bingo verifier.

221.31B The bingo worker shall also verify that:

221.31B(1) The winning bingo card face number appearing on the bingo card monitoring device matches a face number of the disposable paper bingo card(s) purchased by the player to be monitored by the device (when applicable);

221.31B(2) The game number on the bingo card monitoring device which has signaled a winning bingo pattern matches the number of the bingo game which was actually being played;

221.31B(3) The filler sheet or last page is attached if play is on a disposable paper bingo card packet not used in conjunction with a bingo card monitoring device, and the date of the current bingo occasion is stamped on the filler sheet or, in the case of a single sheet, on the winning single sheet;

221.31B(4) The player has marked or daubed the winning pattern on the appropriate winning disposable paper bingo card (when applicable); and

221.31B(5) The serial number of the disposable paper bingo card with the winning bingo pattern matches the serial number of the disposable paper bingo cards sold by the licensed organization at that particular bingo occasion.

221.32 Once the last game of the bingo occasion has been completed, the gaming manager shall print a bingo occasion summary report on the site system detailing the following information:

221.32A The organization's name;

221.32B The organization's Nebraska State Identification Number;

221.32C The date and time of report;

221.32D The total number of electronic facsimiles of bingo cards loaded for the bingo occasion;

221.32E The total number and description of packets sold;

221.32F The total number of voided transactions to include the dollar amount;

221.32G The total number of reloaded electronic facsimiles of bingo cards; and

221.32H The gross receipts or total sales for the occasion.

221.33 At the conclusion of each occasion, all bingo transaction data recorded by the site system shall be copied and saved to floppy disk, tape, or other removable medium and stored at a location other than the location of the bingo occasion. Such information shall be retained for a period of not less than three years from the date of the bingo occasion.

(Sections 9-202, 9-207.01, 9-209, 9-224, 9-255.01, 9-255.07, 9-255.09, and 9-255.10, R.R.S. 1997. Sections 9-204, 9-204.01, 9-204.04, 9-213, 9-214.01, 9-226, 9-241.05, 9-241.10, and 9-255.08, R.S.Supp., 2004. September 5, 2005.)

REG-35-222 SPECIAL EVENT BINGO: ELIGIBILITY; CONDUCT; AND RESTRICTIONS

222.01 Special event bingo means the conduct of bingo games in conjunction with a special event at which bingo is not the primary reason or function for the event such as, but not limited to, a town celebration or a school fun night. Qualifying nonprofit organizations conducting bingo pursuant to a special event bingo permit issued by the Department shall be exempt from the licensing, record keeping, reporting, and bingo tax requirements that otherwise apply to bingo conducted by Class I and Class II bingo licensees.

222.02 A Class I or Class II bingo licensee is not eligible to obtain a special event bingo permit. To qualify for a special event bingo permit, an organization must:

222.02A Be a nonprofit organization or a nonprofit corporation which holds a certificate of exemption under section 501 of the Internal Revenue Code, or be an organization whose major activities, exclusive of conducting gaming activities, are conducted for charitable or community betterment purposes; and

222.02B Have been in existence in Nebraska for at least five years prior to submitting the application.

222.03 A qualifying nonprofit organization must apply for a special event bingo permit on a form prescribed by the Department and be issued the permit prior to conducting special event bingo. An application for a special event bingo permit must be submitted to the Department along with the statutorily required permit fee, at least ten (10) days prior to the desired starting date of the special event bingo. The application shall contain, at a minimum, the following information:

222.03A The organization's name, federal and state identification numbers if applicable, complete location address including the county in which the organization is located and, if different from the location address, the organization's complete mailing address;

222.03B The number of years the organization has been in existence in Nebraska;

222.03C An indication of whether or not the organization is exempt under section 501 of the Internal Revenue Code and:

222.03C(1) If the organization is exempt under section 501 of the Internal Revenue Code, a copy of the organization's exemption determination letter or an indication of the group exemption number issued by the Internal Revenue Service; or

222.03C(2) If the organization is not exempt under section 501 of the Internal Revenue Code, a brief explanation of the purpose for which the organization was created, a copy of the organization's Articles of Incorporation or bylaws, and examples of the types of activities conducted by the organization;

222.03D A brief description of the special event at which bingo is to be conducted;

222.03E An indication as to whether individuals under 18 years of age will be permitted to play bingo;

222.03F The location name and complete address where the special event bingo is to be conducted;

222.03G The date(s) and beginning and ending times of the special event bingo;

222.03H The name, complete address, and telephone number of a member of the organization who will be in charge of the special event bingo; and

222.03I The signature, title, and telephone number of an officer of the organization.

222.04 There are no time restrictions on the length of a particular special event bingo session; however, a qualifying nonprofit organization may be issued only two special event bingo permits per calendar year for an aggregate total of not more than fourteen calendar days. A separate permit fee must be submitted for each special event bingo.

222.04A The qualifying nonprofit organization may use all fourteen days for one special event bingo but, in doing so, would not be eligible for a second special event bingo permit within the same calendar year.

222.04B In the event that a special event bingo begins in one calendar year and extends into the next, the beginning date stated on the special event bingo permit shall be the determining factor as to which year the permit and number of days of the special event bingo shall be attributed to.

222.05 Special event bingo is subject to the following restrictions:

222.05A Bingo cannot be the primary function of the special event;

222.05B It must be conducted within the county in which the qualifying nonprofit organization has its principal office;

222.05B(1) For purposes of this regulation, principal office means the place where the principal affairs and business of the qualifying nonprofit organization are transacted, including where the officers and members assemble to discuss and transact the business of the organization, where its meetings are held, and generally where the organization's records are kept.

222.05C The qualifying nonprofit organization must post the special event bingo permit issued by the Department at the location where bingo is to be conducted. The permit must be located so that it can be reasonably seen by participants;

222.05D There are no age restrictions for the playing of special event bingo; however, all individuals assisting with the operation or conduct of bingo must be at least 18 years of age. This would include individuals selling or distributing bingo cards, acting as a floor worker to verify or pay winners, the bingo caller, and any individual supervising the bingo activity. It would not include concession workers who may be working at the special event bingo.

222.05D(1) Special event bingo workers must be volunteers who receive no wage, commission, or salary for working at the special event bingo occasion except that nothing in this regulation shall prohibit a qualifying nonprofit organization from providing special event bingo workers with free concession items such as soft drinks or other food items of a minimal value to be consumed immediately before, during, or after the special event bingo, as a reward for volunteering as workers;

222.05E If individuals under 18 years of age are permitted by the qualifying nonprofit organization to play bingo, no alcoholic beverages shall be served, sold, or consumed in the immediate vicinity of the special event bingo game;

222.05F Only traditional 75-number reusable hard bingo cards, shutter cards, or disposable paper bingo cards can be used to conduct special event bingo;

222.05G Bingo cards cannot be sold, rented, or leased to players for more than twenty-five cents per card. At the qualifying nonprofit organization's discretion, players may be permitted to purchase more than one bingo card per game or per occasion. In addition, at the qualifying nonprofit organization's discretion, the twenty-five cent limitation may be applied as follows:

222.05G(1) Twenty-five cents per card for each individual bingo game; or

222.05G(2) Twenty-five cents per card to play all bingo games of the occasion; and

222.05H No single bingo prize offered or awarded, whether cash or merchandise, shall exceed \$25.00 in value. Bingo prizes are also subject to the following:

222.05H(1) Prizes may only be items which can be legally owned and possessed;

222.05H(2) Merchandise awarded as a bingo prize shall be valued at its fair market value and shall not be redeemable or convertible into cash directly or indirectly by the qualifying nonprofit organization. Fair market value means the price that one would normally pay for an item in an arm's length transaction with a retail business; and

222.05H(3) Gift certificates to be awarded as prizes are to be valued at their face value.

222.06 A qualifying nonprofit organization conducting special event bingo may obtain the equipment necessary to conduct bingo, except for disposable paper bingo cards, from any source, including, but not limited to, a licensed manufacturer, a licensed distributor, or a Class I or Class II bingo licensee. Disposable paper bingo cards may be obtained only from a licensed distributor or, upon receiving specific authorization from the Department, from a Class I or Class II bingo licensee. A qualifying nonprofit organization may also conduct special event bingo utilizing a bingo game set obtained from a retail store.

222.06A Within ten (10) days of the conclusion of the special event bingo, the qualifying nonprofit organization shall notify the Department, in writing, regarding the disposition of any unused disposable paper bingo cards.

222.06B If the organization does not intend to conduct a future special event bingo, it may (a) attempt to return any unused disposable paper bingo cards to the licensed distributor from whom they were purchased; (b) obtain permission from the Department to sell or donate the unused disposable paper bingo cards to another special event bingo permittee or to a licensed Class I or Class II bingo licensee, or (c) relinquish possession of the unused disposable paper bingo cards to the Department.

222.07 The gross receipts from the conduct of a special event bingo must be used solely for the awarding of prizes and expenses associated with the special event bingo. Any remaining profit must be used solely for a charitable or community betterment purpose as provided in Nebraska Bingo Regulation 35- 203.

(Sections 9-202, 9-204, 9-209, 9-215.01, 9-217, 9-217.01, 9-224, 9-241.02, 9-241.03, 9-241.06, 9-241.07, 9-241.08, 9-255.01, and 9-255.10, R.R.S. 1997. Sections 9-214.01, 9-226, 9-230.01, 9-241.05, and 9-255.08, R.S.Supp., 2002. November 12, 2002.)

REG-35-223 PRORATION AND REFUND OF LICENSE FEES

223.01 The fees paid pursuant to the Nebraska Bingo Act for any license issued to a manufacturer, distributor, nonprofit organization, volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad, utilization of funds member, gaming manager, or commercial lessor are due in full for the biennial licensing period. A license fee may be prorated or refunded by the Department on an annual basis under the following circumstances:

223.01A If a new application is received by the Department for a license which will become effective on or after October 1 of the second year of the biennial licensing period, the applicable license fee shall be one-half of the biennial fee.

223.01B If a new application is received by the Department for a license which will become effective prior to October 1 of the second year of the biennial licensing period, no proration of the license fee shall be allowed.

223.01C No license fee may be refunded for any portion of the licensing period in which a license was not used unless otherwise authorized by the Department.

223.01D If an application to downgrade a Class II license to a Class I license for the second year of the biennial licensing period is received and approved by the Department prior to October 1 of the second year of the biennial licensing period, such license may be downgraded; however, no portion of the Class II license fee shall be refunded unless otherwise authorized by the Department.

223.01E In the event a license issued pursuant to the Nebraska Bingo Act is suspended, cancelled, or revoked by the Department, no portion of the license fee shall be refunded unless otherwise authorized by the Department.

223.01F In the event a license application is denied and a temporary license was issued to the applicant prior to the effective date of the license application denial, one-half of the biennial license fee paid by the applicant may be refunded, provided the effective date of the license application denial is prior to October 1 of the second year of the biennial licensing period. In the event a license application is denied and a temporary license was not issued or a license application is withdrawn, the license fees paid by the applicant may be refunded.

223.01F(1) In the case of a manufacturer or distributor, the Department may apply the portion of any license fee to be refunded

to any amount owed by the licensee or applicant with respect to a background investigation or facility inspection conducted by the Department.

223.01G Upon the death of a person licensed as a utilization of funds member or gaming manager, or in the event any such licensee becomes disabled in such a manner as to render him or her unable to perform or fulfil his or her duties as a utilization of funds member or gaming manager, a licensed organization may submit an application to replace the utilization of funds member or gaming manager with a new individual for the remainder of the licensing period for no additional fee. Any such application shall be accompanied by the original utilization of funds member or gaming manager license and a written statement signed by an officer of the licensed organization explaining the circumstances under which the request for replacement of the licensee is being made.

(Sections 9-202, 9-207, 9-208, 9-209, 9-209.01, 9-212, 9-220, 9-225, 9-225.01, 9-255.07, and 9-255.09, R.R.S. 1997. Sections 9-213, 9-214.01, 9-226, 9-232.01, 9-232.02, 9-233, 9-255.06, R.S.Supp., 2002. November 12, 2002.)

LOTTERY BY PICKLE CARD

REG-35-300 SCOPE AND DEFINITIONS

300.01 Bingo, Lottery, Raffle, and Lottery by Pickle Card Regulations 35-300 through 35-318 are adopted to carry out the provisions of the Nebraska Pickle Card Lottery Act. The following definitions apply as used throughout section 35-300 through 318.

300.02 Definite profit means the gross proceeds or total possible receipts of a pickle card unit less all of the possible prizes from that pickle card unit. For example:

Gross proceeds (3,600 pickle cards at \$1)	\$3,600
Less prizes	<u>(2,600)</u>
Definite profit	\$1,000

300.03 Department means the Nebraska Department of Revenue.

300.04 Dispensing device means any machine or device into which a person inserts money, a token, or something of value in exchange for one or more pickle cards. The definition of dispensing device does not include any machine or device that awards or dispenses any other type of prize including, but not limited to, free plays or any other item of value.

300.05 Flare card means a card, board, poster, flyer, or paper prepared by the manufacturer of a pickle card unit which is enclosed with each unit. The flare card must identify the serial number for the unit, the state identification stamp, the numbers, letters, symbols, or configurations

which, when revealed by opening the tabs on a pickle card, represent the winning combinations, the number of cards in the pickle card unit which contain the winning combinations and their values , the form number of the game, and the name, logo, symbol, design, or trademark of the manufacturer of the pickle card unit.

300.06 Gross profit means the definite profit from a pickle card unit less any commission paid to a pickle card operator for the sale of the unit. For example:

Gross proceeds (3,600 pickle cards at \$1)	\$3,600
Less prizes	<u>(2,600)</u>
Definite profit	\$1,000
Less pickle card operator's commission (30%)	<u>(300)</u>
Gross profit	\$700

300.07 Member means an individual who meets the written membership requirements contained in the organization's articles of incorporation, bylaws, charter, statement of purpose, or other written rules or statement governing membership of the organization.

300.07A A person whose only participation in the activities of the organization involves the conduct of gaming activities is not a member.

300.08 Net profit means the gross profit from a pickle card unit less the unit cost and the allowable expenses incurred by the licensed organization for marketing the unit. For example:

Gross proceeds (3,600 pickle cards at \$1)	\$3,600
Less prizes	(2,600)
Definite profit	\$1,000
Less pickle card operator's commission (30%)*	(300)
Gross profit	\$ 700
Less elements of unit cost	
Cost of unit	\$ 60
Imprinting fee	7
Pickle card tax (10%)*	100
Subtotal:	167
Sales tax **	12
Federal tax (.0025 of gross)*** if applicable	<u>9</u>
	\$ 188
Allowable expenses (12%)*	
6% sales agents' commission	\$ 60
Other marketing expenses 60	
	\$ 120
Total unit cost and allowable expenses	\$ 308 (308)

Net profit

\$392

* Calculated on definite profit

** Calculated on total unit cost, including the pickle card tax and the imprinting fee – sales tax may vary, the amount shown is rounded and assumes the maximum local rate

*** Calculated on gross proceeds

300.09 Substantial interest means a connection, interest, or concern, directly or indirectly, with an individual, organization, firm, or corporation as follows:

300.09A Regarding a sole proprietorship, an individual or his or her spouse who owns, operates, manages, or conducts directly or indirectly, a part of the sole proprietorship;

300.09B Regarding a partnership, an individual, his or her spouse, or a partnership, limited liability company (LLC), or corporation who owns, operates, manages, or conducts directly or indirectly a part of the partnership activity, or shares in any of the profits or potential profits of the partnership activities;

300.09C Regarding a LLC, an individual, his or her spouse, or a partnership, LLC, or corporation who owns, operates, manages, or conducts directly or indirectly a part of the LLC activity, or shares in any of the profits or potential profits of the LLC activity;

300.09D Regarding a corporation, an individual, his or her spouse, or a partnership, LLC, or corporation who owns, operates, manages, or conducts directly or indirectly a part of the corporation activity, or who is an officer or director of the corporation or is a holder directly or indirectly of ten percent or more of any class of stock in the corporation;

300.09E Regarding an individual, an individual or his or her spouse who provides ten percent or more of the capital, whether in cash, goods, or services for the operation of a manufacturer, distributor, or pickle card operator during a calendar year; and

300.09F Regarding an organization, association, or business not covered by subdivisions A, B, C, D, or E of this regulation:

300.09F(1) An individual or his or her spouse who is an officer or director of or manages the business affairs of the organization, association, or business; or more of the assets of the organization, association, or business.

300.10 Ultimate use means the final purpose for which a licensed organization uses the proceeds or profits of a lottery by the sale of pickle cards. For expenses incurred by the organization, the ultimate use of pickle card proceeds to pay the expenses means payment directly to the

individual, business or corporation with whom the organization incurred that particular expense. In the case of a lawful purpose donation, the ultimate use of pickle card net profits means that those monies are donated or directed by the licensed organization directly to the final recipient for the lawful purpose intended by the organization.

300.11 Unit cost means those costs incurred by a licensed organization connected with the purchase of a pickle card unit. Unit cost consists of the cost of the unit itself, the pickle card tax, any applicable sales or use tax, any federal gaming tax for which a licensed organization may be liable, the imprinting fee charged by a licensed distributor, and any shipping or delivery fee if invoiced from the distributor to the licensed organization.

300.12 Youth Amateur Athletics or Youth Sports means activities sponsored by an organization which organizes, supervises, or administers team or individual activities consisting of an element of enjoyment or recreation involving the practice of individual skill and in which all those participating on the team or in an individual activity are under the age of 19.

(Sections 9-305.01, 9-306, 9-308, 9-308.01, 9-309, 9-314, 9-314.01, 9-321.01, 9-322, 9-326, 9-327, 9-329.01, 9-329.02, 9-329.03, 9-329.04, 9-336, 9-340, 9-344, 9-345.02, 9-345.03, 9-346 and 9-348, R.R.S. 2007 and sections 9-347 and 9-347.01, R.S. Supp., 2009. November 6, 2010.)

35-301 Nonprofit Organizations, Nonprofit Corporations, Volunteer Fire Companies, or Volunteer First-aid, Rescue, Ambulance, or Emergency Squads -Qualification for a License to Conduct a Lottery by the Sale of Pickle Cards

301.01 A nonprofit organization or nonprofit corporation holding a certificate of exemption under Internal Revenue Code (IRC) § 501(c) (3), (4), (5), (7), (8), (10), or (19), a volunteer fire company, or a volunteer first-aid, rescue, ambulance, or emergency squad (eligible organization) may apply for a license to conduct a lottery by the sale of pickle cards.

301.01A Any eligible organization applying for a license to conduct a lottery by the sales of pickle cards must be incorporated or established in this state. An organization incorporated in a foreign state holding a certificate of authority to conduct affairs, or which has domesticated in Nebraska, does not qualify for a license.

301.01B An eligible organization must have been in existence in this state for five years immediately preceding its application for a license and have had an active, bona fide membership engaged in furthering a lawful purpose during that period. This requirement does not apply to a volunteer fire company, a volunteer first-aid, rescue, ambulance, or emergency squad, or a nonprofit corporation whose primary purpose is to support a volunteer fire company, or a volunteer first-aid, rescue, ambulance, or emergency squad.

301.01C When applying for its initial license, a nonprofit organization or nonprofit corporation holding a certificate of exemption under IRC §

501(c) (3), (4), (5), (7), (8), (10), or (19) (organization) is considered exempt under IRC § 501 if it provides a copy of the exemption ruling or exemption determination letter issued by the Internal Revenue Service (IRS). Subsequent applications to renew an existing license to conduct a lottery by the sale of pickle cards are not required to be accompanied by the proof of exemption unless the circumstances under which the exemption was issued, or the nature of the organization have changed substantially so that the exempt status may no longer be applicable. The Department may specifically request the exemption determination documentation on any subsequent application.

301.01C(1) An organization may be exempt under a group exemption letter issued by the IRS. A group exemption letter is a ruling or determination letter issued to a parent organization or parent corporation (parent), recognizing on a group basis, the exemption under IRC § 501(c) of the subordinate entities on whose behalf the parent has applied for recognition of exemption. A parent is an organization or corporation that has one or more subordinates under its general supervision or control. A subordinate is a chapter, local, post, or unit of a parent (for example, the American Legion, Veterans of Foreign Wars, and Fraternal Order of Eagles). Under these circumstances, a subordinate organization or corporation applying for an initial license must provide the Department with a copy of the group exemption letter issued to the parent or indicate the Group Exemption Number.

301.01C(2) An organization defined in Neb. Rev. Stat. § 21-608 which is chartered in Nebraska under a state, grand, supreme, national, or other governing body, may use the charter date of its parent to satisfy the five-year existence requirement.

301.01C(3) This requirement does not apply to a volunteer fire company, or a volunteer first-aid, rescue, ambulance, or emergency squad which is applying for its initial license.

301.02 Additional Documentation. To verify the applicant organization's five-year existence, the Department may require the organization to provide additional documentation about the organization which includes, but is not limited to, any of the following:

301.02A Dated bylaws of the organization;

301.02B Dated Articles of Incorporation of the organization; 301.02C Dated minutes of the organization's meetings; 301.02D Dated charter of the organization; or

301.02E Other dated documents of the organization which would provide evidence of the organization's existence and the purposes for which it was organized.

301.02F This requirement does not apply to a volunteer fire company, or a volunteer first-aid, rescue, ambulance, or emergency squad.

301.03 Charity or Community Betterment Documentation. The Department may also require the organization to produce evidence of charitable or community betterment activities conducted by the organization's membership during the five-year period preceding the application. Some examples of evidence include, but are not limited to, the following:

301.03A Filings with any governmental agencies regarding charitable activities of the organization;

301.03B Internal documents, including membership lists, dues statements, minutes of meetings of directors of the organization, copies of corporate resolutions of the organization, or correspondence and memoranda relating to nonprofit, charitable activities conducted by the organization or its membership;

301.03C Documents regarding day to day activities of the organization, for example, bank account statements, bills, receipts, leases, documents affecting title to property, ledgers, account books, tax returns, employee lists, or any other documents pertaining to the organization's administrative activities;

301.03D The names, addresses, and telephone numbers of persons, firms, and organizations the organization has dealt with in conducting its activities; or

301.03E Other documentation showing participation by the organization and its membership in charitable or community betterment activities.

301.03F This requirement does not apply to a volunteer fire company, or a volunteer first-aid, rescue, ambulance, or emergency squad.

301.04 Limitations on Licenses Between Related Eligible Organizations. Each eligible organization wishing to conduct a lottery by the sale of pickle cards must obtain its own license to do so. Related eligible organizations may not use a license to conduct a lottery by the sale of pickle cards obtained by one licensee to conduct a lottery by the sale of pickle cards on behalf of one or more related eligible organizations. This does not preclude a licensed organization from becoming licensed as a pickle card operator to sell pickle cards on behalf of another licensed organization. In this instance, the eligible organization seeking the operator's license must meet the statutory requirements for obtaining a license as a pickle card operator. Related eligible organizations, each conducting separate lotteries by the sale of pickle cards, must obtain separate licenses to do so. For the purposes of this section, a related eligible organization means:

301.04A An eligible organization affiliated with, and organized in accordance with, the bylaws and regulations formulated by a companion or parent eligible organization; and

301.04B At least 75% of the members of one eligible organization are either: members of a parent or companion eligible organization; spouses

of members of its parent or companion eligible organization; or are the parents, children, brothers, sisters, grandparents, or grandchildren of a member of the parent or companion eligible organization.

(Neb. Rev. Stat. §§ 9-321.03, 9-326, and 9-327. July 3, 2013)

REG-35-302 LICENSE REQUIREMENTS FOR CLASS I AND CLASS II LOTTERY BY SALE OF PICKLE CARDS

302.01 A nonprofit organization, volunteer fire company, or volunteer first-aid, rescue, ambulance, or emergency squad shall not conduct a lottery by the sale of pickle cards without first obtaining a license. Such license shall be applied for on a form prescribed by the Department. Eligible organizations seeking a license to conduct a lottery by the sale of pickle cards may apply for either a Class I or Class II license. The class of license which an organization is granted shall be determined by the manner in which the organization intends to market its pickle cards.

302.01A Organizations which intend to sell pickle cards only at their designated premises and/or at their regularly scheduled or limited period bingo occasions, shall apply for a Class I license. Such organizations cannot sell pickle cards through licensed pickle card operators and do not need to license a sales agent. If, during the course of the licensing period the organization wishes to begin marketing pickle card units through licensed pickle card operators, the organization must first apply for and obtain a Class II license.

Such application shall be made on a form prescribed by the Department, and the organization shall pay the difference in license fees between a Class I and Class II license and shall license at least one sales agent.

302.01B Organizations seeking to market pickle card units through licensed pickle card operators shall apply for a Class II license. An organization applying for a Class II license must license at least one sales agent. In addition, a Class II pickle card organization must apply to the Department for authorization for each pickle card operator they intend to have sell pickle cards on their behalf. Such authorization must be applied for on a form prescribed by the Department and signed by the utilization of funds member of the licensed organization and an owner, partner or officer of the pickle card operator.

302.02 A Class II licensee may apply for authorization to market pickle cards through any organization or business which has obtained a pickle card operator's license issued by the Department. A pickle card operator may only market pickle cards on behalf of organizations holding a Class II license to conduct a lottery by the sale of pickle cards.

302.02A Prior to selling any pickle card units to a pickle card operator, the licensed organization must receive a pickle card operator authorization issued by the Department, allowing the pickle card operator to sell pickle cards on behalf of that licensed organization. Such authorizations are to be applied for by the licensed organization and

shall, upon approval, be mailed to the licensed organization. The licensed organization shall provide the pickle card operator with the original authorization printed by the Department and shall not substitute a copy of the original. The organization is permitted to make a copy of such authorization for its own file.

302.03 It shall be the responsibility of the utilization of funds member to keep the organization's license application information current. The Department must be informed within thirty (30) days of any changes in the information supplied by the licensed organization in its most recent filing with the Department.

302.03A Changes must be reported in writing and the Department may require the filing of a new application or schedule. Changes must be confirmed by the signature of an officer or a utilization of funds member on the Nebraska Form 50; a utilization of funds member on the Nebraska Form 50, Schedule II; and a utilization of funds member and the sales agent on the Nebraska Form 50E. Any individual signing the most current application shall obligate the licensee to comply with the Nebraska Pickle Card Lottery Act and regulations for that licensing period.

302.04 In addition to all other information requested by the Department, each applicant for a Class I or Class II lottery by the sale of pickle card license and each subsequent renewal thereof may, at the discretion of the Department, be required to provide:

302.04A A copy of the organization's articles of incorporation or bylaws; or, if not a corporation, a copy of any bylaws or other documents which set forth the organization's structure and purpose;

302.04B A copy of the organization's ruling or exemption determination letter issued by the Internal Revenue Service. A blanket or group exemption letter issued by the Internal Revenue Service to a parent organization, which also covers its subordinate units, is acceptable. An organization utilizing the charter date of its parent organization to satisfy the five-year existence requirement may be required to submit additional information as evidence of such parent relationship as provided for in section 21-608 of the Nebraska Revised Statutes, as amended;; and/or

302.04C A current roster of all active members.

302.05 A nonprofit organization, volunteer fire company, volunteer first-aid, rescue, ambulance, or emergency squad, utilization of funds member, sales agent, and pickle card operator shall not be considered licensed until such organization, volunteer fire company, volunteer first-aid, rescue, ambulance, or emergency squad, individual, or business has physical possession of the printed license issued by the Department and shall not conduct any activity under the Nebraska Pickle Card Lottery Act until it has received its license and applicable authorizations.

302.05A A licensed organization must provide to each distributor from whom it purchases pickle card units, a copy of its current license or adequate proof that the organization has a current lottery by the sale of pickle card license. Adequate proof may include confirmation to the distributor by the Department that the organization holds a current license.

302.06 A licensed organization, sales agent, or utilization of funds member, which has had its license lost, stolen, or destroyed must notify the Department as soon as possible. A duplicate license will be issued for no additional fee.

302.06A Any licensed organization, utilization of funds member, or sales agent which no longer desires to be licensed, or any organization which desires to cancel an authorization for a pickle card operator to sell pickle cards on their behalf, shall notify the Department, in writing, of its intentions to cancel the license or authorization.

302.06A(1) Sales agents shall make such intentions known to the Department by completion of a Nebraska Form 50E or by a letter signed by the utilization of funds member;

302.06A(2) A licensed organization or utilization of funds member shall make such intentions known to the Department by completion of a Form 50 or Form 50H respectively or by a letter signed by an officer of the organization; and,

302.06A(3) A licensed organization shall make such intentions known to the Department by completion of a Form 50, Schedule II, signed by the utilization of funds member in the case of a pickle card operator authorization.

302.06B All notifications of cancellation must be accompanied by the original license or authorization issued by the Department.

302.07 In the event that a license to conduct gaming activities under the Nebraska Pickle Card Lottery Act is suspended, canceled, or revoked, the licensee shall surrender physical possession of all of its licenses suspended, canceled, or revoked to the Department immediately upon receipt of the order of suspension, cancellation, or revocation from the Department. In the case of suspension, the Department shall return the licenses to the licensee at the end of the suspension period. In the case of cancellation, the former licensee may reapply for a license when the period of cancellation has expired. In the case of revocation, the former licensee may not reapply for any license at any time in the future under the Nebraska Pickle Card Lottery Act unless otherwise authorized by the Department.

302.07A When a licensee has successfully appealed an order of suspension, revocation, or cancellation, the Department shall return physical possession of the license which had been suspended, revoked, or canceled.

302.08 All licenses issued to organizations to conduct a lottery by the sale of pickle cards and all licenses issued to any utilization of funds member or sales agent for such organizations shall expire and may be renewed on a biennial basis, according to the following schedule:

302.08A A license to conduct a lottery by the sale of pickle cards issued to a nonprofit organization holding a certificate of exemption under section 501(c)(3) or (c)(4) of the Internal Revenue Code and any license issued to a utilization of funds member or sales agent for such nonprofit organization shall expire on September 30 of each odd-numbered year.

302.08B A license to conduct a lottery by the sale of pickle cards issued to a nonprofit organization holding a certificate of exemption under section 501(c)(5), (c)(7), (c)(8), (c)(10) or (c)(19) of the Internal Revenue Code, or to any volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad and any license issued to a utilization of funds member or sales agent for such organizations shall expire on September 30 of each even-numbered year.

302.08C Renewal applications for licensed organizations, utilization of funds members, and sales agents shall be due 45 days prior to the expiration date of the license unless the application, pertains only to special function pickle card sales. Licenses are not transferable.

(Sections 9-327, 9-329.03, 9-330, and 9-340, R.R.S. 1997. Sections 9-321.03, 9-326, 9-328, 9-329, and 9-329.02, R.S.Supp., 2002. November 12, 2002.)

REG-35-303 LAWFUL PURPOSE

303.01 A licensed or previously licensed organization shall spend its pickle card net profit as defined in Regulation 35-300.08 solely for lawful purposes.

303.02 Pickle card net profits may be used internally by a licensed or previously licensed organization or donated outside of the organization, subject to the following:

303.02A Internal use of pickle card net profits. Lawful purpose uses of pickle card net profits internally by a licensed or previously licensed organization include:

303.02A(1) Charitable, benevolent, humane, religious, philanthropic, youth sports, educational, civic, or fraternal activities conducted by the licensed or previously licensed organization for the benefit of its members, such as:

303.02A(1)(a) Religious activities including but not limited to creating, operating, or maintaining a church, church school, and their programs and facilities;

303.02A(1)(b) Educational activities including but not limited to paying the operating expenses of a school or establishing or continuing scholarship funds;

303.02A(1)(c) Charitable or humane activities including but not limited to purchasing food for the needy or to help provide medical care for individuals in need;

303.02A(1)(d) Youth sports activities including but not limited to the support or maintenance of team or individual activities which consist of an element of enjoyment or recreation, involving the practice of individual skill, and in which all of the participants are under 19 years of age. Such donations may include the construction, acquisition, improvement, or maintenance of facilities used in conjunction with youth sports activities; and

303.02A(1)(e) Civic or fraternal activities, including but not limited to those activities which confer a benefit on the membership as a whole, such as paying the reasonable and necessary expenses for officers to travel to regional or national conventions at which organization business is discussed; funding ceremonies commemorating religious or patriotic holidays; paying for the construction, acquisition, improvement, or maintenance of the licensed or previously licensed organization's facilities; or paying the general operating expenses of the licensed or previously licensed organization such as non-pickle card related payroll expenses, taxes, insurance or utilities.

303.02A(1)(f) A licensed or previously licensed organization shall not use pickle card net profits for purely social or recreational purposes such as stocking a bar with alcoholic beverages, defraying the cost of a dinner or dance, or paying the expenses for a New Year's Eve party.

303.02B Outside donations of pickle card net profits. Donating pickle card net profits outside of the licensed or previously licensed organization is considered a lawful purpose usage of pickle card net profits provided the donation is made to an eligible recipient.

Only the following entities are eligible to receive an outside donation:

303.02B(1) The State of Nebraska or any political subdivision thereof, exclusively for public purposes such as the funding of parks or the creation or maintenance of public facilities or projects;

303.02B(2) A corporation, trust, community chest, fund, or foundation;

303.02B(2)(a) Created or organized under the laws of Nebraska, which has been in existence for five consecutive years immediately preceding the date of the donation, and which has

its principal office located in Nebraska. A licensed or previously licensed organization shall not donate its pickle card net profits to foreign corporations, trusts, community chests, funds, or foundations, but may donate to a local chapter of such organizations provided that such local chapter has been created or organized under the laws of Nebraska, has been in existence for five years, and has its principal office located in this state;

303.02B(2)(b) Organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, for the prevention of cruelty to children or animals, or to foster national or international amateur sports competition;

303.02B(2)(c) No part of the net earnings of which inures to the benefit of any private shareholder or individual;

303.02B(2)(d) Which is not disqualified for tax exemption under section 501(c)(3) of the Internal Revenue Code by reason of attempting to influence legislation; and

303.02B(2)(e) Which does not participate in any political campaign on behalf of any candidate for political office.

303.02B(3) A post or organization of war veterans or an auxiliary unit or society of, trust for, or foundation for any such post or organization:

303.02B(3)(a) Organized in the United States or in any territory or possession thereof; and

303.02B(3)(b) No part of the net earnings of which inures to the benefit of any private shareholder or individual; or

303.02B(4) A volunteer fire department or volunteer first-aid, rescue, or emergency squad or volunteer fire company serving any city, village, county, township, or rural or suburban fire protection district.

303.03 No part of the pickle card net profits shall:

303.03A Inure to the benefit of any individual member or shareholder of the licensed or previously licensed organization making the donation except to the extent it is in furtherance of the purposes described in this regulation. A licensed or previously licensed organization may make a direct donation to an individual member of its organization if that organization's activities include (a) making charitable donations to fire, catastrophic illness, or disaster victims and the individual member is a victim thereof, or (b) making charitable donations to other charitable, benevolent, humane, religious, philanthropic, youth sports, educational, civic, or fraternal activity and the individual member is a beneficiary thereof or a participant in the activity; or

303.03B Be used for any activity which attempts to influence any legislation, regulation, or ordinance, or participating in or contributing to any political campaign on behalf of any elected official or individual who is or has been a candidate for public office.

303.04 In the case of scholarship funds, the licensed or previously licensed organization may either donate to its own internal scholarship fund or to an outside scholarship fund or educational institution meeting the guidelines for recipients of outside donations under these regulations.

303.04A A donation to a scholarship fund that does benefit an individual member of the licensed or previously licensed organization or a dependent or immediate family member of such individual member may qualify as a lawful purpose and may be made either through the organization's own scholarship fund or through a donation directly to the educational institution or scholarship fund meeting the requirements of this regulation.

303.05 Upon dissolution of a licensed organization or upon suspension, cancellation, revocation, or expiration of an organization's license, all remaining pickle card net profits shall be utilized for a lawful purpose and shall not be distributed to any private individual or shareholder. The disbursement of such remaining net profits shall be subject to the reporting and disbursement requirements contained in Regulation 35-313.01A.

303.06 A licensed or previously licensed organization may commingle its revenue from its lottery by the sale of pickle cards with its other operating accounts only after initially depositing the pickle card receipts into its pickle card checking account. Pickle card revenues transferred to other accounts of the licensed or previously licensed organization must be done by writing a check from the pickle card checking account or by electronic funds transfer from the pickle card checking account. Pickle card revenues transferred to other accounts must still be used for lawful purposes.

303.06A It shall be the duty of the licensed utilization of funds member to keep and maintain records sufficient to prove that pickle card revenues transferred from the pickle card checking account have been used for lawful purposes.

303.07 All lawful purpose donations must be made by a check written from the licensed or previously licensed organization's pickle card checking account, directly to the donee for the ultimate use of the donation. For example, a lawful purpose donation to an eligible recipient must go directly to the recipient for use in a manner complying with section 9-309 of the Nebraska Pickle Card Lottery Act and this regulation.

303.07A All checks must be signed by a licensed utilization of funds member of the licensed organization. If an electronic funds transfer is utilized in lieu of a check, such transfer must be authorized by a licensed utilization of funds member of the licensed organization.

303.08 No licensed or previously licensed organization, or any representative thereof, shall donate or promise to donate any portion of its pickle card net profit to a recipient outside of the organization in exchange for a payment, gift, or other thing of value from the recipient to any individual, organization, or corporation, including, but not limited to, the licensed or previously licensed organization or any of its members, employees or agents, or to a pickle card operator in exchange for an agreement to sell pickle cards on behalf of the licensed organization. Unlawful outside donations include, but are not limited to:

303.08A A licensed or previously licensed organization donating all or a portion of its pickle card net profits to: (a) a second organization in return for a donation or a transfer of all or a portion of the donation from the second organization to the original organization or any representative thereof, or (b) an organization designated by a pickle card operator as such donation is deemed by the Department to be an illegal inducement for the operator to sell the licensed organization's pickle cards.

(Sections 9-309, 9-314.01, 9-321.03, 9-347, 9-347.01, 9-348, and 9-348.01, R.S.Supp., 2002. November 12, 2002.)

REG-35-304 DISTRIBUTOR OF PICKLE CARD UNITS: LICENSE; REQUIREMENTS; AND DUTIES

304.01 To qualify for a distributor's license, an applicant must be authorized to conduct business in Nebraska and have its principal office located within this state.

304.01A Authorization to do business in Nebraska requires:

304.01A(1) A domestic corporation to file Articles of Incorporation with the Nebraska Secretary of State's office;

304.01A(2) A domestic limited liability company to file Articles of Organization with the Nebraska Secretary of State's office;

304.01A(3) A foreign corporation or foreign limited liability company to obtain a certificate of authority to transact business in Nebraska from the Nebraska Secretary of State's office or to become domesticated by filing the requisite documents with the Nebraska Secretary of State's office and paying any required fees; or

304.01A(4) A domestic partnership, foreign partnership, or limited liability partnership to file any forms that may be required by the Nebraska Secretary of State's office.

304.01B Applicants seeking a distributor's license who intend to be engaged in business in this state as defined in section 77-2702.06 of the Nebraska Revised Statutes, as amended, shall also submit a Nebraska Tax Application, Form 20, to obtain a Nebraska Sales and Use Tax Permit.

304.02 Any individual or business which intends to sell or otherwise provide pickle card units in this state to a licensed organization must first apply for and obtain a distributor's license from the Department. An individual or business applying for a distributor's license shall do so on a form prescribed by the Department. The applicant shall include with the application form the statutorily required license fee and, at a minimum, the following information:

304.02A The business name and address of the applicant and the name and address of each of the applicant's separate locations warehousing pickle cards or pickle card units;

304.02B The type of ownership of the business and the name, social security number, home address, and date of birth of:

304.02B(1) If a sole proprietorship, the individual owner; 304.02B(2) If a partnership, each partner and spouse;

304.02B(3) If a limited liability company, each member and spouse; or

304.02B(4) If a corporation, each officer and spouse, each director or board member, and each individual or entity holding ten percent or more of the debt or equity of the corporation. If an entity holding ten percent or more of the debt or equity of the applicant corporation is a partnership, limited liability company, or corporation, the information required in Regulation 35-304.02B must be supplied for each partner of the partnership, each member of the limited liability company, or each officer of the corporation and every individual or entity holding ten percent or more of the debt or equity of the partnership or corporation.

304.02C A completed and notarized Personal History Record and Background Disclosure form supplied by the Department for each individual listed pursuant to Regulation 35-304.02B, except for spouses who have completed and had notarized the Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure form; and

304.02D Two sets of fingerprints on cards supplied by the Department and the requisite fees established by the Nebraska State Patrol and the Federal Bureau of Investigation for each person listed pursuant to Regulation 35-304.02B, except for spouses who have completed and had notarized the Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure form. Fingerprint cards and the required fees must be submitted to the Nebraska State Patrol, Criminal Identification Division.

304.03 The applicant or licensee shall notify the Department within thirty (30) days of any change in the information submitted on or with the application form. Changes must be reported in writing and the Department

may require the filing of a new application.

304.03A Changes shall be confirmed by the signature of an owner, partner, member, or officer of the distributor. Any individual signing the most current application shall obligate the distributor to comply with the Nebraska Pickle Card Lottery Act and regulations for that licensing period.

304.04 A distributor's license shall expire on September 30 of every odd-numbered year and may be renewed biennially. An application for license renewal shall be due August 15 of each odd-numbered year. A distributor's license is not transferable.

304.05 A distributor is not considered licensed until it has physical possession of the printed license issued by the Department.

304.05A Any individual or business licensed as a distributor pursuant to section 9-235 of the Nebraska Bingo Act may act as a distributor pursuant to the Nebraska Pickle Card Lottery Act without submitting an additional licensing fee. Such individual or business shall comply in every other respect with the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, and all rules and regulations adopted and promulgated pursuant to such Acts.

304.05B A distributor which no longer desires to be licensed shall notify the Department, in writing, of its intention to cancel its license. Such notification shall be signed by an owner, officer, member, or partner of the distributorship. A notification of cancellation shall be accompanied by the original license issued by the Department.

304.05C A distributor which has had its license lost, stolen or destroyed must notify the Department as soon as possible. The distributor shall send a written statement to the Department signed by an owner, officer, member, or partner confirming the loss, theft or destruction of the license. A duplicate license will be issued for no additional fee under such circumstances.

304.06 A licensed distributor, or any individual or business having a substantial interest therein, is prohibited from holding any other licenses issued pursuant to the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, the Nebraska Lottery and Raffle Act, or the Nebraska County and City Lottery Act, except as provided in section 9-235 of the Nebraska Bingo Act, and section 9-632 of the Nebraska County and City Lottery Act.

304.06A A licensed distributor, or employee or spouse of a licensed distributor, shall not have a substantial interest, as defined in Regulation 35-300.09, in any other distributor, manufacturer, licensed organization, pickle card operator, or lottery operator conducting gaming activities under the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, the Nebraska Lottery and Raffle Act, or the Nebraska County and City Lottery Act.

304.06B A licensed distributor or employee or spouse of a licensed distributor shall not participate in the operation or conduct of any kind of gaming activity regulated under Chapter 9 of the Nebraska Revised Statutes, as amended, except to the exclusive extent of his or her duties as a licensed distributor or employee thereof.

304.07 A licensed distributor shall purchase or otherwise obtain pickle card units only from a licensed manufacturer. A licensed distributor shall sell or otherwise provide pickle card units only to an organization licensed to conduct a lottery by the sale of pickle cards.

304.07A A distributor shall not sell pickle card units to an organization unless and until such organization can provide a copy of its current license to the distributor, or the distributor has confirmed through the Department that such organization has a current license.

304.07B A distributor shall not sell pickle card units to another licensed distributor without prior approval by the Department.

304.07C A distributor shall not sell any pickle card units to a pickle card operator.

304.07D Only a licensed utilization of funds member, a licensed sales agent, licensed gaming manager, bingo chairperson, or a club manager for a organization which is exempt under section 501(c)(8), (10), or (19) and holding a lottery by the sale of pickle cards license may order pickle card units from a distributor.

304.07E Only a licensed utilization of funds member may pay for the purchase of pickle card units.

304.07F Nothing in this regulation shall be construed to prohibit a licensed distributor from selling or otherwise providing pickle card units to a federally recognized Indian tribe for use in a Class II Indian gaming activity as provided in the Indian Gaming Regulatory Act.

304.08 Only licensed distributors or manufacturers may possess unmarked pickle cards. For purposes of this regulation, an unmarked pickle card is one which has not been imprinted with the name and state identification number of a licensed organization. Only a licensed manufacturer or distributor or agent thereof may imprint individual pickle cards with a licensed organization's name and state identification number. A licensed distributor or manufacturer shall notify the Department in writing of the name and address of any person or business other than the licensed manufacturer or distributor, designated as an agent for imprinting purposes.

304.08A A licensed distributor shall affix a state identification stamp to each flare card of each pickle card unit sold for use in Nebraska. Such stamp must be placed on the face or information side of a flare card, in the lower right-hand corner of the flare card, unless such placement would obscure pertinent game information such as a form number or

serial number.

304.08A(1) With respect to punchboards, the stamp may be placed either on the face or reverse side of the board.

304.08B The licensed distributor shall ensure that the proper flare card is provided with each pickle card unit and that the flare card contains the correct and corresponding serial number and unit count to the unit being sold.

304.08C The serial number and unit count of a pickle card unit is required to be listed on the flare card by the licensed manufacturer. However, if the flare card information has not been completed by the manufacturer, or if a request has been received for a replacement flare card, a licensed distributor may fill in the information, provided that the distributor ensures the accuracy of the unit count, and that the flare card is the proper flare card for such game. A licensed distributor shall not be permitted to write a serial number on a punchboard. In addition, a licensed distributor shall notify the Department when the above information has not been completed by the manufacturer.

304.09 A licensed distributor shall deliver pickle card units only to a licensed utilization of funds member, a licensed sales agent, a licensed gaming manager, a bingo chairperson or, in the case of a licensed organization which is exempt under section 501(c) (8), (10), or (19) of the Internal Revenue Code, a club manager.

304.09A A licensed distributor shall immediately report to the Department any pickle card unit which is discovered to be missing from their inventory or which has been lost in shipping or delivery.

304.10 The price charged by a licensed distributor for a pickle card unit shall not be fixed or set by agreement among licensed distributors in any manner, either expressed or implied.

304.10A No distributor shall offer or agree to offer anything of value to any individual or licensee in exchange for an agreement or commitment by such individual or licensee to exclusively buy, sell, or use pickle card units sold by such distributor.

304.10B No individual or licensee shall accept or agree to accept anything of value from a distributor in exchange for an agreement or commitment by such individual or licensee to exclusively buy, sell, or use pickle card units sold by such distributor.

304.11 A licensed distributor shall not sell or otherwise provide pickle card units to any licensed organization without first having been paid for those units with a check drawn on the pickle card bank account of that organization. Such payment can be made either in advance of or at the time of delivery of the pickle card units. Automatic bank transfers from the pickle card bank account of the licensed organization to the distributor shall be an acceptable form of payment. A licensed organization seeking to purchase

pickle card units from a licensed distributor may set up a deposit or secured fund with the distributor upon which the distributor may draw payment for pickle card units ordered by the licensed organization. Such deposit or fund shall be funded by a check with monies from the pickle card bank account of the licensed organization. No distributor shall extend credit in any form to any licensed organization seeking to purchase pickle card units, such as the use of credit or bank cards or any other method which does not require the expenditure of funds by the licensed organization prior to or at the time of purchase.

304.11A A distributor who fails to make a good faith effort to collect payment for an insufficient fund check written by a licensed organization for the purchase of pickle card units shall be deemed in violation of this regulation. In addition, a distributor shall not further sell or otherwise provide pickle card units to a licensed organization who has not remitted sufficient payment, by check, to cover any outstanding debt owed by the organization to the distributor.

304.12 A licensed distributor shall not be prohibited from selling pickle card units to purchasers outside this state. Additionally, licensed distributors shall not be prohibited from selling pickle card units which may not be marketed in Nebraska to out-of-state purchasers. With respect to the sale of pickle card units to out-of-state purchasers, licensed distributors shall maintain the following records:

304.12A The name and complete address of the purchaser; 304.12B The date of the transaction;

304.12C The type of unit and serial number of each unit sold. For the purposes of this section, "type of unit" means the form number and name of a particular type of pickle card unit; and

304.12D The method of shipment, including the name, address, and telephone number of the entity transporting the units.

304.13 A licensed distributor shall pay for all purchases of pickle card units by check or automatic bank transfer within 30 days of delivery. A licensed distributor may by check set up a deposit with a licensed manufacturer upon which the manufacturer can draw payment for pickle card units ordered by the distributor.

304.14 A licensed distributor shall not market or sell any pickle card unit for use in this state:

304.14A Which offers prizes of less than 65 percent or more than 80 percent of the gross proceeds or which contains a prize pay-out structure designed by the manufacturer to vary;

304.14B Which has a card or play count exceeding 6,000;

304.14C Which contains an individual pickle card or punch whose purchase price is greater than \$1.00;

304.14D Which contains a single pickle card or punch that awards a prize or prizes that exceeds \$1,000.00;

304.14E Which has not been approved and authorized by the Department; or

304.14F Which does not contain the appropriate flare card with a Nebraska state identification stamp as required by Regulation 35-315 affixed to such flare card.

304.15 The Department shall provide each licensed distributor with a listing of approved pickle card units. Such listing shall be updated by the Department on no less than a monthly basis, as required when additional games are approved. A distributor shall not sell any pickle card unit for use in this state unless and until they ensure that the game is a game which appears on the Department's Approved Product Listing.

304.16 A licensed distributor shall issue an invoice to the licensed organization for each purchase, exchange or return of pickle card units by the licensed organization. Every such invoice shall contain the following information:

304.16A The name, address, and state identification number of the licensed organization;

304.16B The individual placing the order or making the purchase, exchange or return on behalf of the licensed organization;

304.16C The date of the transaction;

304.16D A description of each pickle card unit to include the game name, serial number and form number;

304.16E The total number of pickle card units sold, exchanged, or returned;

304.16F The price of each pickle card unit, applicable taxes, and the total amount paid, exchanged, or returned by the licensed organization;

304.16G The manner of delivery or shipment, including the name, address, and telephone number of the entity with whom shipment is made;

304.16H The pickle card tax charged or credited for each unit; and

304.16I The state identification stamp number assigned to each unit.

(Sections 9-302, 9-307, 9-330, 9-340, 9-340.01, 9-342, 9-343, 9-344, 9-351, and 9-632, R.R.S. 1997. Sections 9-1,104, 9-322, 9-331, 9-340.02, 9-346, and 9-347, R.S.Supp., 2004. September 5, 2005.)

REG-35-305 PRIZES

305.01 No pickle card unit shall be sold or marketed for play in the state of Nebraska that pays less than 65 percent or more than 80 percent of the gross proceeds of that unit in prizes, or which has been designed by the manufacturer to have a prize payout structure which may vary.

305.02 A pickle card unit shall award only cash prizes. A pickle card shall not be offered as a pickle card unit prize or be offered as a prize in another game of chance. A participant must pay something of value for a pickle card as a means of participating in the game.

305.02A Nothing in this section shall prohibit an individual from redeeming a winning pickle card for additional pickle cards in lieu of receiving the cash value of the winning pickle card. For example, an individual who has a \$5.00 winning pickle card may redeem such in exchange for five additional \$1.00 pickle cards.

305.02B Nothing in this regulation shall be construed to prohibit the sale and use of punchboards which contain a "Last Sale" feature, provided the "Last Sale" feature pertains only to the purchase of the last punch on the board. Punchboards which contain multiple "Last Sale" features such as "Last Sale Per Section" are prohibited.

305.03 No person may alter pickle card units, flare cards, or punchboards to award additional or fewer prizes or prizes other than those designated by the manufacturer. No person may change or alter the combinations of numbers, letters, or symbols which represent the winning combinations on the pickle card, flare card, or punchboard or assign or award prizes which differ from those designated by the manufacturer.

(Sections 9-302, 9-313, and 9-340, R.R.S.1997. Sections 9-338, 9-346, and 9-347, R.S.Supp., 2002. November 12, 2002.)

REG-35-306 PICKLE CARDS -- RESTRICTIONS

306.01 No person shall affix to any pickle card, pickle card unit, or any subpart thereof, any statement indicating any endorsement of that particular pickle card or pickle card unit by the State of Nebraska, the Department, or any division thereof. Additionally, no other statement indicating any such endorsement shall be made verbally or in writing.

(Sections 9-302, 9-313, 9-317, 9-332.01, and 9-340, R.R.S. 1997. Sections 9-312, 9-315, and 9-322, R.S.Supp., 2002. November 12, 2002.)

REG-35-307 UTILIZATION OF FUNDS MEMBER; LICENSING REQUIREMENTS AND DUTIES

307.01 Each licensed organization must have at least one of its members licensed as a utilization of funds member. To be eligible for a utilization of funds member license, an individual must have been an active and bona fide member of the organization for at least one year prior to applying for the license.

307.01A If a licensed organization can provide evidence that the one-year membership requirement will impose an undue hardship, the Department may waive the requirement. An officer of the organization must provide a written explanation of the nature of the hardship with the utilization of funds member's license application.

307.01B An individual may act as a utilization of funds member for more than one gaming activity of a licensed organization by paying only one licensing fee per licensing period.

307.01C An individual may be licensed as a utilization of funds member for more than one licensed organization by applying for a separate license for each organization and paying a separate licensing fee for each organization.

307.01D A utilization of funds member may not be licensed as a sales agent for any licensed organization or hold any other type of license issued under the Nebraska Bingo Act, the Nebraska Lottery and Raffle Act, or the Nebraska Pickle Card Lottery Act.

307.02 An individual is not considered to be licensed as a utilization of funds member and shall not conduct any activity for which a license is required until he or she has obtained physical possession of the printed license issued by the Department. The licensed organization must apply for the license on a form supplied by the Department. The application must contain the following information:

307.02A The name and state identification number of the licensed organization on whose behalf the individual is seeking the utilization of funds member license;

307.02B The name, address, social security number, and date of birth of the individual applying for the utilization of funds member license;

307.02C The date the individual became a member of the licensed organization; 307.02D The signature of the individual applying for the license;

307.02E A statement signed by an officer of the licensed organization indicating the organization's approval of the individual to act as the utilization of funds member on behalf of the organization; and

307.02F The statutorily required license fee. The fee may be paid by the licensed organization.

307.03 The information contained in the application must be kept current. An individual licensed as a utilization of funds member must notify the Department within 30 days of any changes to his or her most recent application filing. Changes must be reported in writing and the Department may require the filing of a new application.

307.04 A utilization of funds member license expires and may be renewed as provided in Regulation 35-302.08.

307.05 The licensed organization is not required to post the utilization of funds member's license.

307.06 A utilization of funds member for an organization licensed to conduct a lottery by pickle cards has the following responsibilities:

307.06A Preparing all applications, reports, and documents filed with any governmental agency by the licensed organization in connection with its lottery by the sale of pickle cards. If the utilization of funds member is assisted in the preparation of the applications, reports, and documents by any other individual or business, the utilization of funds member shall ensure that the information contained in those reports is true, accurate, and kept up to date;

307.06B Ensuring that pickle card units purchased by the licensed organization are paid for by a check written from the licensed organization's pickle card checking account either in advance of or upon delivery of the pickle card units;

307.06C Ordering, purchasing, and accepting delivery of pickle card units from licensed distributors on behalf of the licensed organization;

307.06D Approving individuals to act as sales agents for the licensed organization, authorizing pickle card operators to sell pickle cards on behalf of the licensed organization, and signing any release the licensed organization may be obligated to give a former sales agent seeking to be licensed with another organization in the case of a Class II licensee;

307.06E Ensuring that the licensed organization complies with the 30 percent of definite profit limitation on commissions paid to pickle card operators, the 12 percent of definite profit limitation for allowable expenses, and within that 12 percent allowable expense limitation, ensuring that no sales agent of the organization receives more than six percent of definite profit as a commission for marketing pickle card units;

307.06F Ensuring that his or her signature is on each check written from the organization's pickle card checking account. If an electronic funds transfer is utilized in lieu of a check, the transfer must be authorized by a utilization of funds member;

307.06F(1) A licensed organization may require that checks written by the utilization of funds member be co-signed by one or more parties.

307.06G Collecting all revenues received by sales agents from the sale of pickle card units to licensed pickle card operators;

307.06H Ensuring that complete and accurate records of the licensed organization's pickle card activities are kept, including the tracking of pickle card units sold and shipped or delivered to pickle card operators by the organization's sales agents. The records must include a description of the unit, the form number, serial number, and state identification stamp number of each pickle card unit as well as the pickle card operator to whom the unit was delivered, the gross proceeds from the sale of all pickle card units both to pickle card operators and sold internally by the organization at its designated premises, special function pickle card sales events, and bingo occasions, prizes paid, expenses incurred by the organization relating to its lottery by pickle cards, and taxes due and paid;

307.06I Depositing the proceeds from the sale of pickle cards and pickle card units, from the sale, lease, or rental of pickle card dispensing devices into the pickle card checking account of the licensed organization and ensuring that the revenues derived from the lottery by pickle cards are segregated from other income of the licensed organization;

307.06I(1) Ensuring that checks written by a pickle card operator for the purchase of pickle card units or for the sale, lease, or rental of a pickle card dispensing device are deposited within a commercially reasonable time after the pickle card operator issues the check.

307.06I(2) When determining whether checks written by a pickle card operator have been deposited within a commercially reasonable time, the following factors shall be taken into consideration:

307.06I(2)(a) The proximity of the licensed organization to the bank where it has its pickle card checking account;

307.06I(2)(b) The location of the organization's pickle card operators; and

307.06I(2)(c) The ability of the organization's sales agents to deliver the checks from the pickle card operators to the organization.

307.06I(3) When a licensed organization markets pickle cards through pickle card operators located in the same community as the organization and the organization maintains its pickle card checking account in that community, a commercially reasonable time for the depositing of a check received from a local pickle card operator is within three business days after the receipt of the check by the sales agent.

307.06I(4) When a licensed organization markets pickle cards through pickle card operators located in communities some distance from the location of the organization, and it is necessary for the sales agent to forward a check, either in person or by mail, to the organization, a commercially reasonable time for the sales agent to remit the check to the licensed organization is within three business days after the sales

agent received the check and, upon receipt of the check, the utilization of funds member has three business days to deposit the check into the organization's pickle card checking account.

307.06I(5) The regular practice of the organization must be to make its deposits within the timeframes set forth in this regulation. Failure to deposit checks within a commercially reasonable time or accepting post-dated checks shall be considered an illegal extension of credit from the organization to the pickle card operator.

307.06J Ensuring that any transfer of pickle card revenues to the licensed organization's general fund account or any other account of the licensed organization is done only by a check written from the pickle card checking account or by an electronic funds transfer from such account, and that pickle card revenues transferred are used only for a lawful purpose as defined in Regulation 35-303;

307.06K Ensuring that the gross proceeds received from the lottery by the sale of pickle cards of the licensed organization are spent only for lawful purposes as defined in Regulation 35-303, the awarding of prizes, payment of unit costs, pickle card operators' commissions and allowable expenses as identified in Regulation 35-314, bingo expenses if the organization is also licensed to conduct bingo, and ensuring that all lawful purpose donations and all expenses with the exception of prizes are paid only by a check written from the organization's pickle card checking account;

307.06K(1) It is the duty of the utilization of funds member to keep and maintain records sufficient to prove that pickle card revenues transferred from the pickle card checking account have been used only for a lawful purpose; and

307.06L Ensuring that upon proper request, all records and documents relating to the licensed organization's sale of pickle cards are made available to the Department or its representatives.

307.07 An individual licensed as a utilization of funds member may not have a substantial interest, as defined in Regulation 35-300.09, in any individual or business licensed as a manufacturer, distributor, or pickle card operator.

(Sections 9-322, 9-327, 9-328, 9-329, 9-331, 9-340.02, 9-342, 9-348, 9-348.01, and 9-349, R.R.S. 2007 and sections 9-347, and 9-347.01, R.S. Supp., 2009. November 6, 2010.)

REG-35-308 SALES AGENT: LICENSING REQUIREMENTS AND DUTIES

308.01 A Class II licensee must have at least one of its members licensed as a sales agent. To be eligible for a sales agent's license, an individual must have been an active and bona fide member of the organization for at least one year prior to applying for the license.

308.01A An individual may be licensed as a sales agent for only one licensed organization at any time. If an individual wishes to apply for a sales agent's license for a different organization, he or she must first obtain a written release signed by the utilization of funds member and at least one officer of the organization that the individual had previously been licensed for as a sales agent, prior to being eligible to apply for a license as a sales agent for another organization. Such release shall only be given to the individual if he or she has satisfied all of his or her legal obligations to the licensed organization with respect to the sale of pickle cards. An organization shall not arbitrarily and without good cause withhold or refuse to issue a release. A copy of the release must be included with any new application for a sales agent's license for another organization.

308.01B An individual licensed as a sales agent cannot hold any other type of license issued pursuant to the Nebraska Bingo Act, the Nebraska Lottery and Raffle Act, or the Nebraska Pickle Card Lottery Act.

308.02 An individual is not considered to be licensed as a sales agent and shall not conduct any activity for which such license is required until he or she has physical possession of the sales agent's license issued by the Department. An individual seeking a sales agent's license shall apply for such license on a form supplied by the Department. Such application shall contain, at a minimum, the following information:

308.02A The name and state identification number of the licensed organization;

308.02B The name, address, social security number, date of birth, and signature of the individual applying for the sales agent's license;

308.02C The date the individual became a member of the organization;

308.02D A statement signed by the licensed organization's utilization of funds member indicating its approval of the individual to act as a sales agent on behalf of the organization; and

308.02E The statutorily required license fee. Such fee may be paid by the licensed organization.

308.03 The information contained in the application shall be kept current. The sales agent shall notify the Department within thirty (30) days of any changes to the application information. Changes must be reported in writing and the Department may require the filing of a new application.

308.04 An individual applying for a sales agent's license is required to be fingerprinted for criminal background investigation purposes. Two sets of fingerprints on cards supplied by the Department must be submitted to the Nebraska State Patrol, Criminal Investigation Division, along with the required fees. Such fees may be paid by the licensed organization.

308.04A If an individual applying for a sales agent's license has been issued a license by the Nebraska Liquor Control Commission, the Department may, at its discretion, waive the fingerprinting requirement.

308.04B An individual renewing his or her sales agent's license shall not be required to submit additional fingerprint cards or pay additional fingerprinting fees unless specifically requested to do so by the Department.

308.05 A sales agent's license shall expire and may be renewed as provided in Regulation 35- 302.08.

308.06 An individual licensed as a sales agent shall have the following responsibilities:

308.06A Ensuring that the licensed organization does not promise or represent to any licensed pickle card operator or potential pickle card operator that the organization he or she represents will pay or allow a pickle card operator or any other individual, firm, corporation, or organization any amount of money or anything else of value as a commission on a pickle card unit in excess of that amount allowed by law to market such units as an inducement for a pickle card operator or potential pickle card operator to sell pickle cards on behalf of the licensed organization;

308.06B Explaining to pickle card operators that the pickle card operator's license and the authorization to sell on behalf of the organization the sales agent represents must be conspicuously posted in order to sell pickle cards, as well as the flare card for each pickle card unit in play at that location;

308.06C Soliciting orders from pickle card operators to sell pickle cards on behalf of the licensed organization he or she is licensed to represent;

308.06D Ordering, picking up, and/or accepting delivery of pickle card units from licensed distributors or the licensed organization which he or she represents and delivering such units to licensed pickle card operators who are authorized to sell pickle cards on behalf of the licensed organization he or she is licensed to represent;

308.06D(1) A sales agent may order, but not purchase, pickle card units on behalf of a licensed organization. Only a licensed utilization of funds member may pay for the purchase of such units.

308.06D(2) A licensed sales agent may arrange delivery of pickle card units to a licensed pickle card operator by mail or common carrier provided the requirements of Regulation 35-308.06E and 35-308.06F are adhered to.

308.06E Collecting the check from a licensed pickle card operator representing the definite profit of each pickle card unit transferred from

a licensed organization to a pickle card operator less the operator's commission either in advance of or upon delivery of those units and delivering that check to the utilization of funds member of the licensed organization he or she is licensed to represent; and

308.06F Keeping and maintaining an accurate record of the transactions between the licensed organization and the pickle card operators to whom the sales agent transfers pickle card units. Those records shall include the dates of delivery, the types of units transferred and their serial numbers, the amount of payment from the operator to the licensed organization, and the name of the individual making payment on behalf of the operator. The sales agent shall prepare and issue a standard receipt containing such information as prescribed by Regulation 35-309.07.

308.07 A licensed sales agent shall not hold a license as a pickle card operator. No sales agent shall have a substantial interest as defined in Regulation 35-300.09, in any pickle card operator.

308.07A No individual licensed as a sales agent shall be a director, manager, trustee, or member of any governing committee, board, or body of the licensed organization on whose behalf the sales agent is licensed, if that individual receives any compensation from the organization for his or her work as a sales agent. An ex officio board member who participates in the decision making responsibilities of the licensed organization may not be a compensated sales agent, regardless of the individual's voting capability. For the purposes of this regulation, compensation shall mean any payment, directly or indirectly from the organization to the sales agent in connection with the sales agent's work which relates to the organization's pickle card activity. Compensation shall not include reimbursement for reasonable and necessary expenses actually incurred by the sales agent in connection with the sale of pickle cards.

308.08 A licensed sales agent shall not act or be licensed as a utilization of funds member for any licensed organization.

(Sections 9-320, 9-329.01, and 9-345.02, R.R.S. 1997. Sections 9-1,104, 9-322, 9-329, 9-331, 9-340.02, and 9-347.01, R.S.Supp., 2002. November 12, 2002.)

REG-35-309 PICKLE CARD OPERATOR: LICENSE ELIGIBILITY AND REQUIREMENTS

309.01 Any sole proprietorship, partnership, limited liability company, or corporation seeking to sell pickle cards on behalf of a Class II pickle card licensee must first apply for and obtain a pickle card operator's license. The license must be applied for on a form prescribed by the Department. The pickle card operator's license fee must be paid by the applicant and cannot be paid or reimbursed by a licensed organization or any of the organization's agents or employees. The applicant for a pickle card operator's license must:

309.01A Hold a retailer's license for consumption on the premises issued by the Nebraska Liquor Control Commission; or

309.01B Hold a retailer's license for consumption off the premises issued by the Nebraska Liquor Control Commission.

309.02 Designated Premises. An applicant for a pickle card operator's license must designate on the application a particular premises where the pickle cards will be sold. The pickle card operator's license is only valid for the area described. The area cannot be greater than the area covered by the applicant's liquor license. No pickle cards may be sold by a licensed pickle card operator at any location other than the one designated on the license application filed with the Department. Pickle cards cannot be sold on any area of land surrounding the premises of the licensed pickle card operator even if the licensed pickle card operator's liquor license extends outside the premises or building. For example, no pickle cards may be sold by a licensed pickle card operator in its "beer garden" located outside of its premises or building.

309.02A A pickle card operator's license covers all employees at the premises designated on the license application filed with the Department.

309.02B A pickle card operator's license may not be transferred under any circumstances including a change of ownership. A change of stock ownership in a corporation in which any new owner becomes a holder directly or beneficially of less than 10% of any class of stock in the corporation, is not a change of ownership.

309.02B(1) When a change of ownership of a business licensed as a pickle card operator occurs, the business must stop selling pickle cards as of the date its retail liquor license is cancelled by the Nebraska Liquor Control Commission. The new owner must obtain a Temporary Operating Permit from the Nebraska Liquor Control Commission as well as a temporary pickle card operator's license and applicable authorizations from the Department to begin or continue selling pickle cards prior to the time its own retail liquor license is issued. The temporary pickle card operator license and authorizations are valid for 90 days or until the Nebraska Liquor Control Commission issues the new owner its own retail liquor license, whichever comes first.

309.02C It is the responsibility of the licensed pickle card operator to keep the information filed on its license application current. The Department must be notified within 30 days of any changes to the application information.

309.02C(1) Changes must be reported in writing and the Department may require the filing of a new application. Changes must be confirmed by the signature of an owner, partner, member, or officer of the licensed pickle card operator. Any individual who signs the

most current application filed obligates the licensee to comply with the Nebraska Pickle Card Lottery Act and regulations for that licensing period.

309.03 Pickle Card Operator's License Expiration and Renewal. A pickle card operator's license expires on September 30 of every odd-numbered year and may be renewed biennially. Additionally, any authorizations to sell pickle cards on behalf of a licensed organization become invalid when the pickle card operator's license expires and may also be renewed biennially. The pickle card operator's application for license renewal is due 60 days prior to the expiration date of the license.

309.04 Authorization to Sell Pickle Cards. A licensed pickle card operator may only sell pickle cards on behalf of organizations that hold current Class II pickle card licenses. A licensed pickle card operator cannot sell individual pickle cards on behalf of a licensed organization until it has physical possession of an authorization issued by the Department to sell pickle cards for that organization. A licensed organization must apply to the Department for the authorization on a form prescribed by the Department. The application form must be signed by the utilization of funds member of the licensed organization and an owner, partner, member, or officer of the licensed pickle card operator.

309.05 Pickle Card Operator's License and Authorization to be Posted. The pickle card operator's license and authorization to sell pickle cards for each licensed organization must be posted prominently at the specific location for which it was issued before the licensed pickle card operator may sell pickle cards. The licensed pickle card operator must post its original license and authorizations issued by the Department at the location where the majority of pickle cards are sold. A copy of the license or authorizations cannot be substituted for the original.

309.05A A licensed pickle card operator who has had its license or authorizations lost, stolen, or destroyed must notify the Department as soon as possible. A duplicate license or authorization will be issued for no additional fee.

309.05B A licensed pickle card operator who no longer wants to be licensed must notify the Department, in writing, of its intention to cancel its license. A notification of cancellation must be accompanied by the original license and all authorizations issued by the Department.

309.05C If a pickle card operator's license is suspended, canceled, or revoked, the pickle card operator must surrender physical possession of its license, authorizations, and all pickle cards and pickle card units to the Department immediately after receiving the order of suspension, cancellation, or revocation.

309.05C(1) Suspensions. The Department will return the license and authorizations, and all pickle cards and pickle card units, to the pickle card operator at the end of the suspension period.

309.05C(2) Cancellations. The former licensee may reapply for a pickle card operator's license when the period of cancellation expires.

309.05C(3) Revocations. The former licensed pickle card operator may not reapply for any license at any time in the future under the Nebraska Pickle Card Lottery Act unless otherwise authorized by the Department.

309.05D When a licensed pickle card operator successfully appeals an order of suspension, revocation, or cancellation, the Department will return the license and authorizations which were surrendered to the Department.

309.06 Method of Payment. The definite profit, less the licensed pickle card operator's commission, of each pickle card unit received by a licensed pickle card operator must be paid for by a check made payable to the licensed organization, either in advance of, or upon delivery of, the pickle card unit to the pickle card operator. It is a violation of these regulations for a licensed pickle card operator to receive credit in any form when receiving a pickle card unit from a licensed organization, including but not limited to, post-dating of a check written by the licensed pickle card operator or holding a check written by the licensed pickle card operator by the licensed organization, sales agent, or utilization of funds member.

309.06A To satisfy the payment by check requirement, a pickle card operator must make payment by a check written from the business account of the pickle card operator, or by a personal check written by an owner, officer, member, or partner of the pickle card operator.

309.06B Payment by money order, certified check, credit card, or any other method is prohibited, unless otherwise authorized by the Department.

309.07 Receipt Requirements. With each delivery of pickle card units to a licensed pickle card operator, the licensed sales agent must ensure that a receipt to the operator is included.

309.07A These receipts must be on a form prescribed by the Department and must contain the following information either on the prescribed form or on an attachment to the form which has been approved by the Department:

309.07A(1) The name of the licensed organization;

309.07A(2) The name, address, and Nebraska ID number of the licensed pickle card operator;

309.07A(3) A description of the pickle card units sold, including the name of the game, form number, and serial number;

309.07A(4) The gross proceeds and definite profit of each unit;

309.07A(5) The licensed pickle card operator's commission from each unit;

309.07A(6) The check number, the date of the check, and amount of the check issued from the licensed pickle card operator to the licensed organization; and

309.07A(7) The signatures of the sales agent of the licensed organization certifying receipt of payment and of the licensed pickle card operator certifying receipt of the pickle card units and the date of sale.

309.07B Both the pickle card units delivered and the receipt or a copy issued by the sales agent must be physically present at the pickle card operator's premises until the units are fully sold.

309.08 An applicant for a pickle card operator's license is responsible for and must pay its own license fee. The licensed pickle card operator is also responsible for any other expenses it incurs in connection with the sale of pickle cards on behalf of a licensed organization, including registering pickle card dispensing devices with the Department and obtaining registration decals from the Department.

309.09 Revenue Limitation. No licensed pickle card operator can generate annual revenue from the sale of individual pickle cards which exceeds the annual revenue generated from its other retail sales.

309.09A For the purposes of this regulation, "revenue generated from other retail sales" means the gross income received from the sale of goods and services not including revenues generated from charitable gaming activities and "revenue from the sale of individual pickle cards" means the licensed pickle card operator's commission from the sale of all pickle cards.

309.09B For example, if a licensed pickle card operator receives \$500,000 from the sale of all goods and services except pickle card sales at its place of business prior to the expenses of operating that business, its revenue generated from other retail sales is \$500,000. That amount will be compared with its commissions from the sale of pickle cards during the same annual period.

309.10 Prohibition of Multiple Interests. An owner, partner, member, or officer of a licensed pickle card operator cannot act or be licensed as a utilization of funds member or sales agent for any licensed organization conducting a lottery by the sale of pickle cards. This does not exclude an employee of a licensed pickle card operator from acting as a utilization of funds member for a licensed organization to which the employee belongs. No licensed pickle card operator can have a substantial interest, as defined in Reg-35-300.09, in any individual, partnership, firm, corporation, or other

party licensed as a distributor or a manufacturer.

309.11 Returning Pickle Card Units. Prior to placing a pickle card unit in play, the licensed pickle card operator may return the unit to the licensed organization or its sales agent and the licensed organization may refund the amount paid by the pickle card operator for that pickle card unit. The refund transaction must be reflected on all copies of the original receipt.

309.11A If the returned pickle card unit is delivered to another licensed pickle card operator by the licensed organization, the expenses incurred by the licensed organization in connection with the re-marketing of that pickle card unit must be applied to the organization's allowable expense limitation on resale.

309.12 Limitation on Consideration for Selling Pickle Cards. No licensed pickle card operator can receive any additional consideration, in any form, directly or indirectly, over and above the 30% of definite profit pickle card operator's commission limitation, from any individual or organization; or any member, employee, or agent of any licensed organization, as an inducement to sell pickle cards.

309.13 Suspension of Liquor License. If a licensed pickle card operator has its retail liquor license temporarily suspended, it no longer meets the licensing requirements for a pickle card operator. During the period its liquor license is suspended, it cannot sell pickle cards. When the suspension is lifted, the pickle card operator may resume selling pickle cards.

(Neb. Rev. Stat. §§ 9-316, 9-317.01, 9-322, 9-328, 9-329, 9-329.02, 9-329.03, 9-340.02, 9-345.03, and 53-149. July 3, 2013.)

REG-35-310 CONDUCT OF THE GAME

310.01 No licensed pickle card operator or licensed organization may sell pickle cards without having physical possession of the license to sell pickle cards issued by the Department. In addition, a pickle card operator must have an authorization issued by the Department for each licensed organization on whose behalf they intend to sell pickle cards. No pickle card operator or licensed organization shall sell any pickle card which is not clearly and legibly imprinted by a licensed distributor with the name and state identification number of the licensed organization on whose behalf the pickle cards are sold.

310.02 The corresponding flare card for each pickle card unit in play must be posted prominently at the location where pickle cards are sold individually. If more than one pickle card unit is in play, the flare card for each pickle card unit must be posted by the organization selling the pickle cards or the licensed pickle card operator selling the pickle cards. If one pickle card unit is being played at more than one location within a single premises, or in more than one dispensing device within a single premises, the flare card must be posted at the point where the majority of pickle cards are being sold.

310.03 Units of pickle cards may be commingled in one receptacle, including a coin-, currency-, or token-operated dispensing device, subject to all of the following provisions:

310.03A Two or more units are placed in play at the same time at the start of a commingled game. Units added to the commingled game must be intermixed in the receptacle with the units in play. If the receptacle cannot hold two or more units, the receptacle may be filled with one unit and, as those cards are sold, refilled with cards from the second unit.

310.03B The units are identical as to a particular type, form number, name of game, cost per play, and number of pickle cards.

310.03B(1) Two or more types of pickle cards may be sold from the same coin-, currency-, or token-operated dispensing device designed with multiple columns provided that: different types of pickle cards are not mixed in a single column; and, the player has a choice as to which type of pickle card they can purchase.

310.03C For each unit in play, the flare card displaying the state identification stamp and game serial number which coincides with the pickle cards being sold must be posted in close proximity to the receptacle from which the cards are sold and plainly visible to all players.

310.03D For the purposes of this regulation, receptacle shall mean a container, coin-, currency-, or token-operated dispensing device, or a distinct section thereof, in which pickle cards may be completely separated from other pickle cards in other sections of the container or device.

310.04 The following information shall be indicated by the licensed organization or pickle card operator on each flare card posted at the location at which the particular pickle card unit is sold:

310.04A The name and state identification number of the licensed organization on whose behalf the cards are being sold; and

310.04B The date the unit was placed in play.

310.05 No pickle card unit or punchboard may be put out for play unless the flare card or punchboard has a Nebraska state identification stamp attached which has been previously affixed thereto by a licensed distributor. Once placed on the flare card or punchboard, the state identification stamp may not be tampered with by any person.

310.06 No pickle card unit may be placed out for play in the original packages, boxes, or other containers in which it was received from the distributor or licensed organization.

310.07 No pickle card or punchboard punch may be sold for a price different from the price stated on the pickle card and flare card of the unit or on the punchboard.

310.08 No licensed organization, pickle card operator, or any other person may modify or otherwise change the flare card of a pickle card unit or change or modify a punchboard from its original form as manufactured, or use a flare card or punchboard that arrives in an altered or defaced condition.

310.09 A pickle card operator or licensed organization shall not pay a prize to any player who is attempting to redeem a pickle card that has in any manner been marked, defaced, tampered with, or otherwise placed in a condition which may deceive the pickle card operator or organization.

310.10 When a winning pickle card is presented to claim a prize, the individual redeeming the pickle card shall verify before he or she pays the prize, that the serial number on the pickle card is, in fact, the serial number of a pickle card unit being sold at that particular location.

310.11 To minimize the unfair advantage certain individuals may have with regard to the prize status of a particular pickle card unit in play, otherwise known as "insider information", the following prohibitions shall apply to the purchasing and playing of pickle cards:

310.11A With respect to a bingo occasion: No individual working, managing or assisting with the conduct of the bingo occasion, or selling or redeeming winning pickle cards at the bingo occasion, shall purchase or play pickle cards at that bingo occasion at any time. This regulation does not apply to a concession worker whose duties are not connected to the actual conduct of bingo games or to the selling or redeeming of pickle cards.

310.11B With respect to an organization's designated premises: No individual who sells or redeems individual pickle cards at the designated premises shall purchase or play pickle cards at that designated premises at any time.

310.11C With respect to a pickle card operator: No individual employed by the pickle card operator and no officer, partner or owner of the pickle card operator shall purchase or play pickle cards at that operator's location at any time.

310.11D In addition, the individuals prohibited from purchasing or playing pickle cards as identified in this regulation, shall at no time disclose the prize status of a pickle card unit to any player or potential player thus giving that person an unfair advantage.

Violations of this regulation could result in a fine or the suspension, cancellation or revocation of the license of the party where the violation occurred.

310.12 Upon receipt and verification of a winning pickle card, the pickle card operator or licensed organization shall pay the prize designated by the manufacturer to the winner and shall deface the winning number, letter, symbol, or set of numbers, letters or symbols of each winning pickle card redeemed. Some examples of "defacing" a winning pickle card so that it may not be redeemed a second time are punching, marking, or signing one's name on the winning numbers, letters or symbols on the pickle card when the winner is paid.

310.13 Pickle card operators and licensed organizations shall manage and control the disposal of played and unsold pickle cards from their premises. Played and unsold pickle cards should be burned, shredded or treated in some other manner which would prevent someone from obtaining the used, defaced or unsold pickle cards and attempting to reuse them or any portion thereof.

310.14 No licensed organization or pickle card operator shall freeze a pickle card unit for a particular player(s). For the purposes of this regulation, freezing a unit or game means limiting the play of a particular pickle card unit to a particular player or players.

310.15 A licensed pickle card operator or licensed organization selling individual pickle cards shall not post any copy or facsimile of the flare card for any pickle card unit. If the original flare card becomes lost or damaged beyond use, a replacement flare card must be obtained. The pickle card unit shall be removed from play until the replacement flare card has been obtained. Such replacement flare card must comply with all other flare card requirements including the presence of a state identification stamp affixed to it.

310.15A A pickle card operator must contact the licensed organization or sales agent from whom the game was purchased to request a replacement flare card.

310.15B A licensed organization must contact the distributor from whom the game was purchased to obtain a replacement flare card.

310.16 No pickle card operator or licensed organization shall extend credit to any player for the purchase of pickle cards nor shall such operator or organization accept any mode of payment other than cash or a check from the player for the purchase of a pickle card with the exception of a player who is redeeming a winning pickle card for a pickle card or cards whose face value equals the value of the prize awarded by the winning pickle card redeemed.

310.16A A pickle card operator or licensed organization who fails to make a good faith effort to collect payment for a bad or insufficient fund check used to purchase pickle cards shall be deemed in violation of this regulation.

310.17 Licensed organizations and pickle card operators shall establish a policy regarding when and where individual pickle cards may be opened. A licensed organization or pickle card operator may establish a policy that all pickle cards must be opened and all winning cards must be redeemed at the time and at the location at which they are purchased. Licensed organizations and pickle card operators which have this policy shall clearly post a legible sign at the sales location notifying players that all pickle cards must be opened and redeemed on the premises at the time of sale.

(Sections 9-302, 9-317, 9-336, 9-337, 9-340, and 9-345.02, R.R.S. 1997. Sections 9-312, 9-315, 9-322, 9-328, 9-329.02, 9-345.03, and 9-346, R.S.Supp., 2002. November 12, 2002.)

REG-35-311 TAXES

311.01 A distributor shall pay to the Department, on a monthly basis, the statutory tax rate on the definite profit of each pickle card unit sold in Nebraska. The tax shall be remitted with and reported on a form prescribed by the Department and shall be due within thirty (30) days after the end of each monthly period or by the last day of the month following each monthly period, whichever comes first. When the last filing date for any return or report falls on a Saturday, Sunday, or day considered a holiday by the Tax Commissioner's office, the return or report shall be considered timely filed if mailed postage prepaid or personally delivered to the Department on the next succeeding day which is not a Saturday, Sunday, or a day considered a holiday by the Tax Commissioner's office.

311.01A Such tax shall be due and paid on the basis of the definite profit of the pickle card units sold as of the date the distributor transfers title or possession of the units. For the purposes of this regulation, title shall mean the right to take possession of the units even if the purchasing organization has not yet done so. Possession shall mean actual physical possession of the pickle card units purchased.

311.01A(1) If a licensed distributor is on a cash basis of accounting, the licensed distributor will report the tax at the rate as it exists at the time the distributor receives a cash payment without regard to whether the cash is in satisfaction of an obligation predating a change in the rate of tax.

311.01A(2) A licensed distributor using a pure accrual basis of accounting will report the tax as it exists at the time the distributor records the sale in his or her books.

311.01B The tax as described in this regulation shall not be imposed on pickle card units which are sold by a licensed distributor to a federally recognized Indian tribe for use in a Class II gaming activity authorized by the federal Indian Gaming Regulatory Act.

311.01C Unless otherwise provided by the Nebraska Pickle Card Lottery Act, no occupation tax may be assessed or collected on receipts derived

from the conduct of a lottery by the sale of pickle cards, by any county, township, district, city, village or other governmental subdivision or body who has the power to levy, assess or collect such tax.

311.02 A licensed distributor is required to obtain a Nebraska sales tax permit and must collect and remit the sales tax on the selling price of pickle card units except from those organizations deemed exempt from sales and use tax as set forth in the Nebraska Sales and Use Tax Regulations. A licensed distributor who is required to collect the Nebraska sales tax and who fails to do so will be liable for such tax and may be assessed in accordance with the Nebraska Revenue Act of 1967, as amended.

311.03 The Nebraska sales tax is to be computed on the distributor's selling price of each pickle card unit plus any charge for imprinting and/or charges for the transportation of the property to the purchaser, if delivery of the property is made by facilities of the licensed distributor. The distributor's selling price shall include the pickle card tax that each distributor is required to pay to the state.

311.04 Organizations licensed to conduct a lottery by the sale of pickle cards are required to pay the Nebraska sales and use tax on the cost of each pickle card unit purchased from the distributor unless the licensed organization is exempt from Nebraska sales and use tax as set out in the Nebraska Sales and Use Tax Regulations.

311.05 A distributor may accept a properly completed exempt sale certificate, section B of the Nebraska Resale and Exempt Sale Certificate, Form 13, from licensed organizations that have received an exempt sales tax certificate from the Nebraska Department of Revenue. The types of organizations which are exempt from sales and use tax are listed in Sales and Use Tax Regulations.

311.06 Licensed distributors are prohibited from accepting a completed resale certificate, section A of the Nebraska Resale and Exempt Sale Certificate, Form 13, on their sale of pickle card units to licensed organizations in lieu of collecting the sales tax since licensed organizations are the ultimate consumers of the pickle card units.

(Section 77-2704, R.R.S. 1996. Sections 9-343 and 9-344, R.R.S. 1997. Sections 9-322 and 77-2703, R.S.Supp., 2002. November 12, 2002.)

REG-35-312 RECORDS

312.01 Each licensed organization, manufacturer, distributor, and pickle card operator shall maintain complete, accurate and legible accounting records with detailed supporting records sufficient to furnish information regarding all transactions pertaining to its lottery by pickle card activities. Such records shall be retained for a period of not less than three years.

312.01A A licensee may conduct its accounting on a cash basis, accrual basis or any other generally recognized accounting basis which correctly reflects the operation of the business.

312.01B All records required by the Nebraska Pickle Card Lottery Act and the regulations adopted to carry out that Act shall be open to inspection by the Department, as well as any law enforcement officials.

312.02 Each organization licensed to conduct a lottery by the sale of pickle cards shall maintain its pickle card activity records separate from all other records of the organization. The following types of records must be maintained by the licensed organization:

312.02A Invoices for all purchases of pickle card units and punchboards by the organization, including the type of unit or board purchased, the serial number for each unit or punchboard purchased, the name of the distributor from whom the units or boards were purchased, the purchase price of each unit or board, the date of purchase and the check number of the check drawn on the organization's pickle card bank account used to purchase the units or boards;

312.02B The gross proceeds for each pickle card unit or punchboard purchased and the ideal prizes awarded by that unit or board. Gross proceeds shall mean the total number of pickle cards in the unit or total number of punches on a punchboard multiplied by the selling price per pickle card or punch. Ideal prizes shall mean the amount of prizes offered by the unit or board as indicated by the manufacturer on the payout slip and flare card enclosed with the unit or on the face of the punchboard;

312.02C The name and address of each pickle card operator authorized to sell pickle cards or punches from a punchboard for the licensed organization;

312.02D The amount of commission retained by each pickle card operator for selling pickle cards or punches from a punchboard on behalf of the licensed organization and for each unit or board sold at that location, the type of unit or board, serial number, the definite profit, and the net amount paid by the operator to the organization;

312.02E Normal books of account generally maintained by a reasonable prudent business person engaged in a similar business. These records will include, but are not limited to accounts payable journals, accounts receivable journals, sales journals, and purchase journals; and

312.02F A detailed breakdown of all pickle card expenses incurred by the organization. These expenses include, but are not limited to:

312.02F(1) The unit cost of pickle card units and punchboards including, the cost of imprinting individual pickle cards, taxes and delivery charges invoiced by the distributor; pickle card operators' commissions; sales agents' commissions; fees; salaries; rent; equipment; supplies; advertising; promotional expenses; and any other expense incurred with the marketing of pickle cards and punchboards by the licensed organization.

312.02F(2) These records must be maintained for all pickle card and punchboard expenses, even if those expenses are paid from a source other than the pickle card bank account of the licensed organization.

312.03 Each organization licensed to conduct a lottery by the sale of pickle cards shall maintain a separate pickle card checking account from all other bank accounts of the organization. The amount representing the definite profit less any pickle card operator's commission derived from the transfer of all pickle card units and punchboards to pickle card operators shall be deposited into this account.

312.03A An organization must maintain the following records in connection with this bank account:

312.03A(1) All deposits, withdrawals, and transfers;

312.03A(2) All canceled checks;

312.03A(3) All bank statements; and

312.03A(4) Records of all expenditures from any bank account used in connection with a lottery by the sale of pickle cards and a description of the purpose of the expenditure.

312.03B An organization may maintain more than one bank account devoted to pickle card proceeds; provided, at least one account is a checking account from which all lawful purpose donations and expenses relating to the licensed organization's pickle card activities are made. For each such account, the records required by Regulation 35- 312.03A must be maintained.

312.04 Each licensed pickle card operator shall maintain separate records of its pickle card activities for each Class II licensed organization for whom it sells pickle cards or punches from a punchboard. A pickle card operator, shall at a minimum, keep and maintain the following types of records for a period of not less than three years:

312.04A A copy of the receipt issued by the licensed organization or sales agent for all pickle card units and punchboards sold by the licensed organization, including the form number and type of pickle card unit or punchboard sold, serial number, name of the organization from whom the pickle card units or punchboards were purchased, the name of the sales agent who sold the pickle card units or punchboards to the operator, the definite profit of each unit or punchboard, the pickle card operator's commission on each unit or punchboard, and the check number and date of the check used to pay for the pickle card units or punchboards; and

312.04B A record of all money or any other items of value received from a licensed organization as a commission for selling pickle cards or punches from a punchboard on behalf of the organization.

312.05 A licensed distributor located in Nebraska which sells pickle card units or punchboards to purchasers outside of the state of Nebraska must keep the following records of those sales for a period of not less than three years:

312.05A The name, address, city, state, and zip code of the purchaser;

312.05B The type of pickle card units or punchboards sold and the serial number of each;

312.05C The date of sale;

312.05D The manner of shipment, including name, address, and telephone number of the individual, firm, or corporation with whom the pickle card units or punchboards were shipped; and

312.05E The total number of pickle card units or punchboards sold to each purchaser.

312.06 A licensed distributor shall maintain the following records on the sale of pickle card units or punchboards in Nebraska for a period of not less than three years:

312.06A The name, address, city, state, and zip code of all organizations to whom pickle card units or punchboards are sold;

312.06B The total number of units and boards sold to each organization, including the type of pickle card unit or punchboard, serial number, form number, and corresponding state identification stamp number assigned to that pickle card unit or punchboard;

312.06C The gross proceeds from each pickle card unit or punchboard; and 312.06D The ideal prizes offered by each pickle card unit or punchboard.

312.07 A licensed manufacturer shall maintain records containing the following information concerning sales of pickle card units and punchboards to pickle card distributors licensed by Nebraska for a period of not less than three years;

312.07A Each distributor's name, address, city, state, zip code and state identification number to whom pickle card units or punchboards are sold;

312.07B The quantity of each type of unit or board sold to each distributor, including a description of the pickle card unit or punchboard, serial number, and form number assigned to each unit or board;

312.07C The gross proceeds from each pickle card unit or punchboard; and 312.07D The prizes offered by each pickle card unit or punchboard.

(Section 9-341, R.R.S. 1943. Sections 9-302, 9-333, 9-340.01, 9-342, 9-343, 9-347, 9-348, and 9-349, Cum. Supp., 1990. Sections 9-322, 9-329.02, 9-329.03, and 9-340.02, R.S.Supp., 1991. December 5, 1992.)

REG-35-313 REPORTING REQUIREMENTS

313.01 All Class I and Class II pickle card licensees shall prepare an annual report to its membership of its pickle card activities.

313.01A The annual report shall cover the organization's pickle card activities from July 1 to June 30. A copy of the annual report must also be filed with the Department on forms supplied by the Department. Class I and Class II pickle card licensees shall file the annual report with the Department by August 15 of each year.

313.01A(1) An annual report must be filed with the Department by August 15 of each year even if the licensed organization does not intend to renew its pickle card license or does not intend to retain its pickle card license for the second year of the biennial licensing period, its license renewal application has been denied, or its license has been canceled, suspended, or revoked during the reporting period. In addition, a licensed organization which has had its license renewal application denied, or its license canceled, suspended, or revoked, shall also be required to:

313.01A(1)(a) Submit a written disbursement plan with the Department no later than 45 days after the expiration date of its pickle card license or the effective date of the license renewal application denial or license cancellation, suspension, or revocation. Such plan shall identify the specific purpose(s) for which the remaining profits will be utilized, and shall be subject to approval by the Department; and

313.01A(1)(b) Unless otherwise determined by the Department, continue to file a pickle card revenues status report by August 15 of each year, on a form supplied by the Department, listing all disbursements of pickle card revenue until all such revenues have been expended either for allowable expenses or for lawful purposes.

313.01A(2) An annual report must be filed with the Department even if the licensed organization conducted pickle card activity for only a portion of the reporting period. For example, if the licensed organization did not begin its pickle card activities until the second quarter of the reporting period or ceased its pickle card activities before the end of the reporting period, an annual report would still be required.

313.01A(3) An organization's license shall not be renewed unless and until complete and accurate annual reports, for all applicable reporting periods, are filed with the Department.

313.02 The following information regarding an organization's lottery by the sale of pickle cards shall be included in the annual report:

313.02A The gross proceeds realized from the sale of pickle cards and pickle card units sold by the organization, and, in the case of organizations holding a Class II license, the gross proceeds realized through each pickle card operator;

313.02B The total prizes paid by or on behalf of the licensed organization as indicated by the payout slip enclosed by the manufacturer with each pickle card unit;

313.02C The definite profit realized by the organization from the sale of pickle card units. This figure is represented by the gross proceeds less the prizes paid. If the organization has compiled complete and accurate records which indicate a definite profit different from that which would ideally be realized for the pickle card unit minus the prize payout designated by the manufacturer, the organization may use that figure in reporting its definite profit;

313.02D Interest or any other income realized from the organization's activities in the conduct of a lottery by the sale of pickle cards, including interest from the organization's pickle card bank account, any income realized from the sale or rental of pickle card dispensing machines, or any other type of income which would be derived from the organization's lottery by the sale of pickle cards;

313.02E The number of pickle card units sold for the reporting period. The information necessary to compute this figure would consist of the number of pickle card units in inventory on the first day of the reporting period, the number of pickle card units purchased by the organization during the reporting period, and the number of pickle card units on hand at the end of the reporting period;

313.02F Any compensation paid to officers of the organization, employees, or sales agents. This would include the commission or salary of a sales agent or any individual connected with the marketing of the pickle cards, including consultants hired for the purpose of coordinating the organization's lottery by the sale of pickle cards;

313.02G Any commissions retained by pickle card operators. This information must be reported separately for each pickle card operator marketing pickle cards on behalf of the organization. Commission includes any money the organization allows a pickle card operator to retain out of the definite profit from a pickle card unit or any other compensation from the organization to the pickle card operator to market the organization's pickle cards;

313.02H A detailed breakdown of all expenses incurred by the licensed organization in connection with the marketing of pickle cards. This shall include items such as rent, purchase of equipment such as pickle card

dispensing machines, repairs and maintenance on any equipment or real property used in connection with the lottery by the sale of pickle cards, and contract services such as secretarial or bookkeeping services incurred in connection with the lottery by the sale of pickle cards. In addition, any license fees paid by the organization must be reported and an itemized list of those license fees must be included. Any other expenses in addition to those previously mentioned that are incurred by the organization in connection with the lottery by the sale of pickle cards must also be listed;

313.02I All disbursements from the organization's pickle card bank account for lawful purpose donations must be reported. Donations made outside the organization must include the recipient's name and address, check number, date, amount, and description of the purpose for which the donation was made. Donations made for the organization's internal use must be summarized as transfers to the organization operating fund, a special reserve fund, or payment of organization's operating expenses;

313.02J A summary of the organization's pickle card bank account, including the balance at the beginning of the reporting period, total deposits made during the reporting period, total interest earned, total disbursements made during the reporting period, and the balance of the account at the end of the reporting period;

313.02K All expenses connected with the organization's lottery by the sale of pickle cards must be reported, regardless of whether they are paid from the organization's pickle card bank account or from some other bank account of the organization; and

313.02L All accounts receivable connected with the organization's lottery by the sale of pickle cards at the end of the reporting period.

313.04 All licensed distributors shall report monthly and pay to the Department the statutory tax on the definite profit for all pickle card units sold within the state as provided in Regulation 35-311. All licensed distributors shall include with the monthly tax return a supplementary report which includes the following information:

313.04A The state identification number and name of each licensed organization purchasing pickle card units;

313.04B A breakdown of purchases, returns or exchanges by each licensed organization to include:

313.04B(1) The name and form number of each pickle card unit;

313.04B(2) The quantity of each type of pickle card unit purchased, returned, or exchanged; and

313.04B(3) The gross proceeds and definite profit for each pickle card unit purchased, returned, or exchanged; and

313.04C The number of pickle card units on hand as of the beginning of the reporting period and the end of the reporting period, the number of pickle card units purchased, exchanged or returned from manufacturers during the reporting period, and the number of pickle card units sold to out-of-state customers during the reporting period.

(Sections 9-302, 9-333, 9-340.01, 9-343, 9-348, and 9-348.01, R.R.S. 1997. Sections 9-322, 9-328, 9-340.02, 9-347.01, and 9-349, R.S.Supp., 2002. November 12, 2002.)

REG-35-314 EXPENSES

314.01 A Class II pickle card licensee may not allow more than 30 percent of the definite profit from each pickle card unit sold as commission to the pickle card operator. The pickle card operator's commission must be deducted from the definite profit of each pickle card unit sold in determining the amount to be paid by the pickle card operator to the licensed organization. That amount must be paid by check by the operator in advance of or at the time of delivery of the pickle card unit from the organization to the operator.

314.02 All licensed organizations conducting a lottery by the sale of pickle cards may not spend more than 12 percent of the definite profit from a pickle card unit to pay the allowable expenses of operating the lottery by the sale of pickle cards. Pickle card operators' commissions and unit cost are not included within the definition of allowable expenses.

The following types of expenses are included within the 12 percent expense limitation:

314.02A All costs associated with the purchasing, printing, or manufacturing of any items to be used or distributed to participants in the lottery by the sale of pickle cards, such as the cost of pickle card dispensing devices and racks if used by the licensed organization and not rented to a pickle card operator for fair market value;

314.02B Shipping or delivery charges incurred by the organization for delivery of pickle card units to licensed pickle card operators or any shipping or delivery costs on pickle card units received from a distributor which were not billed by the distributor as part of the unit cost;

314.02C All office expenses including, but not limited to, the cost of office supplies and bookkeeping materials, sales invoices, receipt books, postage costs, copying expenses, telephone costs, office equipment, and any other related office expenses incurred which are directly related to the operation of the lottery by pickle card activity;

314.02D Promotional expenses such as advertising; any federal gaming license for the organization, any pickle card dispensing device registration fee for the organization, any pickle card dispensing device repairs or maintenance paid by the organization, and any other costs

incurred which are directly related to the promotion of the lottery by pickle card activity;

314.02E All salaries paid to persons to operate the lottery by the sale of pickle cards, such as salaries, or wages paid to individuals involved with the operation of the pickle card activity, including bookkeepers and other office staff, utilization of funds members, sales agents, whether commissioned or salaried, officers or managers of the organization who are paid for their participation in the pickle card activity, and any other related salaries or wages;

314.02F Any rental or lease expense for real or personal property used and directly related to the operation of the pickle card activity, such as office or storage space rental, office equipment rental, car rental, and pickle card dispensing device rental; and

314.02G Any fee paid to any person associated with the operation of any lottery by the sale of pickle cards, such as fees to consultants, attorneys, fundraisers, and other professionals for services performed which are directly related to the organization's pickle card activities. This includes payments to an individual, firm, or corporation with whom the licensed organization contracts for services relating to the operation of the lottery by the sale of pickle cards. This also includes any commission or fee paid to a sales agent and any reasonable and necessary expense for which a sales agent is reimbursed.

314.03 License fees paid by the organization to license itself, its utilization of funds member, or its sales agents and any actual fees charged for fingerprinting the organization's sales agents are not included in determining the 12-percent limitation on allowable expenses.

314.03A Pickle card operator license fees, federal wagering taxes, costs of a pickle card dispensing device, pickle card dispensing device registration fees, and other expenses incurred by a pickle card operator in connection with the sale of pickle cards are not considered allowable expenses and may not be paid or reimbursed by the licensed organization or any of its members, employees or agents.

314.04 A licensed organization may not use pickle card monies to pay any fine imposed pursuant to the Nebraska Bingo Act, Nebraska Pickle Card Lottery Act, or Nebraska Lottery and Raffle Act.

314.05 A Class II pickle card licensee may not pay a sales agent more than six percent of the definite profit of a pickle card unit as a commission, salary, or fee for the marketing of the pickle card unit. The six percent sales agent's limitation is included within the 12 percent overall allowable expense limitation.

314.05A For example, if a licensed organization pays its sales agent six percent of the definite profit of a pickle card unit, its remaining allowable expenses may not exceed six percent of the definite profit ($12\% - 6\% = 6\%$). Additionally, if a licensed organization incurs other allowable

expenses of seven percent, it cannot pay its sales agent more than five percent of the definite profit of a pickle card unit. Any payments to sales agents in connection with a lottery by the sale of pickle cards must be made by check, from the licensed organization's pickle card bank account and signed by the organization's utilization of funds member.

314.05B A licensed organization may reimburse a sales agent for reasonable and necessary expenses incurred while performing the sales agent's duties. Such reimbursed expenses may not be included in the six percent limitation on a sales agent's commission but may be included in the 12 percent overall allowable expense limitation.

314.06 To determine whether a licensed organization is within the 12 percent of definite profit allowable expense limitation when an expense cannot be directly attributed to a particular pickle card unit, such as a bookkeeper or consultant fee, the total expense should be allocated to all units sold, either based upon previous experience, or a reasonable projection of sales for the annual reporting period. Salaries and other expenses which are not entirely attributable to the pickle card activity may be allocated on the basis of the percentage of time spent on pickle card activities.

314.07 The Nebraska Pickle Card Lottery Act allows a maximum of 12 percent of the definite profit per pickle card unit to pay all allowable expenses. The following formula should be used to calculate the allowable expense limitation:

Definite profit x 12% = Allowable Expense Limitation

EXAMPLE:

Gross proceeds	\$3,600
Less prizes	<u>2,600</u>
Definite profit	\$1,000

$\$1,000 \text{ (Definite Profit)} \times .12 = \$120 \text{ (Allowable Expense)}$

314.08 All allowable expenses paid by a licensed organization in connection with its lottery by the sale of pickle cards must be paid by a check drawn on the organization's pickle card bank account. Checks must be paid directly to the person, firm or corporation with whom the expense was incurred.

(Sections 9-1,104, 9-304, 9-322, 9-340.02, 9-345.03, 9-348 and 9-348.01, R.R.S. 2007 and sections 9-347, and 9-347.01, R.S. Supp., 2009. November 6, 2010.)

REG-35-315 STATE IDENTIFICATION STAMP

315.01 The flare card for each pickle card unit and each punchboard sold for use in this state shall contain a Nebraska state identification stamp, permanently affixed to such flare card or punchboard. No person other than

a licensed distributor may obtain state identification stamps from the Department, nor may any person, organization, or business other than a licensed distributor, affix such state identification stamps to any flare card accompanying a unit of pickle cards or to any punchboard. Such identification stamps are not transferable.

315.02 A licensed distributor who ceases business, liquidates, declares bankruptcy, or closes for any other reason, including the nonrenewal of a distributor license or a relinquishment of its license, shall return any and all unused Nebraska state identification stamps in the distributor's possession to the Department within five (5) days after cessation of business unless otherwise authorized by the Department.

315.03 If a licensed organization returns a purchased unit of pickle cards or a punchboard, for whatever reason, the distributor shall void the state identification stamp. The distributor shall keep a record of all voided state identification stamps for a period of not less than three years. The distributor shall be able to provide a list of voided state identification stamp numbers to the Department upon request.

315.03A If the distributor resells or reissues the unit or board, the distributor shall place a new state identification stamp on the flare card of the unit or on the punchboard in close proximity to the voided stamp (for example, alongside) in such a manner as to not obscure the identification number of the voided stamp.

(Section 9-340, Cum. Supp., 1990. Section 9-322, R.S.Supp., 1991. December 5, 1992.)

REG-35-316 PICKLE CARD DISPENSING DEVICES: REGISTRATION; USE; AND RESTRICTIONS

316.01 No coin-operated or currency operated device shall be used for the dispensing of pickle cards unless a registration decal has been obtained from the Department and the decal has been permanently and conspicuously affixed to the device. The mechanical amusement device tax does not apply to coin or currency operated pickle card dispensing devices. For the purposes of this regulation, coin or currency operated pickle card dispensing devices shall include devices activated by the use of tokens or slugs.

316.02 Registration of such devices with the Department shall be made by application on a form prescribed by the Department and each application for a registration decal shall include:

316.02A The name and address of the licensed pickle card operator or licensed organization registering the device;

316.02B The state identification number of the licensed pickle card operator or licensed organization registering the device;

316.02C A detailed description of the physical appearance and operation of the coin- operated or currency operated dispensing device;

316.02D If applicable, a copy of any written lease, rental, or sales agreement between the licensed organization and the licensed pickle card operator;

316.02E The fee as prescribed by Regulation 35-316.04; and

316.02F Such other information which the Department deems necessary.

316.03 Registration decals issued for pickle card devices shall expire on December 31 of each year and may be renewed annually. An application for renewal of the registration of a pickle card dispensing device shall be submitted to the Department on or before November 15 of each year.

316.04 A fee of \$50.00 shall be charged for each registration decal issued and such decal shall not be transferable from one machine to another or from one premise to another. The registration decal fee is due in full for any portion of the calendar year and will not be prorated for any portion of the year. Registration decal fees are not refundable, unless otherwise approved by the Department based upon a written request for refund and extenuating circumstances.

316.04A If a pickle card dispensing device breaks down and cannot be repaired, any permanent replacement device that is placed into use must be registered with the Department. For each permanent replacement device, the \$50.00 registration decal fee is required.

316.04B If a pickle card dispensing device breaks down and will be temporarily out-of- service, a temporary replacement device may be placed in use for a period of up to 30 days or until such time the original device has been repaired and placed back into use, whichever occurs first. Under this circumstance, the \$50.00 registration decal fee will not be required for the temporary replacement device.

316.04B(1) The licensed organization or pickle card operator that is using a replacement device on a temporary basis shall notify the Department in writing of the following:

316.04B(1)(i) The name and address of the licensed organization or pickle card operator using the temporary replacement device;

316.04B(1)(ii) The state identification number of the licensed pickle card operator or licensed organization using the temporary replacement device;

316.04B(1)(iii) A detailed description of the replacement device including serial number, if applicable;

316.04B(1)(iv) The number of the current registration decal on the device that is temporarily out-of-service; and

316.04B(1)(v) The date the temporary replacement device was placed into service.

316.04B(2) Such notification shall be made within five working days of the date the temporary replacement device was placed into service.

316.05 Registration of each pickle card dispensing device shall be the responsibility of the licensed organization when such device is to be used at a licensed organization's designated premises or its own bingo game or the responsibility of the licensed pickle card operator when such device is to be used on the premises of the pickle card operator. For the purposes of this regulation, responsibility shall include filing the application and paying the fee for such registration decal. In the case of a licensed pickle card operator, such operator shall not be reimbursed for such registration decal fees by the licensed organization on whose behalf the operator sells pickle cards or by any licensed manufacturer, distributor or any other person.

316.06 A licensed organization or distributor shall not provide pickle card dispensing devices to pickle card operators free of charge, or for a rate less than fair market value. A licensed organization shall not extend credit to a pickle card operator on the rental, lease, or purchase of such devices. Payment for the purchase of such devices shall either be in advance or upon delivery. The payment terms of any lease or rental agreement regardless of the term of the lease, shall specify that the lease or rental payment be made in advance. Payment in advance shall mean on or before the placement of the device or on or before the first day of the period of the lease, whichever comes first. For example, if the lease terms specify a monthly rental payment, such payment shall be made on or before the first day of each month.

316.06A A licensed organization or distributor shall sell or rent pickle card dispensing devices to licensed pickle card operators at a rate not less than fair market value. The lease or rental of a pickle card dispensing device to a licensed pickle card operator shall be in writing and set forth all terms and conditions of the lease or rental.

316.06A(1) Fair market value, regarding the sale of pickle card dispensing devices, is the amount at which property would change hands in the open market, in competition with other similar devices, between a willing buyer and a willing seller, neither being under any compulsion to buy or sell, and both having reasonable knowledge of the relevant facts.

316.06A(2) Fair market value for leased or rented pickle card dispensing devices shall be determined by taking the cost of the device divided by thirty-six to arrive at a fair market value monthly lease rate.

316.06A(2)(i) A licensed organization or distributor shall not reduce the rental or lease rate of a pickle card dispensing device rented or leased to a licensed pickle card operator within three years of the date the device is first placed in service. The fair market value formula as prescribed in Regulation 316.06A(2) of this regulation shall remain in force.

316.06A(2)(ii) A licensed organization or distributor who leases a device may release such device to a licensed pickle card operator. The amount for which the device is leased or rented to the pickle card operator may be for the same amount of the organization's or distributor's lease, provided such amount is equal to or greater than the fair market value determined using the formula in Regulation 35-316.06A(2).

316.07 Any licensee which utilizes a pickle card dispensing device to sell pickle cards shall, upon request, provide the Department immediate access to any pickle cards contained within such device.

(Sections 9-341, 77-3001, and 77-3002, R.R.S. 1943. Sections 9-302, 9-343, and 9-347.01, Cum. Supp., 1990. Sections 9-322, 9-329.02, 9-340.02, 9-345.03, and 9-350, R.S.Supp., 1991. December 5, 1992.)

REG-35-317 DESIGNATED PREMISES

317.01 Any organization licensed to conduct a lottery by the sale of pickle cards may sell pickle cards at a location specified as its "designated premises" without obtaining a pickle card operator's license for that location. An organization may have only one designated premises. Such premises shall be identified by the licensed organization on its application for a license to conduct a lottery by the sale of pickle cards. To be approved by the Department as a designated premises, a location must meet the following requirements:

317.01A The premises must be the principal office of the licensed organization. For purposes of this regulation, the principal office of an organization is determined by factors such as the location where the principal affairs and business of the organization are transacted, where the organization's records are stored, the location from which the organization receives and issues correspondence, and generally, the main location for which the business of the organization is transacted. In order to determine whether or not a particular location is the principal office of the organization, one must look to the totality of the circumstances surrounding the activities taking place at that location; and

317.01B In the case of organizations holding a certificate of exemption under section 501(c)(3), (c)(4), (c)(5), (c)(7), (c)(8), (c)(10), or (c)(19) of the Internal Revenue Code or a volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad:

317.01B(1) The premises must be used primarily for purposes other than gaming. For the purposes of this regulation, the phrase "primarily for purposes other than gaming" means the major use of the premises by the organization. For example, a premises in which the organization conducts business one hour a week, but at which pickle cards are sold to the public on behalf of the organization 40 hours a week would not be in use primarily for purposes other than gaming; and

317.01C In the case of organizations holding a certificate of exemption under section 501(c)(3), (c)(4), or (c)(5), of the Internal Revenue Code or a volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad, the premises must not be used in connection with any other retail business activity other than an occasional sale as defined in section 77-2702.09 of the Nebraska Revised Statutes, as amended. For example, an organization's designated premises cannot be a retail store, restaurant, or bar which engages in other retail sales at that location.

317.02 A licensed organization shall notify the Department in writing and receive written approval prior to changing its designated premises.

317.03 A licensed organization may use compensated help in selling its pickle cards at its designated premises without obtaining a pickle card operator's license for that premises.

317.04 The sale of pickle cards at a designated premises of a licensed organization shall be limited to the building or a distinct portion of the building used as the organization's designated premises. Pickle cards shall not be sold on any land surrounding the designated premises or any area not included within the designated premises.

(Section 9-317.01, R.R.S. 1997. Sections 9-306.01, 9-321.03, 9-322, 9-328, 9-345.01, and 77-2702.09, R.S.Supp., 2002. November 12, 2002.)

REG-35-318 MANUFACTURER OF PICKLE CARDS: LICENSE; REQUIREMENTS; AND DUTIES

318.01 Any individual or business which manufactures pickle cards and intends to sell or otherwise provide such pickle cards in this state must first obtain a manufacturer's license from the Department. A manufacturer's license shall only be issued to those applicants doing business in Nebraska or authorized to do business in Nebraska.

318.01A Authorization to do business in Nebraska requires:

318.01A(1) A domestic corporation to file Articles of Incorporation with the Nebraska Secretary of State's office;

318.01A(2) A domestic limited liability company to file Articles of Organization with the Nebraska Secretary of State's office;

318.01A(3) A foreign corporation or limited liability company to obtain a certificate of authority to transact business in Nebraska from the Nebraska Secretary of State's office or to become domesticated by filing the required documents with the Nebraska Secretary of State's office and paying any required fees; or

318.01A(4) A domestic partnership, foreign partnership, or limited liability partnership to file any forms that may be required by the Nebraska Secretary of State's office.

318.01B Applicants seeking a manufacturer's license and who intend to be engaged in business in this state as defined in section 77-2702.06 of the Nebraska Revised Statutes, as amended, shall also submit a Nebraska Tax Application, Form 20, to obtain a Nebraska Sales and Use Tax Permit.

318.01B(1) A licensed manufacturer engaged in business in this state as defined in section 77-2702.06 may accept a properly completed Resale Certificate, Section A, of the Nebraska Resale and Exempt Sale Certificate, Form 13, from a licensed distributor in Nebraska, in lieu of charging and collecting sales tax from the distributor.

318.02 An individual or business shall apply for and obtain a manufacturer's license from the Department prior to supplying any pickle cards or pickle card units in this state, or engaging in any interstate activities relating to such pickle cards or pickle card units. The applicant shall include with the application form prescribed by the Department the statutorily required license fee and, at a minimum, the following information:

318.02A The business name and address of the applicant and the name and address of each of the applicant's separate locations at which manufacturing, warehousing, selling, or promotion of pickle cards occurs;

318.02B The type of ownership of the business and the name, social security number, home address, and date of birth of:

318.02B(1) If a sole proprietorship, the individual owner;

318.02B(2) If a partnership, each partner and spouse;

318.02B(3) If a limited liability company, each member and spouse;

318.02B(4) If a corporation, each officer and spouse, each director or board member, and each individual or entity holding ten percent or more of the debt or equity of the corporation. If an entity holding ten percent or more of the debt or equity of the applicant corporation is a partnership, limited liability company, or corporation, the information required in Regulation 35-318.02B must be supplied for each partner of the partnership, each member of the limited liability

company, or each officer of the corporation and every individual or entity holding ten percent or more of the debt or equity of the partnership or corporation.

318.02C If the applicant is not a resident or a corporation, the full name, business address, and home address of an individual who is a resident of and living in this state who is 19 years of age or older, to act as the manufacturer's resident agent for the purpose of receipt and acceptance of service of process and other communications on behalf of the manufacturer;

318.02D Upon request, a current list of all Nebraska-licensed distributors in which the applicant has some financial interest and the details of such interest. For purposes of this regulation, financial interest shall include, among all other interests, any indebtedness from the applicant to another individual or business or from another individual or business to the applicant in excess of \$500.00;

318.02E A completed and notarized Personal History Record and Background Disclosure form supplied by the Department for each person listed pursuant to Regulation 35-318.02B, except for spouses who have completed and had notarized the Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure form; and

318.02F Two sets of fingerprints on cards supplied by the Department and the requisite fees established by the Nebraska State Patrol and Federal Bureau of Investigation for each person listed pursuant to Regulation 35-318.02B, except for spouses who have completed and had notarized the Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure form. Fingerprint cards and the required fees must be submitted to the Nebraska State Patrol, Criminal Investigation Division.

318.03 The applicant or licensee shall notify the Department within thirty (30) days of any changes in the information submitted on or with the application form.

318.03A Changes must be reported in writing, and the Department may require the filing of a new application.

318.03B Changes shall be confirmed by the signatures of an owner, officer, member, or partner of the manufacturer. Any individual signing the most current application shall obligate the licensee to comply with the Nebraska Pickle Card Lottery Act and accompanying regulations for that licensing period.

318.03C A manufacturer's license shall expire on September 30 of every odd-numbered year and may be renewed biennially. An application for license renewal shall be due August 15 of each odd-numbered year. A manufacturer's license is not transferable.

318.03D A manufacturer is not considered licensed until it has physical possession of the printed license issued by the Department.

318.03D(1) A manufacturer which has had its license lost, stolen, or destroyed must notify the Department as soon as possible. The manufacturer shall send a written statement to the Department signed by an owner, officer, member, or partner confirming the loss, theft or destruction of the license. A duplicate license will be issued for no additional fee under such circumstances.

318.03E Any individual or business licensed as a manufacturer pursuant to section 9-255.09 of the Nebraska Bingo Act may act as a manufacturer pursuant to the Nebraska Pickle Card Lottery Act without submitting an additional licensing fee. Such individual or business shall comply in every other respect with the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, and all rules and regulations adopted and promulgated pursuant to such Acts.

318.03F A manufacturer which no longer desires to be licensed shall notify the Department, in writing, of its intention to cancel its license. Such notification shall be signed by an owner, officer, member, or partner of the manufacturer. A notification of cancellation shall be accompanied by the original license issued by the Department.

318.03G A licensed manufacturer, or any person having a substantial interest therein, is prohibited from holding any other licenses issued pursuant to the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, the Nebraska Lottery and Raffle Act, or the Nebraska County and City Lottery Act, except as provided in section 9-255.09 of the Nebraska Bingo Act, and section 9-632 of the Nebraska County and City Lottery Act.

318.03G(1) A licensed manufacturer or employee or spouse of a licensed manufacturer shall not have a substantial interest as defined in Regulation 35-309.09 in any other manufacturer, distributor, manufacturer-distributor, licensed organization, or lottery operator conducting gaming activities under the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, the Nebraska Lottery and Raffle Act, or the Nebraska County and City Lottery Act.

318.03H A licensed manufacturer or employee or spouse of a licensed manufacturer shall not participate in the operation or conduct of any kind of gaming activity regulated under Chapter 9 of the Nebraska Revised Statutes, except to the exclusive extent of his or her duties as a licensed manufacturer or employee thereof.

318.04 A licensed manufacturer shall not sell or otherwise provide pickle cards or pickle card units to anyone in Nebraska other than a licensed distributor. A licensed manufacturer must sell or provide pickle cards to licensed distributors only in the form of pickle card units.

318.04A A licensed manufacturer shall report immediately to the Department any pickle card unit which has been shipped but reported not received by a licensed distributor.

318.05 The price charged by a licensed manufacturer for pickle card units shall not be fixed or set by agreement among licensed manufacturers in any manner, either expressed or implied.

318.05A No manufacturer shall offer or agree to offer anything of value to any individual or licensee in exchange for an agreement or commitment by such individual or licensee to exclusively buy, sell, or use pickle card units from such manufacturer.

318.05B No individual or licensee shall accept or agree to accept anything of value from a manufacturer in exchange for an agreement or commitment by such individual or licensee to exclusively buy, sell, or use pickle card units from that manufacturer.

318.06 No manufacturer or any other person shall affix to any pickle card, pickle card unit, flare card, or any promotional material, any statement indicating any endorsement by the State of Nebraska, the Department, or any division thereof. Additionally, no other statement indicating any such endorsement shall be made verbally or in writing.

318.07 No person other than a licensed manufacturer shall produce by assembling from raw materials or subparts a whole or partial pickle card or pickle card unit. A licensed manufacturer must actually assemble raw materials or parts and may not simply act as an intermediary for another person, organization, firm, or corporation which conducted the actual assembling of the pickle card or pickle card unit.

318.08 Each manufacturer must receive departmental approval for each type of pickle card unit which they intend to market for resale in this state.

318.09 No pickle card unit shall be approved for resale in this state:

318.09A Which offers total prizes of less than 65 percent or more than 80 percent of the gross proceeds, or which is designed to have a prize pay-out structure which may vary;

318.09B Which has a card or play count exceeding 6,000;

318.09C Which contains an individual pickle card with a purchase price greater than \$1.00;

318.09D Which contains a single pickle card that awards a prize or prizes exceeding \$1,000.00; or

318.09E Which has not been authorized by the Department.

318.09F Manufacturers seeking approval to market a pickle card unit in Nebraska shall submit the following information for each game:

318.09F(1) The flare card;

318.09F(2) The payout slip identifying the game's payout structure;

318.09F(3) No less than ten pickle cards for the game, five of which must be winning pickle cards.

318.09F(4) Relative to punchboards, a complete cover sheet and payout slip for each punchboard. Punchboards which contain play features such as seals, cards, straws, etc., must include these features with the sample submitted.

318.10 All pickle card units marketed to Nebraska distributors by licensed manufacturers, entering this state for transfer or resale to a licensed organization in Nebraska, shall have a unique form number which shall indicate that such units meet the standards imposed on pickle cards marketed in Nebraska set out in this regulation. Such form number shall be printed on each punchboard, each individual pickle card, each flare card for each pickle card unit, and on each accompanying payout slip showing the pickle card unit's fixed payout structure.

318.10A Each pickle card in a pickle card unit and the accompanying flare card for that unit shall contain a game serial number printed on the face or information side of the pickle card and flare card. The serial number for a punchboard must be imprinted or otherwise permanently affixed to the back side of each punchboard. The same game serial number shall not be repeated on the same pickle card or punchboard form number for a minimum of three years.

318.11 No manufacturer shall market, sell, or otherwise furnish any pickle card unit to a distributor to be sold or marketed in this state unless each individual pickle card in that unit or, in the case of a punchboard, each board is conspicuously printed with the manufacturer's name or logo.

318.12 Manufacturing Standards.

318.12A Pickle card units shall be manufactured, assembled, and packaged in such a manner that neither winning nor losing pickle cards, or the location or approximate location of either winning or losing pickle cards can be determined in advance of opening the pickle cards in any manner or by any device including, but not limited to, any pattern in manufacture, assembly, packaging, marking, or by the use of a light.

318.12B Winning pickle cards shall be randomly distributed and mixed among all other pickle cards in a unit. The unit shall be assembled and packaged with special care so as to eliminate any pattern between units or portions of units, from which the location or approximate location of any of the winning pickle cards may be determined.

318.12C When a single pickle card unit is packaged in more than one package, box, or other container, the entire unit shall be mixed in such a manner that no person can determine the position or approximate location of any of the winning pickle cards or determine if any one package, box, or other container contains a larger or smaller percentage of winning pickle cards than the balance of the unit. If the unit is comprised of more than one box, each box shall be numbered as a set, for example, one of two and two of two.

318.12D Pickle cards shall be constructed so that it is impossible to determine the covered or concealed number, letter, symbol, set of symbols, or game protection on the pickle card until such is dispensed to and opened by the player, by any method or device including, but not limited to, the use of a marking, variances in size, variances in paper fiber, or use of a light.

318.12E The back or tab side of a pickle card shall contain perforated openings centered over the symbols or numbers imprinted on the back side of the face sheet or information side of the pickle card, in such a manner as to allow easy opening by the purchaser, while at the same time not permitting the pickle card to be opened prematurely in normal handling. Perforations shall exist on both horizontal lines of the opening and on the vertical or elliptical line where the tab must be grasped for opening after bending the edge of the ticket down.

318.12F Pickle cards shall be glued or sealed on all four edges and between each window. The glue must be of sufficient strength so as to prevent the separation of the laminations of the tickets, so that it is impossible to determine the covered or concealed numbers, symbol, or set of symbols on the pickle card until it has been dispensed to and opened by a player.

318.12G All pickle cards within the same pickle card unit shall be the same size and thickness.

318.12H All pickle cards shall be constructed to ensure that, when offered for sale to the public, the pickle card is opaque and free of security defects so that neither winning nor losing combinations can be determined prior to the opening of the tabs through the use of a high intensity lamp or any other method. Such protection shall be provided by using opaque paper stock or an aluminum foil laminate.

318.12I Each manufacturer shall establish its own game protection for each pickle card game, unit, or series of games. The game protection shall be a method of identifying winning pickle cards, after they have been purchased and opened, from nonwinning, altered, or forged pickle cards. The manufacturer may use special numbers, colors, designs, ink, or any combination to establish the game protection. Upon request, a manufacturer shall submit to the Department a letter explaining the game protection.

This provision shall not apply to pickle cards known as jar tickets or to punchboards.

318.13 In addition to the information required by Regulation 35-318.10 and 35-318.11, the following information shall be printed by the manufacturer on all pickle cards wider than one inch or longer than two and one-half inches marketed in this state:

318.13A The name of the game;

318.13B The price per individual pickle card;

318.13C The number of winners, and respective winning numbers, symbols, or winning combinations and prize amounts.

318.14 Each pickle card unit's package, packages, box, or other container shall be sealed at the manufacturer's factory with a seal including a warning to the distributor that the game may have been tampered with if the package(s), box, or container was received by the purchaser with the seal broken.

318.14A The manufacturer's name or logo and the pickle card unit's form number and serial number shall be clearly and legibly visible on the outside of the game's package(s), box, or other container.

318.14B Each pickle card unit shall contain a flare card which shall be imprinted with the following information:

318.14B(1) The name of the game;

318.14B(2) The form number of the game;

318.14B(3) The price per play;

318.14B(4) The unit count and serial number of the game;

318.14B(5) The prize structure of the game, to include the number of winners by denomination with their respective winning combinations; and

318.14B(6) The manufacturer's name or distinctive logo.

318.15 A manufacturer shall issue an invoice to the licensed distributor for each purchase, exchange, or return of pickle card units by the licensed distributor. Every such invoice shall contain the following information:

318.15A The name and complete address of the licensed distributor;

318.15B The date of the transaction;

318.15C A description of each pickle card unit and the serial number and form number of each pickle card unit;

318.15C(1) The information in this subsection may be provided on a supplemental listing or attachment accompanying the invoice;

318.15D The quantity of each type of pickle card unit;

318.15E The price of the pickle card units, taxes collected (if applicable), and the total amount paid, exchanged, or returned by the distributor; and

318.15F The manner of delivery or shipment, including the name, address, and telephone number of the individual, firm, or corporation with whom shipment is made.

318.16 A licensed manufacturer shall ship or deliver pickle card units only to the licensed distributor's business address. Pickle card units may not be drop shipped in Nebraska directly to any licensed organization, sales agent, pickle card operator, or any other person.

318.16A Nothing in this regulation shall prohibit a manufacturer from: (1) using a common carrier service to ship pickle card units to a licensed distributor, or (2) drop shipping pickle card units billed to a Nebraska licensed distributor and reported on the manufacturer's monthly report to the Department, to a warehouse or location outside of Nebraska, or to a federally recognized Indian reservation.

318.17 Licensed manufacturers shall not be prohibited from selling pickle card units which have not been approved by the Department to licensed distributors. With respect to any transaction involving pickle card units which have not been approved, the following information shall be recorded and maintained by the manufacturer and made available to the Department upon request:

318.17A The name and complete address of the Nebraska distributor;

318.17B The date of the invoice;

318.17C The type of unit and serial number of each unit sold, transferred, or exchanged. For the purposes of this section, "type of unit" shall mean the form number, game name, and unit count of the particular type of pickle card unit; and

318.17D The method of shipment, including the name, address, and telephone number of the person, business, or corporation transporting the units or boards.

318.18 Licensed manufacturers shall collect payment for pickle card units and punchboards sold to Nebraska licensed distributors by check or automatic bank transfer within thirty (30) days of delivery. A licensed distributor may, by check, set up a deposit with a licensed manufacturer upon which the manufacturer can draw payment for pickle card units ordered by the distributor.

318.18A It shall be the responsibility of the licensed manufacturer to notify the Department of any licensed distributor who fails to pay for pickle card units within thirty (30) days from the date of delivery. Such notification shall be in writing.

(Section 77-2702.06, R.R.S., 2003. Sections 9-313, 9-332, 9-332.01, 9-334, 9-335, 9-336, 9-337, 9-340, and 9-341, R.R.S. 1997. Sections 9-1,104, 9-322, 9-331, 9-338, and 9-346, R.S.Supp., 2004. September 5, 2005.)

REG-35-319 PRORATION AND REFUND OF LICENSE FEES

319.01 The fees paid pursuant to the Nebraska Pickle Card Lottery Act for any license issued to a manufacturer, distributor, nonprofit organization, volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad, utilization of funds member, sales agent, or pickle card operator are due in full for the biennial licensing period. A license fee may be prorated or refunded by the Department on an annual basis under the following circumstances:

319.01A If a new application is received by the Department for a license which will become effective on or after October 1 of the second year of the biennial licensing period, the applicable license fee shall be one-half of the biennial fee.

319.01B If a new application is received by the Department for a license which will become effective prior to October 1 of the second year of the biennial licensing period, no proration of the license fee shall be allowed.

319.01C No license fee may be refunded for any portion of the licensing period in which the license was not used unless otherwise authorized by the Department.

319.01D If an application to downgrade a Class II license to a Class I license for the second year of the biennial licensing period is received by the Department prior to October 1 of the second year of the biennial licensing period, such license may be downgraded; however, no portion of the Class II license fee shall be refunded unless otherwise authorized by the Department.

319.01E In the event a license issued pursuant to the Nebraska Pickle Card Lottery Act is suspended, cancelled, or revoked by the Department, no portion of the license fee shall be refunded unless otherwise authorized by the Department.

319.01F In the event a license application is denied and a temporary license was issued to the applicant prior to the effective date of the license application denial, one-half of the biennial license fee paid by the applicant may be refunded, provided the effective date of the license application denial is prior to October 1 of the second year of the biennial licensing period. In the event a license application is denied and a temporary license was not issued or a license application is withdrawn,

the license fees paid by the applicant may be refunded.

319.01F(1) In the case of a manufacturer or distributor, the Department may apply the portion of any license fee to be refunded to any amount owed by the licensee or applicant with respect to a background investigation or facility inspection conducted by the Department.

319.01G Upon the death of a person licensed as a utilization of funds member or sales agent, or in the event any such licensee becomes disabled in such a manner as to render him or her unable to perform or fulfil his or her duties as a utilization of funds member or sales agent, a licensed organization may submit an application to replace the utilization of funds member or sales agent with a new individual for the remainder of the licensing period for no additional fee. Any such application shall be accompanied by the original utilization of funds member or sales agent license and a written statement signed by an officer of the licensed organization explaining the circumstances under which the request for replacement of the licensee is being made.

(Sections 9-302, 9-305, 9-306, 9-307, 9-310, 9-313, 9-316, 9-319, 9-320, 9-321, 9-321.02, 9-327, 9-330, and 9-332, R.R.S. 1997. Sections 9-311, 9-321.03, 9-322, 9-328, 9-329, and 9-329.02, R.S.Supp., 2002. November 12, 2002.)

RAFFLES

REG-35-400 SCOPE, ELIGIBILITY, AND LICENSING REQUIREMENTS

400.01 Bingo, Lottery, Raffle, and Lottery by Pickle Card Regulations 35-400 through 35-409 are adopted to carry out the provisions of the Nebraska Lottery and Raffle Act.

400.02 A nonprofit organization, volunteer fire company, or volunteer first-aid, rescue, ambulance, or emergency squad who wishes to conduct any lottery with gross proceeds in excess of \$1,000.00 or any raffle with gross proceeds in excess of \$5,000.00 must first apply for and obtain a license from the Department. Such license shall be applied for on a form prescribed by the Department and be accompanied by the appropriate fees. Lottery and raffle licenses shall expire and may be renewed on a biennial basis, according to the following schedule:

400.02A A license to conduct a lottery or raffle issued to a nonprofit organization holding a certificate of exemption under section 501 (c)(3) or (c)(4) of the Internal Revenue Code and any license issued to a utilization-of-funds member for such nonprofit organization shall expire on September 30 of each odd-numbered year.

400.02B A license to conduct a lottery or raffle issued to a nonprofit organization holding a certificate of exemption under any other subsection of section 501 of the Internal Revenue Code, or to any volunteer fire company or volunteer first-aid, rescue, ambulance, or

emergency squad and any license issued to a utilization-of-funds member for such nonprofit organization or volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad shall expire on September 30 of each even-numbered year.

400.02C A licensed organization wishing to renew its license must submit its application for renewal at least thirty (30) days prior to the date the organization intends to begin selling lottery or raffle tickets in the new licensing period. Licenses are not transferable.

400.03 The determination as to whether a license will be required shall be based upon the potential gross proceeds desired from the lottery or raffle activity. Potential gross proceeds shall be determined by multiplying the number of tickets to be sold by the selling price of a single ticket. The value of any free tickets shall be included in the determination of potential gross proceeds. For purposes of determining potential gross proceeds, each ticket shall be calculated at its individual selling price before the application of any discount for the purchase of two or more tickets.

400.03A If the selling price of an admission to an event, or the purchase price of a meal, calendar or similar such item includes an opportunity to participate in a lottery or raffle, the gross proceeds of the lottery or raffle shall be based upon the full selling price of the ticket, without a reduction for the cost of the admission or other tangible item connected with the purchase of the lottery or raffle ticket. For example, if a person purchases a ticket to a dinner at the cost of \$100.00 and that ticket enters the person in a lottery or raffle drawing, then the gross proceeds of the lottery or raffle activity shall be based upon the full \$100.00 selling price of the ticket.

400.03B However, if, for example, the organization sells lottery or raffle tickets separately from the dinner ticket and a person is not required to be present in order to win a prize, then the organization may base the determination of the gross proceeds on the cost of the lottery or raffle ticket alone.

400.04 Organizations that will not exceed the gross proceeds thresholds as described in Regulation 35-400.02 are not required to be licensed and shall adhere to the requirements set forth under the Nebraska Small Lottery and Raffle Act and Regulations 35-500 through 35-504.

400.05 It shall be the responsibility of the licensed organization to keep the information contained on its application current. The Department must be informed within thirty (30) days of any changes in the information supplied by the licensee in its most recent filing with the Department.

400.05A Changes can be reported by filing a new application identifying only the information to be changed. Those changes must be confirmed by the signature of an officer or utilization of funds member. All persons signing the most current application shall obligate the licensee to comply with the Nebraska Lottery and Raffle Act and regulations for that licensing period.

400.06 A nonprofit organization, volunteer fire company, or volunteer first-aid, rescue, ambulance, or emergency squad applying for a lottery and raffle license shall be incorporated in this state as a nonprofit corporation or organized in this state as a religious or nonprofit organization.

400.06A In order for a nonprofit corporation to qualify for a license, it shall be incorporated in Nebraska. A corporation incorporated in a foreign state holding a certificate of authority to conduct affairs in Nebraska is not considered to be incorporated in Nebraska and shall not qualify for a license. A corporation incorporated in a foreign state which has domesticated under sections 21- 1966.01 or 21-1966.03, R.R.S. 1943, shall be considered incorporated in Nebraska and may qualify for a license. In order for a nonprofit organization other than a corporation to qualify for a license, it shall be organized or established in Nebraska.

400.07 Any nonprofit organization holding a certificate of exemption under section 501 of the Internal Revenue Code or any volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad may apply for a license to conduct a lottery or raffle.

400.07A A nonprofit organization is considered exempt under section 501 of the Internal Revenue Code if it can provide a copy of the exemption ruling or exemption determination letter issued by the Internal Revenue Service when making application for an initial license. The proof of exemption is not required to be filed with a subsequent application by the organization to renew an existing license to conduct a lottery or raffle unless the circumstances under which the exemption was issued or the nature of the organization has changed substantially to the extent that the exempt status may no longer be applicable or the Department specifically requests the exemption determination letter.

400.07A(1) An organization may be exempt under a group exemption letter issued by the Internal Revenue Service. A group exemption letter is a ruling or determination letter issued to a parent organization. A group exemption letter recognizes, on a group basis, the exemption under section 501(c) of the subordinate organizations on whose behalf the parent organization has applied for recognition of exemption. A parent organization is an organization that has one or more subordinates under its general supervision or control. A subordinate is a chapter, local, post, or unit of a parent organization. Examples: American Legion, Veterans of Foreign Wars, Fraternal Order of Eagles.

Under these circumstances, a subordinate organization applying for an initial license must provide the Department with a copy of the group exemption letter issued to the parent organization or indicate the Group Exemption Number (GEN).

400.08 In addition to all other information requested by the Department, each applicant for a lottery and raffle license and each subsequent renewal thereof may, at the discretion of the Department, be required to provide:

400.08A A copy of the organization's articles of incorporation or bylaws; or, if not a corporation, a copy of any bylaws or other documents which sets forth the organization's structure and purpose; or

400.08B A current roster of all active members.

400.09 The Department may also require the organization seeking a license to produce evidence of activities other than lotteries and raffles conducted by the organization's membership.

400.10 A nonprofit organization, volunteer fire company, volunteer first-aid, rescue, ambulance, or emergency squad, or individual applying to be a utilization of funds member shall not be considered licensed until such organization or individual has physical possession of the license issued by the Department. An organization may not begin to sell lottery or raffle tickets until it has received its license.

400.10A A licensed organization or utilization of funds member who has had its license lost, stolen, or destroyed must notify the Department as soon as possible. A duplicate license will be issued. No additional fee is required under such circumstances.

400.10B A licensed organization or utilization of funds member who no longer desires to be licensed shall notify the Department in writing of their intentions to cancel their license. Such notification shall be signed by an officer of the organization. A notification of license cancellation shall be accompanied by the original licenses issued by the Department.

400.10C In the event that a license under the Nebraska Lottery and Raffle Act is suspended, canceled, or revoked, the licensee shall surrender physical possession of such license(s) to the Department immediately upon receipt of the order of suspension, cancellation, or revocation from the Department. In the case of suspension, the Department shall return the licenses to the licensee at the end of the suspension period. In the case of cancellation, the former licensee may reapply for a license when the period of cancellation has expired. In the case of revocation, the former licensee may not reapply for any license at any time in the future under the Nebraska Lottery and Raffle Act unless otherwise authorized by the Department.

400.10C(1) When a licensee has successfully appealed an order of suspension, revocation, or cancellation, the Department shall return physical possession of the licenses which have been suspended, revoked, or canceled.

400.11 In addition to the licensing requirements by the Department, no licensed organization may conduct a lottery or raffle in Douglas or Lancaster Counties or the cities of Omaha or Lincoln until specific authorization has been granted by ordinance or resolution. Other counties or incorporated municipalities may by resolution or ordinance regulate, control, or prohibit any lottery or raffle. No county or incorporated municipality may authorize a

lottery or raffle which has not been approved and licensed by the Department.

(Sections 9-402, 9-403, 9-405, 9-406, 9-407, 9-409, 9-411, 9-415, 9-416, 9-417, 9-417.01, 9-419, 9-421, 9-422, 9-424, 9-427, 9-429, 9-430, 9-431, and 9-433, R.R.S. 1997. Sections 9-410, 9-417.02, 9-418, 9-423, 9-425, and 9-426, R.S.Supp., 2002. November 12, 2002.)

REG-35-401 LAWFUL PURPOSE

401.01 A licensed or previously licensed organization shall spend its lottery and raffle profit, as defined in section 9-414 of the Nebraska Lottery and Raffle Act, solely for lawful purposes. Expenditure of monies for a lawful purpose shall generally mean charitable or community betterment purposes.

401.01A Charitable or community betterment purposes shall include but not be limited to the following:

401.01A(1) Enhancing the opportunity of individuals for religious advancement, such as offering religious programs, conducting religious activities, and/or operating and maintaining a church, church school, or its facilities.

401.01A(2) Providing for educational advancement, such as donating to the operating fund of a school or establishing or contributing to a scholarship fund.

401.01A(3) Relieving or protecting individuals from disease, suffering, or distress, such as purchasing food or clothing for the needy or helping to provide medical care for individuals in need.

401.01A(4) Contributing to the physical well-being of individuals, such as donations to foster athletic activities. Contributions to promote amateur athletics may be made in the following manners:

401.01A(4)(a) Donations directly to a city, village, or county which sponsors amateur athletics or maintains athletic facilities;

401.01A(4)(b) Donations to organizations or associations founded for the purpose of promoting amateur sports through the sponsorship of leagues or other amateur sports competition; or

401.01A(4)(c) Donations to organizations recognized by the Internal Revenue Service as proper recipients for tax deductible contributions which sponsor athletics, such as Little League Baseball, Inc., or educational institutions which conduct athletic activities.

401.01A(5) Assisting individuals in establishing themselves as worthy and useful citizens by providing educational or business

opportunities such as donations to training programs designed to provide individuals with job skills.

401.01A(6) Providing individuals with opportunities to contribute to the betterment of the community, such as sponsoring park clean-up or beautification projects.

401.01A(7) Increasing the comprehension and devotion to the principles upon which this nation was founded, such as sponsoring civic events to make individuals more aware of the history of the United States, the state of Nebraska, or other civic institutions or principles.

401.01A(8) Initiating, performing, or fostering worthy public works or enabling or furthering the erection or maintenance of public structures such as contributing to a county, city, or village building fund or donations to fund parks or recreation areas.

401.01A(9) Lessening the burdens borne by government or voluntarily supporting, augmenting, or supplementing services which government would normally render to the people such as paying for housing, food, or medical services for needy people, contributing to a local police or fire department or contributing to the general fund of a village, city, or county.

401.02 In addition, a licensed or previously licensed organization may spend its profit derived from a lottery or raffle for any activity which benefits and is conducted by the organization. This shall include any charitable, benevolent, humane, religious, philanthropic, recreational, social, educational, civic, or fraternal activities conducted by the organization for the benefit of its members as a whole. The organizations identified above may spend their proceeds in a broader manner than those organizations which do not have this status. For instance, they may spend proceeds derived from a lottery or raffle to provide social activities for the members, to retire a debt of the organization, or to make capital improvements to the organization's meeting hall. Lottery or raffle proceeds spent in this manner must be spent to benefit the membership as a whole and not any one individual member, except that nothing in this section shall prohibit the funding of a scholarship, medical assistance, or disaster relief to individuals in need.

401.02 Proceeds derived from the conduct of a lottery or raffle shall not be used for any political activity such as lobbying, or participating in or contributing to any political campaign on behalf of an elected official or person who is or has been a candidate for public office.

(Sections 9-402, 9-403, 9-408, 9-411, 9-414, 9-415, and 9-427, R.R.S. 1997. Sections 9-410 and 9-418, R.S.Supp., 2002. November 12, 2002.)

REG-35-402 PRIZES

402.01 At least 65 percent of the gross proceeds of any lottery or raffle shall be used for the awarding of prizes, except that if a licensed organization conducts a lottery or raffle under a special permit as provided in Regulation 35-405, less than 65 percent of the gross proceeds may be used for the awarding of prizes.

402.02 The aggregate cost of all prizes to be awarded in a single lottery or raffle shall not exceed the gross proceeds realized from the sale of the tickets except in those circumstances where the prizes to be awarded are donated and received without cost to the licensed organization.

402.03 An organization conducting a lottery or raffle in which real or personal property prizes are to be awarded shall have paid for in full or otherwise become the owner without lien or interest of others of all the real or personal property to be awarded as prizes prior to the date on which winners will be determined.

402.04 Prizes awarded in a raffle must be at least 80 percent merchandise, to be valued at their fair market value. Fair market value means the price one would normally pay for an item in an arm's length transaction with a retail business. A merchandise prize may be any item which can be legally owned or possessed, but which is not directly or indirectly redeemable for cash by the licensed organization or any agent thereof. For purposes of this regulation, real estate and savings bonds are not considered to be merchandise prizes. Merchant gift certificates are to be considered as a merchandise prize and shall be assessed at their face value.

402.04A For purposes of this regulation, to determine if the prizes meet the 80 percent merchandise requirement in order for the activity to qualify as a raffle, the total fair market value of the merchandise prizes compared to the total value of all prizes to be awarded shall be the determining factor, and not simply the number of merchandise prizes.

402.05 Prizes awarded in a lottery may include cash, merchandise, or anything of value which may be legally owned and possessed. If prizes other than cash are offered in a lottery, the fair market value of all merchandise prizes must be less than 80 percent of the total value of all prizes awarded. For purposes of this regulation, real estate and savings bonds are considered to be cash prizes and shall be assessed at their purchase price value.

402.06 Items donated to an organization to be awarded as prizes in a lottery or raffle may be any items which can be legally owned and possessed, and must be valued at their fair market value. The value of the donated prizes must be included in the determination of whether at least 65 percent of the actual gross proceeds are awarded as prizes.

402.07 Pickle cards shall not be awarded as a prize in a lottery or raffle.

(Sections 9-302, 9-312, 9-315, 9-402, 9-403, 9-407, 9-411, 9-413, 9-415, and 9-427, R.R.S. 1997. Sections 9-410, 9-418, and 9-426, R.S.Supp., 2002.

November 12, 2002.)

REG-35-403 UTILIZATION OF FUNDS MEMBER--RESPONSIBILITY

403.01 Each licensed organization must designate and license at least one of its members as a utilization of funds member. To be eligible for a utilization of funds member license, an individual must have been an active and bona fide member of the organization for a least one year prior to applying for the license.

403.01A If a licensed organization can provide evidence that the one-year membership requirement will impose an undue hardship, the Department may waive such requirement. An officer of the licensed organization must provide a written explanation of the nature of the hardship with the utilization of funds member's license application.

403.02 The licensed utilization of funds member shall serve as chairperson, supervisor, and coordinator of the lottery or raffle activity and shall be responsible for the conduct and management of the game, including:

403.02A Coordination of the purchase and printing of the tickets;

403.02B Supervising all ticket sellers;

403.02C Maintaining all recordkeeping requirements;

403.02D Timely completing and filing all state tax returns and any other reports that may be required;

403.02E Depositing all monies received into the lottery/raffle bank account;

403.02F Ensuring that all lottery/raffle gross proceeds are utilized only for allowable expenses, prizes, taxes and lawful purposes;

403.02G Ensuring that all laws, rules and regulations regarding the conduct of a lottery and/or raffle are adhered to by all individuals connected with the lottery or raffle; and

403.02H Ensuring that, upon proper request, all records and documents relating to the conduct of licensed lottery and raffle activity by the licensed organization are made available to the Department or its representatives.

403.03 The licensed utilization of funds member shall be responsible for submitting a sample lottery or raffle ticket or a copy of such tickets to the Department. The above shall be submitted with the organization's quarterly tax return for each lottery or raffle conducted by the licensed organization during the reporting period.

403.04 The licensed utilization of funds member shall maintain a list of all paid ticket sellers which shall include:

403.04A The name, complete address, and telephone number of each individual or business who is being paid for selling tickets;

403.04B The compensation paid each seller; and,

403.04C The ticket numbers assigned to each paid seller.

403.05 The licensed utilization of funds member shall be responsible for the collection of all monies received by ticket sellers, for the collection of all of the ticket stubs from the sellers, and for collection of all tickets which are void or were not sold.

403.06 The licensed utilization of funds member must be present when the winner(s) of a lottery or raffle are determined.

403.07 The licensed utilization of funds member shall prepare a winners' register for each lottery or raffle. For each prize awarded, the winners' register shall include the following:

403.07A The date on which the winner(s) are determined, the prize(s) awarded, and date each such prize was awarded to each winner;

403.07B The name, complete address, and telephone number of each winner; and

403.07C The name, complete address, and telephone number of the individual who conducted the physical drawing of winning ticket stub(s) (if applicable).

403.08 If more than one individual is licensed as a utilization of funds member, each licensed utilization of funds member is jointly and severally responsible for the duties imposed by this regulation.

(Sections 9-402, 9-403, 9-404, 9-407, 9-408, 9-411, 9-412, 9-415, 9-417.01, 9-424, 9-427, 9-428, 9-429, and 9-431, R.R.S. 1997. Sections 9-410, 9-418, 9-425, and 9-426, R.S.Supp., 2002. November 12, 2002.)

REG-35-404 CONDUCT OF THE GAME

404.01 Each ticket used in any licensed lottery or raffle activity must be constructed as a two-part ticket, with a detachable stub. The portion of the ticket which is given to the purchaser must contain the following information legibly printed on each ticket:

404.01A The name of the licensed organization as it appears on the lottery or raffle license;

404.01B The Nebraska identification number of the licensed organization (the 35- prefix number which is printed in the upper right hand corner of the license);

404.01C The date the winners will be determined;

404.01D The price per ticket;

404.01E A statement setting forth whether the participant must be present to win; and

404.01F A number, of a set of sequential numbers, which is different from any other number found on a ticket sold for that particular lottery or raffle activity.

404.01G The detachable stub portion of the ticket shall contain a sequential number which corresponds to the number printed on the ticket from which it is detached.

404.01G(1) In addition, when the purchaser is not required to be present when the winner(s) are determined in order to be eligible to win a prize, the stub must contain the name, complete address, and telephone number of the purchaser.

404.01H Tickets shall not contain the word "DONATION" used in connection with the purchase price of the tickets.

404.02 A sample lottery or raffle ticket or a copy of such tickets must be submitted with the organization's quarterly tax return for each lottery or raffle conducted by the licensed organization during the reporting period.

404.03 Each lottery or raffle ticket shall be offered for the same price as every other ticket being sold for that particular lottery or raffle. Nothing shall prohibit an organization from offering a discount for the purchase of two or more tickets, provided that the discount is offered to all persons wishing to participate in the lottery or raffle; however, no person may be required to purchase more than one ticket in order to participate in a lottery or raffle. The sale of lottery or raffle tickets may not be conditioned upon the purchase of the right to play bingo or admission to a bingo game.

404.04 All chances to participate in a lottery or raffle must be paid for in advance by either cash or a check. The extension of credit or use of a credit card is prohibited. Nothing in this section shall prohibit the issuing of free tickets; however, the value of all free tickets shall be included in the gross proceeds derived from the lottery or raffle activity. No person under 18 years of age may purchase a lottery or raffle ticket or receive a free ticket unless such lottery or raffle is being conducted under a special permit as set forth in Regulation 35-405.

404.04A Lottery or raffle tickets which have not been sold or given to a participant shall not be included when determining the winner(s). An organization shall not include unsold tickets when determining the winner(s) nor shall the organization purchase the unsold tickets to be included on behalf of the organization.

404.04B Nothing in this regulation shall be construed to prohibit an organization from allowing free tickets given to participants from being

included when determining the winner(s).

404.05 No person under 18 years of age may sell or distribute a lottery or raffle ticket unless such lottery or raffle is being conducted under a special permit pursuant to Regulation 35-405. Each ticket seller shall return all eligible ticket stubs to the licensed utilization of funds member who shall account for all eligible ticket stubs prior to the determination of the winner(s). Any receptacle used for a ticket drawing shall be designed so that each ticket stub has an equal opportunity to be drawn.

404.06 All proceeds derived from a lottery or raffle must be kept separate from any other monies of the organization and deposited into a separate lottery/raffle bank account.

404.07 If a participant's presence is required when the winner(s) are to be determined, statements setting forth this condition must be conspicuously printed on each ticket and all promotional material concerning the lottery or raffle.

404.08 A licensed utilization of funds member must be present to supervise and witness the determination of the winners. In those circumstances where the lottery or raffle participants are not required to be present, the determination of the winner(s) shall be conducted and witnessed by the utilization of funds member and at least one officer of the licensed organization.

404.09 When more than one prize or opportunity to win has been offered in a particular ticket drawing lottery or raffle, and a series of drawings must be made to determine all the winners, once a ticket stub has been drawn it shall not be returned to the receptacle.

404.09A This provision shall not apply to a calendar lottery or raffle.

404.10 Every reasonable effort must be made by the licensed utilization of funds member to contact all winners. Prizes not claimed within ninety (90) days from the date on which winners are determined shall be utilized by the licensed organization for a lawful purpose. Nothing in this regulation shall prohibit the awarding of prizes in a lottery or raffle which is conducted under a special permit after the expiration date of the special permit provided that specific condition is set forth on the tickets and all winners have been determined and announced or posted prior to the expiration date of the special permit.

404.11 Each lottery or raffle must be separate and distinct from any other lottery or raffle. All tickets to be sold must be sold prior to the determination of the winner(s). A lottery or raffle shall conclude on the date winner(s) are determined. No lottery or raffle shall have multiple dates for determining the winner(s). Neither losing nor winning ticket stubs in one lottery or raffle may be included in any other lottery or raffle. All winning lottery and raffle ticket stubs must be retained with the organization's records for a period of not less than six months from the drawing date.

404.12 In the event that not enough tickets are sold to cover the cost of the prizes to be awarded, the licensed organization shall take the following steps:

404.12A Submit a request to the Department in writing at least ten (10) days prior to the date originally set to determine the winner(s), for an extension of the date to determine the winner(s). If an extension is granted by the Department, the licensed organization shall post notification of the extended date at its principal location and all locations where tickets are sold. Every effort shall be made to notify ticket purchasers and the public of this change. The notification shall include an alternative date for the determination of the winner(s). A desired level of profit is not sufficient cause for the granting of an extension.

404.12B Cancellation of the lottery or raffle. Every effort must be made through the procedure described in Regulation 404.12A to generate gross proceeds through ticket sales to cover the cost of the prizes to be awarded. If the extension of the date to determine the winner(s) and the extended time for ticket sales does not generate enough proceeds to cover the cost of prizes to be awarded, the organization, upon approval of the Department, shall cancel the lottery or raffle and refund each participant the total amount to which he or she is entitled for each ticket purchased. A notice of the cancellation shall be posted at the organization's principal office. The notification of cancellation shall include the location or individual's name, complete address and telephone number where participants may receive their refund. Each participant shall present each of their ticket(s) for a refund. The utilization of funds member shall be responsible for the complete refund procedure. Any monies not claimed or refunded after ninety (90) days of the posting of the cancellation and after reasonable efforts to contact the ticket purchasers, shall be utilized by the licensed organization for a lawful purpose. Any prizes paid for and not returnable shall be utilized by the licensed organization for a lawful purpose.

404.12C In the event that the organization is requesting an extension as provided in subsection A of this regulation relative to a lottery or raffle being conducted under a special permit, and the organization is requesting to extend the date to determine the winner(s) beyond the expiration date of the special permit, such extension shall be granted only if the organization agrees to pay out at least 65 percent of its gross receipts in prizes.

404.13 The Nebraska Lottery and Raffle Act does not prohibit the advertising or promoting of a lottery or raffle in any manner. Any county or incorporated municipality may, however, impose restrictions on this activity. The selling or distributing of a lottery or raffle ticket through the United States mail is a federal violation according to Title 18, section 1302 of the United States Code.

(Sections 9-402, 9-403, 9-407, 9-408, 9-411, 9-415, 9-417.01, 9-428, 9-430, 9-431, and 9-433, R.R.S. 1997. Sections 9-410, 9-418, and 9-426, R.S.Supp.,

2002. November 12, 2002.)

REG-35-405 SPECIAL PERMIT

405.01 An organization licensed to conduct a lottery and raffle may apply to the Department for a special permit to conduct one lottery and one raffle which exempts the organization from the sixty-five percent of gross proceeds prize payout requirement, the ten percent of gross proceeds allowable expense limitation, and the 18 years of age participation restriction. An applicant may apply for a lottery and raffle license and a special permit at the same time, on the same application form.

405.01A A lottery or raffle conducted under a special permit shall be exempt only from those items described above and shall otherwise be conducted pursuant to all the provisions of the Nebraska Lottery and Raffle Act and corresponding regulations.

405.02 A licensed organization may only receive one special permit per twelve-month period commencing October 1 of each year. The special permit is valid for three consecutive months.

Upon the expiration date of the special permit, all tickets shall have been sold, all winners shall have been determined, and an announcement or posting of all winners shall have been made.

405.02A In the event that a lottery or raffle conducted pursuant to a special permit extends into a new twelve-month period commencing October 1, the beginning date stated on the special permit shall be the determining factor as to which twelve-month period the permit shall be attributed to.

405.02B A special permit allows a licensed organization to conduct one lottery or one raffle or both. If the organization wishes to conduct both a lottery and a raffle, both activities must be conducted and completed between the beginning date and ending date printed on the special permit.

405.02C Nothing shall prohibit an organization from awarding prizes to the winners after the expiration date of the special permit; provided, that each special lottery or raffle ticket and all promotional materials connected with the special lottery or raffle sets forth this feature of the lottery or raffle.

405.03 Once a special permit has been issued to a licensed organization, the lottery or raffle activity must be conducted between the beginning and ending dates stated on the special permit. No extension of time shall be granted within which to operate a lottery or raffle pursuant to any special permit except as provided for in Regulation 35-404.12C.

405.03A A licensed organization may request a change in the dates of a special permit which has been issued provided such request is made to the Department at least ten days prior to the beginning date of the

special permit. Such request shall be made in writing and must be accompanied by the original permit issued by the Department. No additional permit fee will be required under these circumstances.

405.04 If the three month time period indicated on the special permit extends beyond the expiration date of the organization's current lottery and raffle license, the licensed organization must file a renewal application and submit the appropriate fees for a lottery and raffle license and utilization of funds member license, in order to continue the special permit activity into the next licensing period; however, the organization will not be required to apply for another special permit or to pay any additional special permit fees to continue the lottery or raffle activity currently being conducted.

(Sections 9-402, 9-403, 9-406, 9-411, 9-413, 9-415, 9-427, and 9-430, R.R.S. 1997. Sections 9-410, 9-418, and 9-426, R.S.Supp., 2002. November 12, 2002.)

REG-35-406 ALLOWABLE EXPENSES

406.01 A licensed organization may spend a portion of the gross proceeds derived from the lottery or raffle activity for allowable expenses. A licensed organization is limited to spending no more than ten percent of the gross proceeds of each lottery or raffle activity for allowable expenses of operating each lottery or raffle; except that no expense limitation is imposed upon a lottery or raffle being conducted under a special permit. Allowable expenses shall mean and include:

406.01A All costs associated with the purchase, printing, or manufacturing of any items to be used or distributed to participants such as the tickets themselves or calendars for a calendar lottery. This shall include any imprinting or delivery charges and any sales tax required to be paid by the licensed organization in connection with the lottery or raffle;

406.01B All costs associated with office expenses. This shall include any salary, wage, or fee paid to any person operating the lottery or raffle or keeping the books and records, postage costs, office supplies such as paper, notebooks, pencils, any utility charges for the office, and any other expense incurred with the operation of the lottery or raffle;

406.01C Any lease or rental expenses for equipment or facilities used in connection with the conduct of the lottery or raffle. This would include for example, the rental of a ticket tumbling cage;

406.01D All promotional expenses including the purchase of signs, flyers, or any other type of advertising expense;

406.01E License and permit fees for the organization and utilization of funds member and the lottery or raffle tax on gross proceeds prescribed in section 9-429 of the Nebraska Revised Statutes, as amended;

406.01F Any fee paid to any person associated with the operation of the lottery or raffle, such as ticket sellers or business outlets paid to sell lottery or raffle tickets; and

406.01G Any fee or tax imposed pursuant to section 9-433 of the Nebraska Revised Statutes, as amended, such as a local lottery or raffle tax or permit fee.

(Sections 9-402, 9-403, 9-404, 9-407, 9-411, 9-415, 9-427, 9-429, and 9-433, R.R.S. 1997. Sections 9-410, 9-418, and 9-426, R.S.Supp., 2002. November 12, 2002.)

REG 35-407 LOTTERY AND RAFFLE TAXES

407.01 A nonprofit organization conducting a lottery with gross proceeds in excess of \$1,000.00, or a raffle with gross proceeds in excess of \$5,000.00, is required to remit to the Department, a tax of two per cent of the gross proceeds of such lottery or raffle.

407.02 A licensed organization is required to report within thirty (30) days of the end of each calendar quarter, its gross proceeds and tax due on a form prescribed by the Department and to remit any tax due for that quarter, even though the gross proceeds for a particular quarter do not exceed the \$1,000.00 or \$5,000.00 threshold. If the total gross proceeds derived from the sale of lottery or raffle tickets does not exceed the \$1,000.00 or \$5,000.00 threshold at the conclusion of the lottery or raffle activity, the taxes paid on the gross proceeds are refundable. The licensed organization should submit an amended return to the Department requesting a refund or credit of the lottery or raffle taxes paid to the Department.

407.02A The lottery and raffle tax is to be reported on the Nebraska Lottery and Raffle Tax Return, Form 51.

407.03 Failure to file a quarterly tax return or remit the tax due by the due date will subject the licensed organization to assessment of a penalty of \$25.00 or ten percent of the tax due, whichever is greater. In addition, interest will be imposed at the rate specified in section 45-104.02 of the Nebraska Revised Statutes, as amended, from the due date to the date paid.

407.03(A) Quarterly returns filed after the due date which indicate a zero amount of proceeds and/or a zero balance of tax due, shall not be subject to the penalty as previously described.

407.04 If the due date for filing the quarterly tax return falls on a Saturday, Sunday, or a day considered a holiday by the state, the return will be considered to be timely filed if it is postmarked no later than twelve o'clock midnight of the next working day following the due date. Postmarks not made by the United States post office will not be recognized for purposes of this regulation.

407.05 A licensed organization is not required to charge, collect or remit sales tax on the purchase price of a lottery or raffle ticket unless such ticket is connected in part with the purchase of some other tangible personal property or an admission charge which is subject to such tax. Examples of tangible personal property which may be connected to the purchase of a lottery or raffle ticket are items such as a calendar or a dinner.

407.06 Nebraska withholding tax is required on payments of lottery or raffle winnings which are subject to federal withholding and that are paid from a Nebraska source to a resident or nonresident individual.

407.06A On or before February 15 following the close of each calendar year, a payor of such gambling winnings must furnish to each winner for state purposes two copies of a completed and legible Statement for Recipients of Certain Gambling Winnings, Federal Form W-2G, or a federally approved substitute. One of the copies must be labeled "state copy", to be submitted with the winner's Nebraska income tax return, and one copy must be labeled "winner's copy", for the winner's records.

407.06B On or before March 15 following the close of each calendar year, the payor must file with the Nebraska Department of Revenue a Nebraska Reconciliation of Income Tax Withheld, Form W-3N, in accordance with the instructions contained in Withholding Tax Regulation 21-013. A copy of the Federal Form W-2G furnished to each winner which shows the Nebraska tax withheld from winnings during the prior calendar year must be submitted with the Form W-3N. Those payors of gambling winnings who are also required to withhold state income tax on behalf of employees may file only one Form W-3N to transmit state copies of both Form W-2 and Form W-2G.

(Sections 77-2706, 77-2708, and 77-27,125, R.R.S. 1996. Sections 9-402, 9-403, 9-406, 9-407, 9-411, 9-415, 9-429, and 45-104.02, R.R.S. 1997. Sections 9-410, 9-418, 77-2703, 77-2702.16, 77-2704.12, and 77-2704.15, R.S.Supp., 2002. November 12, 2002.)

REG-35-408 RECORD KEEPING REQUIREMENTS

408.01 Separate records shall be maintained for each individual lottery or raffle conducted. A licensed utilization of funds member shall maintain all records including, but not limited to, the following:

408.01A The total gross proceeds from each lottery or raffle, the number of tickets sold, the price per ticket, the number of free tickets given away, and the value of any free tickets given away;

408.01B Receipts for the purchase of prizes to be awarded or the fair market value of prizes donated;

408.01C A detailed breakdown of all expenses associated with the conduct of the lottery or raffle;

408.01D A record of all persons paid to sell tickets including the person's name, address, telephone number, basis for payment, amount of payment, and date of payment;

408.01E Complete and accurate bank account information including all deposits, withdrawals, or transfers of money from the lottery/raffle bank account; and

408.01F A detailed breakdown of the disbursement of profits remaining after all allowable expenses, prizes, and taxes have been paid. This shall include the amount of the disbursement, the recipient's name, and the intended use or purpose for the disbursement.

408.01G Unless otherwise provided in these regulations, all records required by the Nebraska Lottery and Raffle Act or its corresponding regulations shall be maintained by the organization for a period of not less than three years.

(Sections 9-402, 9-403, 9-404, 9-407, 9-414, 9-417.01, 9-422, and 9-428, R.R.S. 1997. Section 9-418, R.S.Supp., 2002. November 12, 2002.)

REG-35-409 REPORTING REQUIREMENTS

409.01 A nonprofit organization conducting a lottery or raffle pursuant to the Nebraska Lottery and Raffle Act shall report annually to the Department on a form prescribed by the Department, information regarding its lottery and/or raffle activity. The annual report shall cover the organization's lottery and raffle activity for the period July 1 through June 30 of each year and shall be filed by August 15 of each year. A copy of the annual report shall also be made available to the membership of the licensed organization.

409.02 The annual report shall contain, but not be limited to, the following information for each lottery with gross proceeds in excess of \$1,000.00, and each raffle with gross proceeds in excess of \$5,000.00:

409.02A The name, complete address, state identification number, federal identification number, and Nebraska lottery and raffle license number of the organization;

409.02B The date on which the winner(s) were determined and whether the activity was a lottery or a raffle;

409.02C The gross proceeds of each lottery or raffle activity;

409.02D The total cash prizes awarded for each lottery or raffle activity;

409.02E The total fair market value of all merchandise prizes awarded for each lottery or raffle activity regardless of whether the merchandise prizes were bought by the organization or donated to the organization;

409.02F The total cost actually incurred by the licensed organization for the purchase of merchandise prizes for each lottery or raffle activity;

409.02G The total of all other expenses incurred by the organization for each lottery or raffle activity;

409.02H The total profit realized by the organization for each lottery or raffle activity;

409.02I A summary of the lawful purpose donations compiled from the detailed breakdown of the organization's lawful purpose donations from the lottery and raffle proceeds. The detailed breakdown shall include the name of recipient, date the donation was made, amount of donation, a description of the use of the proceeds, and the individual accepting the donation;

409.02J Information regarding the lottery and raffle bank account to include the name and address of the financial institution, the account number, the balance at the beginning of the reporting period, total of all deposits, total of any interest earned, total disbursements, and the balance at the end of the reporting period; and

409.02K Any other information which the Department deems necessary.

409.03 The annual report shall be declared to be accurate and correct by the signatures of an officer of the organization and a licensed utilization of funds member of the organization.

(Sections 9-402, 9-403, 9-404, 9-406, 9-407, 9-408, 9-411, 9-414, 9-415, 9-424, 9-427, and 9-428, R.R.S. 1997. Section 9-418, R.S.Supp., 2002. November 12, 2002.)

REG-35-410 PRORATION AND REFUND OF LICENSE FEES

410.01 The fees paid pursuant to the Nebraska Lottery and Raffle Act for any license issued to a nonprofit organization, volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad, or utilization of funds member are due in full for the biennial licensing period. A license fee may be prorated or refunded by the Department on an annual basis under the following circumstances:

410.01A If a new application is received by the Department for a license which will become effective on or after October 1 of the second year of the biennial licensing period, the applicable license fee shall be one-half of the biennial fee.

410.01B If a new application is received by the Department for a license which will become effective prior to October 1 of the second year of the biennial licensing period, no proration of the license fee shall be allowed.

410.01C No license fee may be refunded for any portion of the licensing period in which a license was not used unless otherwise authorized by the Department.

410.01D In the event a license issued pursuant to the Nebraska Lottery and Raffle Act is suspended, cancelled, or revoked by the Department, no portion of the license fee shall be refunded unless otherwise authorized by the Department.

410.01E In the event a license application is denied and a temporary license was issued to the applicant prior to the effective date of the license application denial, one-half of the biennial license fee paid by the applicant may be refunded, provided the effective date of the license application denial is prior to October 1 of the second year of the biennial licensing period. In the event a license application is denied and a temporary license was not issued or a license application is withdrawn, the license fees paid by the applicant may be refunded.

410.01F Upon the death of a person licensed as a utilization of funds member, or in the event any such licensee becomes disabled in such a manner as to render him or her unable to perform or fulfil his or her duties as a utilization of funds member, a licensed organization may submit an application to replace the utilization of funds member with a new individual for the remainder of the licensing period for no additional fee. Any such application shall be accompanied by the original utilization of funds member license and a written statement signed by an officer of the licensed organization explaining the circumstances under which the request for replacement of the licensee is being made.

(Sections 9-402, 9-403, 9-405, 9-406, 9-409, 9-416, 9-417, 9-417.01, and 9-424, R.R.S. 1997. Sections 9-410, 9-417.02, 9-418, 9-418.01, and 9-425, R.S.Supp., 2002. November 12, 2002.)

SMALL LOTTERIES AND RAFFLES

REG-35-500 Scope and Eligibility

500.01 Bingo, Lottery, Raffle, and Lottery by Pickle Card Regulations 35-500 through 35-504 are adopted to carry out the provisions of the Nebraska Small Lottery and Raffle Act.

500.02 Any nonprofit organization incorporated in this state as a nonprofit corporation or organized in this state as a religious or nonprofit organization which is exempt under section 501 of the Internal Revenue Code, or any nonprofit organization located within this state whose major activities in this state are conducted for charitable or community betterment purposes is eligible to conduct one lottery per calendar month, the gross proceeds of which are not to exceed \$1,000.00, and/or any number of raffles per calendar month, if the total gross proceeds of all such raffles do not exceed \$5,000.00 in that calendar month. Qualifying nonprofit organizations conducting lottery and raffle activities not exceeding the gross proceeds

limitations set forth in this regulation are not required to obtain a license, or pay any state lottery and raffle tax.

500.02A If a qualifying nonprofit organization conducting a small lottery or raffle exceeds the gross proceeds limitations set forth in this regulation, such organization may be required to pay the license fees for a lottery and raffle license, and shall be required to pay the lottery and raffle tax required by the Nebraska Lottery and Raffle Act and file any reports required by the Nebraska Lottery and Raffle Act and regulations.

(Sections 9-402, 9-429, 9-502, 9-503, 9-506, 9-508, 9-510, 9-511, and 9-512, R.R.S. 1997. Sections 9-1,101, 9-507, 9-509, and 77-369, R.S.Supp., 2002. November 12, 2002.)

REG-35-501 Expenses

501.01 A qualifying nonprofit organization shall spend the gross proceeds from its lottery and/or raffle activity solely for charitable or community betterment purposes, awarding of prizes, and expenses. Expenses shall include, but not be limited to:

501.01A All costs associated with the purchase, printing, or manufacturing of any items to be used or distributed to participants, such as tickets. This shall also include any imprinting or delivery charge and any sales tax required to be paid by the qualifying nonprofit organization;

501.01B All costs associated with office or clerical expenses, such as any salary, wage, or fee paid to any person operating the lottery or raffle or keeping the books and records; postage costs; office supplies such as paper, notebooks, pencils; any utility charges for the office; and any other expense incurred with the operation of the lottery or raffle;

501.01C Any lease or rental expense for equipment or facilities connected with the lottery or raffle;

501.01D Any promotional expense, such as advertising;

501.01E Any salary, wage, fee, or commission paid to any person or organization to operate, conduct, or supervise a lottery or raffle; and

501.01F Any fee paid to any person associated with the sale of lottery or raffle tickets, such as ticket sellers or business outlets paid to sell tickets.

(Sections 9-503, 9-504, 9-505, 9-506, 9-508, 9-510, and 9-511, R.R.S. 1997. Section 9-1,101, 9-507, 9-509, and 77-369, R.S.Supp., 2002. November 12, 2002.)

REG-35-502 Charitable or Community Betterment Purposes

502.01 A qualifying nonprofit organization conducting a lottery with gross proceeds not exceeding \$1,000 or a raffle with gross proceeds not exceeding \$5,000, shall spend the profits derived from the lottery or raffle activity solely for charitable or community betterment purposes.

502.01A Charitable or community betterment purposes shall include, but not be limited to the following:

502.01A(1) Enhancing the opportunity of individuals for religious advancement, such as offering religious programs, conducting religious activities, and/or operating and maintaining a church, church school, or its facilities;

502.01A(2) Providing for educational advancement such as donating to the operating fund of a school or establishing or contributing to a scholarship fund;

502.01A(3) Relieving or protecting individuals from disease, suffering, or distress, such as purchasing food or clothing for the needy or helping to provide medical care for individuals in need;

502.01A(4) Contributing to the physical well-being of individuals, such as donations to foster athletic activities;

502.01A(5) Assisting individuals in establishing themselves as worthy and useful citizens by providing educational or business opportunities, such as donations to training programs designed to provide individuals with job skills;

502.01A(6) Providing individuals with opportunities to contribute to the betterment of the community, such as sponsoring park clean-up or beautification projects;

502.01A(7) Increasing the comprehension of and devotion to the principles upon which this nation was founded, such as sponsoring civic events to make individuals more aware of the history of the United States, the State of Nebraska, or other civic institutions or principles;

502.01A(8) Initiating, performing, or fostering worthy public works or enabling or furthering the erection or maintenance of public structures such as contributing to a county, city, or village building fund or donations to fund parks or recreation areas; and

502.01A(9) Lessening the burdens borne by government or voluntarily supporting, augmenting, or supplementing services which government would normally render to the people such as paying for housing, food, or medical services for needy people, contributing to a local police or fire department, or contributing to the general fund of a village, city, or county.

502.02 In addition to those purposes identified in Regulation 502.01, a qualifying nonprofit organization may also spend its proceeds derived from a small lottery or raffle for any charitable, benevolent, humane, religious, philanthropic, educational, fraternal, recreational, social, or civic activities conducted by the organization for the benefit of its members, such as the use of proceeds to provide a social activity for the members, to retire a debt of the organization, or to make capital improvements to the organization's meeting hall. Proceeds spent in a manner described above must be spent to benefit the membership as a whole and not any one individual member. Nothing in this section shall prohibit the funding of a scholarship, medical assistance, or disaster relief to an individual in need.

502.03 Proceeds derived from the conduct of a small lottery or raffle shall not be used for any political activities such as lobbying or participating in or contributing to any political campaign on behalf of any elected official or person who is or has been a candidate for public office.

(Sections 9-502, 9-503, 9-504, 9-508, 9-510, and 9-511, R.R.S. 1997. Section 9-1,101, 9-507, 9-509, and 77-369, R.S.Supp., 2002. November 12, 2002.)

REG-35-503 Conduct of the Game

503.01 A qualifying nonprofit organization must accept something of value from a participant for an opportunity to participate in the lottery or raffle.

503.02 A qualifying nonprofit organization conducting a small lottery or raffle shall sell tickets which are sequentially numbered as a chance to participate in the lottery or raffle. No other form or method of participation is permitted.

503.02A Ticket sales shall not exceed the gross proceeds limitations set forth in Regulation 35-500.02.

503.03 Winners shall be determined by either (a) a random drawing of the tickets or ticket stubs; or (b) by a race of inanimate buoyant objects as provided in section 9-511.01 of the Nebraska Small Lottery and Raffle Act. No other form or method of determining a winner is permitted.

503.04 All tickets or ticket stubs for a ticket drawing shall be placed into a receptacle designed so that each ticket or ticket stub shall have an equal opportunity of being drawn.

503.05 If a participant's presence is required in order to win a prize, participants must be made aware of this condition upon purchasing a ticket.

503.06 A qualifying nonprofit organization conducting a small lottery or raffle in which real or personal property prizes are to be awarded shall have paid for in full or otherwise become the owner without lien or interest of others of all the real or personal property awarded as prizes prior to the date on which the winner(s) will be determined.

503.06A Prizes awarded in a small raffle must be at least 80 percent merchandise prizes, to be valued at their fair market value which means the price that one would normally pay for an item in an arm's length transaction with a retail business. A merchandise prize may be any item which can be legally owned or possessed which is not directly or indirectly redeemable for cash by the qualifying nonprofit organization or any agent thereof. For purposes of this regulation, real estate and savings bonds are not considered to be merchandise prizes. Merchant gift certificates are to be considered as a merchandise prize and shall be assessed at their face value.

503.06A(1) For purposes of this regulation, to determine if the prizes meet the 80 percent merchandise requirement in order for the activity to qualify as a raffle, the total fair market value of the merchandise prizes compared to the total value of all prizes to be awarded shall be the determining factor, and not simply by the number of merchandise prizes.

503.06B Prizes awarded in a small lottery may include cash, merchandise, or anything of value which may be legally owned and possessed. If prizes other than cash are offered in a small lottery, the fair market value of all merchandise prizes must be less than 80 percent of the total value of all prizes awarded. For purposes of this regulation, real estate and savings bonds shall be considered cash prizes and shall be assessed at their purchase price value.

503.06C Pickle cards shall not be awarded as a small lottery or raffle prize.

(Sections 9-302, 9-502, 9-503, 9-508, 9-510, and 9-511, R.R.S. 1997. Sections 9-1,101, 9-312, 9-315, 9-507, 9-509, 9-511.01, and 77-369, R.S.Supp., 2002. November 12, 2002.)

REG-35-504 Record Keeping Requirements

504.01 A qualifying nonprofit organization conducting a lottery or raffle pursuant to the Nebraska Small Lottery and Raffle Act and regulations thereof shall be required to maintain, on a monthly basis, the following written information:

504.01A The beginning and ending date for each lottery and/or raffle; and

504.01B The total gross proceeds derived from each lottery and/or raffle activity.

504.02 For purposes of this regulation, merchandise prizes shall be valued at their fair market value which means the price that one would normally pay for an item in an arm's length transaction with a retail business. The qualifying nonprofit organization shall compile this information to ensure that the gross proceeds limitations for a small lottery or small raffles are not

exceeded in any given calendar month. The qualifying nonprofit organization shall retain this information for a period of not less than three years.

504.03 Proceeds derived from the conduct of a small lottery or raffle shall be kept separate from accounts statutorily required for bingo, a lottery by the sale of pickle cards, or a licensed lottery or raffle. Proceeds from a small lottery or raffle may be deposited or commingled in any account of the qualifying nonprofit organization other than those specifically prohibited in this regulation.

(Sections 9-255.03, 9-348, 9-428, 9-502, 9-503, 9-506, 9-508, 9-510, 9-511, and 9-512, R.R.S. 1997. Section 9-1,101, and 77-369, R.S.Supp., 2002. November 12, 2002.)

COUNTY/CITY LOTTERY (KENO)

REG-35-600 Definitions, Scope, and Establishment by Counties, Cities, and Villages

600.01 General Authorization. Bingo, Lottery, Raffle, and Lottery by Pickle Card Regulations 35-600 through 35-623 are adopted to carry out the provisions of the Nebraska County and City Lottery Act.

600.02 Definitions. The definitions found in Neb. Rev. Stat. §§ 9-603.02 to 9-618 apply to these regulations. The following definitions also apply for purposes of Regulations 35-600 through 35-623:

600.02A Agent means a person authorized by the applicant or licensee to act for or in place of an applicant or licensee as a business representative to modify, affect, accept performance of, or transact business.

600.02B Business day means any day except Saturday, Sunday, or a legal holiday.

600.02C Cash means United States currency and does not mean checks, personal or otherwise, debit cards, or credit cards.

600.02D Compliance procedures for keno mean the analysis required by Reg-35-616 to determine whether the regulations are being followed during the operation of the keno game.

600.02E Conditioning, as it applies to keno, means a restatement of how many numbers or combinations of numbers are being selected by the players, the way in which they are wagered, and the corresponding dollar amounts wagered.

600.02F Debt holder of a corporation, partnership, or limited liability company means a person that holds any mortgages, notes, bonds, convertible debentures, or other obligations, whether written or oral, issued by the corporation, partnership, or limited liability company.

600.02G Department means the Nebraska Department of Revenue.

600.02H Digital-on-premises ticket means a digital ticket purchased in person on the operator's approved mobile application or other approved mobile wagering device verified to be present at the location of the lottery operator or an authorized sales outlet location.

600.02I Draw ticket means the ticket prepared by a licensed lottery worker to record the winning numbers of each keno game if winning number selection is by manual ball draw method.

600.02J Electronic tablet ticket generation device means any electronic device which is exclusively provided by the operator on site that is capable of building a wager to be processed by the tablet or by a keno writer. Any reference in these regulations to "tablet" or "operator's tablet" means this definition, unless otherwise stated.

600.02K Electronic transfer of funds, also known as an electronic funds transfer (EFT) means the movement of value or funds between financial institutions through the Federal Reserve's Automated Clearing House (ACH) system or any other authorized system.

600.02L Equity holder of a corporation, partnership, or limited liability company means an individual or person that holds any capital stock, whether common or preferred, or any ownership interest or share issued by the corporation, partnership, or limited liability company.

600.02M Free play keno coupon means a certificate which entitles the holder to wager an amount corresponding to the face value of the coupon without charge. This coupon may be issued and redeemed through the lottery operator's digital-on-premises purchasing application.

600.02N Governing board means, in the case of a city, the city council; in the case of a village, the village board; or, in the case of a county, the county board.

600.02O Independent game location means a location where keno wagers are placed and winning number selection is performed. An independent game location is not electronically linked to another location for purposes of transmitting or receiving winning number selection.

600.02P Inside ticket means keno paper with 80 preprinted numbers on which the player marks numbers to be wagered on and the type of wager. Inside ticket also includes electronic bet slips prepared by the player on or through the digital-on-premises purchasing application or the operator's tablet.

600.02Q Keno manager means the shift manager, supervisor, or individual in charge of the daily operation of a keno game at a location,

an individual licensed as a sales outlet officer or owner, or an individual licensed as a lottery operator, officer, or owner.

600.02R Keno system means an integrated system of computer hardware and software that generates outside tickets, records game outcomes, verifies winning tickets, produces management reports, and performs other functions and internal audit controls for the keno operation.

600.02S Keno writer means an individual whose primary responsibilities include accepting inside tickets or other requests for wagers and payments of wagers from players, issuing outside tickets, voiding tickets, redeeming tickets, and assisting with keno application issues. A keno writer does not include a keno manager, a lottery operator, or any person who is directly in charge of the manual selection of winning numbers.

600.02T Licensed racetrack enclosure has the same meaning as in Neb. Rev. Stat. § 9-1103(10).

600.02U Licensee means a person holding a license issued by the Department pursuant to the Nebraska County and City Lottery Act.

600.02V Lottery equipment means: (a) all proprietary devices, machines, and parts used in and which are an integral part of conducting the lottery; and (b) equipment used in maintaining the equipment described in (a).

600.02V(1) Lottery equipment is equipment that directly affects the outcome of the lottery or monitors the operation of the lottery and includes, but is not limited to: keno balls; keno ball selection devices, including electrically-operated blower machines, automated ball draw systems, and other electronic selection devices; random number generators; and keno systems.

600.02V(2) Any equipment that does not directly affect the outcome of the lottery or is not an integral part of any system that monitors the operation of the lottery is not considered lottery equipment. For example, lottery equipment does not include video or digital recording equipment required for ball draw games, security cameras and systems, display devices, recording media, or other supply items used with the lottery equipment that do not directly affect the outcome of the game.

600.02W Lottery operator means any individual, sole proprietorship, partnership, limited liability company, or corporation which is licensed by the Department and responsible for conducting a lottery on behalf of a county, city, or village as provided by a written contract between the county, city, or village and the lottery operator. This contract may include responsibility and liability for all operational aspects of the lottery, including: daily gaming operations; purchase, repair, replacement, and maintenance of lottery equipment; purchase and

maintenance of lottery supplies; compensation, staffing, and training of all employees and agents; processing and handling of lottery gross proceeds; preparing all reports required of a county, city, village, or lottery operator; advertising; developing official rules and procedures for play; collecting prizes and progressive game prizes; overseeing the lottery operation; record keeping; and all other lottery functions. Any reference in these regulations to “operator” means this definition, unless otherwise stated.

600.02X Lottery operator location means the main location of the lottery operator where keno wagers are placed.

600.02Y Lottery supplies means all tickets, cards, boards, sheets, or other supplies which are used in and are an integral part of conducting any lottery activity.

600.02Y(1) Lottery supplies do not include any item that does not directly affect the outcome of the lottery.

600.02Y(2) For example, lottery supplies do not include keno paper, crayons and markers, and other supplies that do not directly affect the outcome of the game.

600.02Z Main location means a location where keno wagers may be placed, and winning numbers are selected and electronically transmitted to satellite locations.

600.02AA Multirace ticket means a single ticket which allows a player to make the same keno wager on consecutive games. A player must wait until the last game wagered on has been called to collect any accumulated winnings, unless approval has been obtained from the keno manager or from the keno writer on duty and all voided wagers are properly documented in the transaction log.

600.02BB Non-segregated bank account means a bank account which holds funds related to the operation of the keno lottery as well as funds from other sources.

600.02CC Outside ticket means either the official paper ticket generated by the keno system or a ticket electronically generated by the digital-on-premises purchasing application or the operator’s tablet that shows the player's wager.

600.02DD Owner means a person with a right to share in the profits, losses, or liabilities of a license applicant or licensee. The term includes loan guarantors who make actual debt payments for, or contribute capital to, a license applicant or licensee with a contingent right to share in the profits, losses, or liabilities of the operation. The term ownership interest has the same meaning as owner.

600.02EE Person means any individual or organization, including any sole proprietorship, partnership, limited liability company, or

corporation.

600.02FF Play in a keno lottery means placing a wager, cashing a winning ticket, or collecting any winnings.

600.02GG Premises means any building, or any distinct portion of a building, where the lottery is conducted or played. Premises may include the main location, an independent game location, a sales outlet location, or a satellite location. Premises does not include any areas outside the building.

600.02HH Quick Pick ticket means a keno ticket for which the player selects numbers by requesting that the keno system generate them at random on an outside ticket.

600.02II Random number generator means hardware, software, or a combination hardware and software device for generating number values that exhibit characteristics of randomness.

600.02JJ Regrade means to manually recalculate the prize payout of a winning keno ticket according to the printed pay schedule.

600.02KK Replay means playing the identical keno wager as a prior wager with no change to selected numbers, conditioning, or amount of wager.

600.02LL ROM (read only memory) means the electronic component used for storing nonvolatile information in lottery equipment that provides instructions needed by the computer to begin its operations each time it is turned on. This includes programmable ROM (PROM) and erasable programmable ROM (EPROM).

600.02MM Sales outlet location means a location other than the lottery operator location where keno wagers are placed.

600.02NN Satellite location means a location where keno wagers are placed and where the winning numbers are electronically received from the main location. Winning number selection cannot be performed at a satellite location.

600.02OO Segregated bank account means a bank account which holds only funds related to the operation of the keno lottery.

600.02PP Substantial interest or connected with, interested in, or otherwise concerned directly or indirectly means having a significant responsibility for, or otherwise benefitting or having rights from, a license issued by the Department.

600.02PP(1) For a sole proprietorship, this includes, but is not limited to, an individual or his or her spouse owning, operating, managing, or conducting, directly or indirectly, a part of the sole proprietorship.

600.02PP(2) For a partnership, this includes, but is not limited to, an individual, his or her spouse, or a partnership, limited liability company, or corporation owning, operating, managing, or conducting, directly or indirectly, a part of the partnership activity, or sharing in any of the profits or potential profits of the partnership activity.

600.02PP(3) For a limited liability company, this includes, but is not limited to, the involvement of an individual, his or her spouse, or a partnership, limited liability company, or corporation, owning, operating, managing, or conducting, directly or indirectly, a part of the limited liability company activity or sharing in any of the profits or potential profits of the limited liability company activity.

600.02PP(4) For a corporation, this includes, but is not limited to, an individual, his or her spouse, or a partnership, limited liability company, or corporation owning, operating, managing, or conducting, directly or indirectly, a part of the corporation activity, or being an officer or director of the corporation, or being a holder, directly or indirectly, of 10% or more of any class of stock in the corporation or debt representing 10% or more of the total assets of the corporation.

600.02PP(5) For a nonprofit corporation or nonprofit organization, this includes, but is not limited to, an individual or his or her spouse being an officer, director, or managing the business affairs of the nonprofit corporation or nonprofit organization.

600.02QQ Technology partner means any corporation or business entity which is not otherwise licensed under the Act or these regulations, that contractually agrees to develop some or all of a lottery operator's digital-on-premises ticket system or operator's tablet.

600.02RR Transaction log means a record of all transactions entered on the keno system. The transaction log includes, but is not limited to, all outside ticket information, ticket processing, voided tickets, game closing time, game results, payout, and all other information required by these regulations to be entered on the transaction log.

600.02SS Way ticket means a single outside ticket which allows a player to wager on a combination of groups of numbers in various ways.

600.03 Election Required. Any county or city, or any village as defined in Neb. Rev. Stat. §§ 17-201, et seq., desiring to establish and conduct a lottery must hold an election, and a majority of the registered voters of the county, city, or village casting ballots on the issue must approve the establishment of the lottery. The term county also includes a municipal county as provided in Neb. Rev. Stat. §§ 13-2801, et seq.

600.03A The issue may be decided at a regular election or at a special election called by the governing board of the county, city, or village for

the purpose of voting on establishing a lottery.

600.03B If an initiative petition signed by at least 20% of the number of individuals voting in the city or village in the last preceding general election is submitted to the governing board of the city or village, the question of whether a lottery will be approved must be submitted to the voters as provided in Neb. Rev. Stat. §§ 18-2501, et seq.

600.04 License Required. After voter approval, the county, city, or village must obtain a license from the Department to conduct a lottery.

600.04A An applicant for a license must submit a Nebraska Application for County/City Lottery, Form 50G, to the Department. Each application must include:

600.04A(1) The name and address of the applicant;

600.04A(2) A certified copy of the election results showing that the lottery was approved by a majority of the registered voters of the county, city, or village that cast ballots in the election;

600.04A(3) The approval by ordinance or resolution adopted by the governing board of a county, city, or village authorizing the conduct of a lottery;

600.04A(4) The names, addresses, and dates of birth of each individual employed by the county, city, or village to conduct the lottery;

600.04A(5) The name and address of the authorized representatives designated by the county, city, or village or by a joint entity created by the county, city, or village by entering into an agreement pursuant to the Interlocal Cooperation Act, to examine, sign, and approve a lottery worker license application for submission to the Department;

600.04A(6) The name and address of at least one individual employed by the county, city, or village who represents the county, city, or village in all matters with the Department regarding the conduct of the lottery;

600.04A(7) A written statement describing the type of lottery to be conducted by the county, city, or village;

600.04A(8) If the county, city, or village has entered into a written agreement with a lottery operator;

600.04A(8)(a) A copy of the proposal submitted to the county, city, or village by the individual, sole proprietorship, partnership, or corporation selected to operate the lottery; and

600.04A(8)(b) A copy of the proposed contract or written agreement between the county, city, or village and the selected lottery operator.

600.04A(9) The biennial license fee for the county, city, or village of \$100;

600.04A(10) The method of winning number selection to be used in the keno lottery activity and, if both a ball draw and a random number generator are used, a separate schedule showing the days and times each will be used; and

600.04A(11) Any other information which the Department deems necessary.

600.04B A county, city, or village must notify the Department within 30 days of any changes in the information originally submitted in its application. Changes can be reported by filing an amended application and identifying only the information to be changed. All requests for change must be signed by a member of the governing board, a governing official, or other individual authorized by a Power of Attorney filed with the Department.

600.04C A county, city, or village is not considered licensed until it has physical possession of the printed license issued by the Department.

600.04D A copy of the signed and dated final contract or written agreement between the county, city, or village and the selected lottery operator must be provided to the Department prior to starting the lottery.

600.04E A license obtained by a county, city, or village to conduct a lottery must be renewed with the Department biennially if the county, city, or village intends to continue its lottery activity. The biennial license expires May 31 of every even-numbered year.

600.04E(1) License fees are due with the renewal application.

600.04E(2) Applications for renewal of a county, city, or village license must be submitted to the Department on a Nebraska Application for County/City Lottery, Form 50G, at least 60 days prior to the expiration date of the current license.

600.04F A county, city, or village electing to conduct a lottery may only conduct one type of lottery at any one time. If a county, city, or village conducting a lottery wishes to change the type of lottery that it conducts, it must notify the Department in writing of the change at least 30 days before the change takes effect.

600.05 Sales Outlet Qualifications. Prior to a county, city, village, or lottery operator conducting a lottery at a sales outlet location, the county, city, or

village must establish sales outlet location qualification standards by ordinance or resolution.

600.05A The established qualification standards must be met by any person seeking to have its location qualify as an authorized sales outlet location.

600.05B The qualification standards are the sole basis on which the county, city, or village approves or disapproves each person that desires to conduct the lottery at its location.

600.05C The county, city, or village must file a copy of the ordinance or resolution establishing the qualification standards with the Department within 30 days after its adoption.

600.05D The county, city, or village must notify the Department of all approved sales outlet locations within 30 days of approval.

600.06 Participation Restrictions. Participation restrictions for playing or working with the county/city lottery include:

600.06A No individual under the age of 19 can play or participate in any way in any lottery.

600.06B No owner or officer of a lottery operator with whom the county, city, or village contracts to conduct its lottery can play any lottery conducted by the county, city, or village at any time.

600.06C No employee or agent of a county, city, village, lottery operator, or sales outlet location can play the lottery of the county, city, or village for which he or she performs work during the time he or she is actually working at the lottery or while on duty with the lottery. This also prohibits an individual from purchasing a multirace ticket for which some or all of the games will be called while the individual is on duty with the lottery.

600.06D A county, city, or village which authorizes the conduct of a lottery must establish by ordinance or resolution, the additional limitations, if any, on the playing of any lottery conducted by that county, city, or village by any member of the governing board, a governing official, or the immediate family of the member or official.

600.06D(1) For purposes of this regulation, immediate family means spouse, children, grandchildren, siblings, or parents, including those individuals with the same relationship to the spouse, residing in the same household under the control and support of the head of such household.

600.06E Nothing in this regulation prevents a county, city, village, lottery operator, or sales outlet location from adopting more restrictive player participation rules.

600.06E(1) The county, city, or village may adopt any restrictions by ordinance or resolution or by virtue of contractual agreements reached between the county, city, or village and the lottery operator.

600.06E(2) The lottery operator or sales outlet location may adopt any restrictions by internal policies formulated by either party.

600.07 Physical Limits of a Lottery. A county, city, or village electing to conduct a lottery may only do so within the boundaries of the county, city, or village, or within a licensed racetrack enclosure which abuts the corporate limits of a city or village, or which is within the zoning jurisdiction of a city.

600.07A A county, city, or village electing to conduct a lottery may enter an agreement pursuant to the Interlocal Cooperation Act to conduct a joint lottery with another county, city, or village if each county, city, or village that is included within the agreement has authorized a lottery in accordance with the Nebraska County and City Lottery Act.

600.07B All parties to an agreement under the Interlocal Cooperation Act must hold a valid license to conduct a lottery issued by the Department if currently conducting a county/city lottery.

600.07C A joint lottery may only be conducted within the boundaries of the counties, cities, or villages, or within a licensed racetrack enclosure which abuts the corporate limits of, or which is within the zoning jurisdiction of, the cities or villages which are conducting the joint lottery.

600.08 Expiration. A lottery to be conducted by a county, city, or village which was authorized by an election held on or after October 1, 1989, and which is inactive for more than any 10 consecutive years, is no longer authorized.

600.09 Right to Vote on Continuation. The registered voters of any county, city, or village have the right to vote on the question of whether or not an existing lottery should be continued.

600.09A If an initiative petition on continuing an existing lottery, signed by at least 20% of the number of individuals voting in the county, city, or village at the last preceding general election, is presented to the governing board of the county, city, or village conducting the lottery, the question of whether or not the lottery will continue must be submitted to the voters.

600.09B If the governing board of a county, city, or village decides to submit the issue to the registered voters of the county, city, or village at a regular or special election, the question of whether or not the lottery will continue must be submitted to the voters.

600.09C If a majority of the voters voting on the issue vote to discontinue the lottery, the county, city, or village must discontinue the lottery within 60 days after the certification of the election results.

600.09D If the voters decide to discontinue the lottery, the county, city, or village must notify the Department within 30 days of the certification of the election results. The notification consists of a copy of a certification of the results of the election prepared by the county, city, or village election commissioner or other official with the authority to certify the results of an election.

600.09E An election authorized under Reg-35-600.09B cannot be held within two years after the election authorizing the lottery, and not more than once every two years.

600.09F If an election results in discontinuing a lottery, a subsequent election to authorize another lottery cannot be held within two years after the election resulting in discontinuing the previously-authorized lottery.

600.09G Any contract entered into by a county, city, or village relating to conducting a lottery must include a provision permitting the county, city, or village to terminate the contract by giving 30 days' notice to the other party if the lottery has been discontinued by an election authorized under Neb. Rev. Stat. §§ 9-626 or 9-627.

600.10 Local Restrictions. Any county, city, or village may tax, regulate, control, or prohibit any lottery conducted pursuant to the Nebraska County and City Lottery Act within the boundaries of the county, city, or village by resolution or ordinance, except that no county may impose a tax or otherwise regulate, control, or prohibit any lottery within the corporate limits of a city or village.

600.10A If a city or village which has exercised its authority to prohibit lotteries of a county within its boundaries annexes any area in which a lottery is being lawfully conducted by a county, the county may continue the lottery for a period not to exceed the shorter of: (1) the remainder of the term of the county's agreement with the lottery operator; or (2) two years.

600.11 Municipal Counties. If any county, city, or village is conducting a lottery at the time it is consolidated into a municipal county, the municipal county is subject to the same rights and obligations with respect to the lottery as the county, city, or village which was abolished.

600.11A Any rights or obligations under existing lottery contracts of counties, cities, and villages which were abolished continue in effect.

600.11B The lottery will continue to be subject to all other provisions of the Nebraska County and City Lottery Act, except that it cannot be expanded to any new location in any area of the municipal county where

the lottery was not previously authorized before the consolidation, unless the expansion has been approved by a majority of the registered voters of the municipal county voting at a regular election or special election called by the governing board of the municipal county for this purpose.

REG-35-601 Community Betterment Purposes

601.01 Any county, city, or village conducting a lottery pursuant to the Nebraska County and City Lottery Act shall spend the gross proceeds of the lottery only for community betterment purposes, awarding of prizes, taxes, and expenses.

601.02 Community betterment purposes shall mean the use of proceeds by a county, city, or village from the conduct of a lottery in the following manner:

601.02A Enhancing a person's opportunity for educational advancement, such as contributing to the operation of a school or establishing or contributing to a scholarship fund;

601.02B Relieving or protecting individuals from disease, suffering, or distress, such as purchasing food or clothing for the needy or helping to provide medical care for individuals in need;

601.02C Contributing to the physical well being of individuals, such as donations to foster athletic activities. A county, city, or village may use its proceeds from the conduct of a lottery to build, improve, or maintain parks or recreation facilities or to sponsor amateur athletic leagues or programs;

601.02D Assisting individuals in establishing themselves as worthy and useful citizens by providing educational or business opportunities, such as contributions to training programs designed to provide individuals with job skills or to aid handicapped people in making contributions to the community;

601.02E Providing individuals with opportunities to contribute to the betterment of the community, such as initiating cleanup or beautification projects;

601.02F Increasing the comprehension and devotion to the principles upon which this nation was founded, such as sponsoring civic events to make individuals more aware of the history of the United States, State of Nebraska, or other civic institutions or principles;

601.02G Initiating, performing, or fostering worthy public works or enabling or furthering the erection or maintenance of public structures, such as contributing to a county, city, or village building fund or donations to fund parks or recreation areas;

601.02H Lessening the burdens borne by government or voluntarily supporting, augmenting, or supplementing services which government would normally render to the people, such as paying for housing, food, or medical services for needy people or aiding the elderly or contributing to the general fund of a county, city, or village; and

601.02I Providing tax relief for the community, such as using funds raised from county, city, or village lottery to fund any programs or needs which would normally be paid for by taxes imposed upon the community.

601.03 Proceeds derived from the conduct of a lottery conducted by a county, city, or village shall not be used for any political activity, such as lobbying, or participating in or contributing to any political campaign on behalf of any elected official or person who is or has been a candidate for public office.

REG-35-602 Expenses

602.01 Expenses incurred in the conduct of a lottery conducted by a county, city, or village shall not exceed 14 percent of the gross proceeds of such lottery. The expense limitation is imposed upon the county, city, or village and does not apply to expenses incurred by a lottery operator in the conduct of a lottery on behalf of a county, city, or village. Lottery expenses shall include:

602.01A All costs incurred by the county, city, or village associated with the purchasing, leasing, printing, or manufacturing of any items to be used or distributed in the lottery, such as tickets or chances to be sold or the printing of signs or flyers promoting the lottery or any lottery equipment or supplies;

602.01A(1) Expenses incurred by the county, city, or village in the lease or purchase of lottery equipment, lottery supplies, and other equipment, supplies and items used in the conduct of the lottery.

602.01A(1)(a) The purchase price of lottery equipment and other capital equipment expenditures related to the conduct of the lottery by a county, city, or village shall be amortized over the useful life of the equipment as determined in accordance with regulations of the United States Internal Revenue Service for depreciation purposes. The portion of the cost of the equipment that can be allocated to one year shall be applied to that year's allowable expense limitation.

602.01A(1)(b) As an example, if a county, city, or village purchases keno equipment for \$10,000.00 which has a useful life of ten years, the expense for that equipment for allowable expense purposes shall be \$1,000.00 per year;

602.01B All office or clerical expenses incurred by the county, city, or village in connection with the lottery, including but not limited to, the cost of any office equipment, office supplies and bookkeeping materials,

copying and printing expenses, telephone costs, and postage costs;

602.01C All promotional expenses incurred by the county, city, or village including, but not limited to, the value of free play keno coupons and gift certificates awarded as promotional items, and the cost of radio, television, or newspaper advertising;

602.01D All salaries and related payroll expenses of individuals employed by the county, city, or village to operate, conduct, or supervise the lottery;

602.01E Any rental or lease expense incurred by the county, city, or village for real or personal property used and directly related to the operation of the lottery including, but not limited to, office or storage space rental, office equipment rental, car rental;

602.01F Any fee or commission paid to any person associated with the lottery including, but not limited to, a commission paid to a lottery operator who contracts with the county, city, or village to conduct the lottery on behalf of the county, city, or village, or in the case of a ticket drawing, any fees or commissions paid to ticket sellers or ticket outlets;

602.01G Federal excise taxes or occupational taxes paid by the county, city, or village relating to the conduct of a lottery;

602.01H Any premium paid by a county, city, or village to insure any prize; and

602.01I Any other expenses or costs incurred by a county, city, or village in the conduct of its lottery.

602.02 License fees paid by the county, city, or village to the Department shall not be included within the expense limitation.

602.02A Audit and legal expenses incurred by the county, city, or village shall be included within the expense limitation only to the extent such expenses exceed 1 percent of gross proceeds or \$5,000.00, whichever is greater, during the annual period from July 1 to June 30 of each year.

602.02A(1) For purposes of this section, audit and legal expenses shall include all expenses relating to:

602.02A(1)(a) The governmental organization of the lottery including, but not limited to, expenses for publication costs related to the drafting and adoption of ordinances or resolutions required under the Nebraska County and City Lottery Act, expenses incurred in the issuance of requests for proposals related to the operation of the lottery, legal fees incurred in the negotiation, drafting, and execution of a lottery operator agreement, and legal fees incurred in the negotiation, drafting, and execution of an interlocal cooperation agreement to conduct a joint lottery pursuant to the Interlocal Cooperation Act, Neb. Rev. Stat. § 13-801, et al.;

602.02A(1)(b) Government maintenance, monitoring, and examination of lottery records including, but not limited to, expenses for storing lottery records and videotapes, expenses incurred in recording and compiling lottery information, expenses incurred in the audit and examination of lottery records; and

602.02A(1)(c) Enforcement, regulatory, administrative, investigative, and litigation functions undertaken by government including, but not limited to, expenses for background investigations or criminal history checks on sales outlet location license applicants and lottery worker license applicants, and fees incurred in prosecuting or defending legal actions related to the lottery.

602.02A(2) Audit and legal expenses shall not include any expenses related to the actual conduct of the game. These include, but are not limited to, staffing, advertising, purchase, lease, or rental of lottery equipment, purchase, lease, or rental of lottery supplies, and printing costs.

602.02A(3) For the purpose of determining compliance with the limitation on audit and legal expenses when a joint lottery is conducted pursuant to an interlocal cooperation agreement, gross proceeds shall mean the combined gross proceeds of the joint lottery.

602.02A(3)(a) Example, communities A, B, and C enter into an interlocal cooperation agreement and generate annual gross proceeds of \$300,000.00, \$400,000.00, and \$1,000,000.00, respectively. The combined gross proceeds of the joint lottery are \$1,700,000.00. One percent of the combined gross proceeds, \$17,000.00, is greater than \$5,000.00. Audit and legal expenses incurred by the joint lottery will be applied against the 14 percent expense limitation only to the extent such expenses exceed \$17,000.00.

602.03 The term expenses does not include prizes awarded to participants or the county, city or village lottery tax remitted to the Department.

602.04 Where an expense incurred by a county, city, or village can be partially attributed to the conduct of a lottery, that portion of the expense attributable to the lottery shall be included within the 14 percent limitation regardless of the funding source used to pay the expense. For example, a bookkeeper who works on lottery activities as well as other county, city, or village matters, would have that portion of his or her salary representing the time the bookkeeper spent on lottery activities attributed to audit and legal expenses.

Example:

Bookkeeper's salary - \$15,000 per year

Time spent on lottery activity - 50 percent

$\$15,000.00 \times .50 = \$7,500.00$

Amount allocated to lottery expenses: \$7,500.00

602.05 A county, city, or village initially establishing a lottery may finance start-up costs relating to the operation of the lottery with money from the general fund of the county, city, or village during the first year of operation. General fund money used to finance such start-up costs must be repaid from funds received from the lottery. With the exception of license fees paid to the Department and audit and legal expenses relating directly to the conduct of the lottery, such start-up costs must be accounted for in the 14 percent limitation on expenses.

602.06 Compliance with the 14 percent expense limitation shall be based on the lottery expenses incurred by a county, city, or village during an annual period corresponding to the fiscal year of the county, city, or village. If the lottery has not been operational for the entire fiscal year, the lottery expenses shall be annualized to determine compliance with the expense limitation.

602.06A A county, city, or village may not offset any lottery expenses incurred in a fiscal year which exceed the 14 percent expense limitation against lottery expenses incurred in any prior fiscal year where such expenses were less than 14 percent.

602.06B A county, city, or village may not offset any lottery expenses incurred in a fiscal year which exceed the 14 percent expense limitation against future lottery expenses.

REG-35-603 County and City Lottery Taxes

603.01 Counties, cities, or villages conducting a lottery are required to report the gross proceeds of each lottery on a form approved and provided by the Department and remit to the Department, with the report, a tax of 2 percent of the gross proceeds of each such lottery within 30 days of the end of each calendar quarter.

603.02 The tax return signed by a governing official or his or her authorized representative and accompanied by remittance will be considered timely filed if actually received by the Department or mailed, postage prepaid, on or before the 30th day of the month following the close of the quarter. If the due date for filing the tax return falls on a Saturday, Sunday, or a legal holiday, the return shall be considered timely filed if actually received by the Department or mailed, postage prepaid, on the next succeeding day which is not a Saturday, Sunday, or a legal holiday.

603.02A A United States Postal Service postmark shall be considered conclusive evidence of the date of mailing for the purpose of timely filing a return. When there is a private postage meter mark and there is no United State Postal Service postmark, the return is considered filed on the date received by the Department.

603.03 Failure to file a tax return or remit the tax due by the due date shall be cause for a penalty equal to 10 percent of the amount of tax not paid by the required due date or \$25.00, whichever is greater. Interest will accrue on any tax which is not timely remitted at the rate specified in section 45-104.02, R.R.S. 1943, as such rate may from time to time be adjusted by the Legislature, from the 30th day of the month following the quarterly period for which the amount should have been paid until the date of payment.

603.03A For purpose of this regulation, date of payment shall be considered the date such payment was received by the Department or, if mailed, the date of the United States Postal Service postmark. When there is a private postage meter mark and there is no United State Postal Service postmark, the date of payment is considered the date received by the Department.

603.04 A tax return filed after the due date which indicates a zero amount of gross proceeds and/or zero balance of tax due shall not be subject to the \$25.00 penalty as previously described.

603.05 Remittance must accompany the tax return and be in the form of check, draft, money order, or other payment method approved by the Tax Commissioner made payable to the Nebraska Department of Revenue.

REG-35-604 Record Keeping and Reporting Requirements - Traditional Ticket Drawing Lottery

604.01 All records required under the Nebraska County and City Lottery Act and this regulation shall be kept and maintained for a period of not less than three years.

604.02 In the case of a ticket drawing lottery, the following records shall be maintained by the county, city, or village conducting the lottery:

604.02A The gross proceeds from the sale of tickets plus any interest earned on such proceeds;

604.02B The value of prizes actually awarded;

604.02C The value of prizes not claimed;

604.02D The locations at which tickets are sold, if applicable, and for each location the gross proceeds from the sale of tickets at that location;

604.02E An itemization of the expenses incurred by the county, city, or village in operating the lottery, including, but not limited to:

604.02E(1) Printing costs;

604.02E(2) Advertising costs;

604.02E(3) Wages paid to individuals selling tickets;

604.02E(4) Commissions paid to lottery operators and sales outlet locations, if applicable;

604.02E(5) Any other expenses connected with the lottery; and

604.02F The remaining gross proceeds plus any interest earned on such proceeds to be used for community betterment purposes and the actual or intended use of such proceeds.

604.02G Each county, city, or village shall report on a quarterly basis the above-described information to the Department. The report shall be prepared on a form prescribed by the Department, and accompany the quarterly tax return prescribed in Neb. Rev. Stat. § 9-648 of the Nebraska County and City Lottery Act.

REG-35-605 Lottery Operators

605.01 Any person that agrees to be responsible for conducting a lottery on behalf of a county, city, or village must apply for and obtain a lottery operator license from the Department prior to conducting any lottery. A separate lottery operator license is required for each county, city, or village on whose behalf a lottery will be conducted. A nonprofit organization or nonprofit corporation is not eligible to obtain a lottery operator license.

605.01A If a lottery is conducted jointly with one or more other counties, cities, or villages pursuant to the Interlocal Cooperation Act, Neb. Rev. Stat. § 13-801, et seq., a separate lottery operator license is required for each county, city, or village included in the lottery activity.

605.02 For the purpose of this regulation, when a lottery operator utilizes individual locations within the county, city, or village as satellite or sales outlet locations where keno is played, these locations are not considered lottery operators. If a county, city, or village utilizes individual locations within the county, city, or village as outlets where lottery tickets are sold and retains complete operational control of the lottery activity, these locations are not considered lottery operators.

605.02A If a lottery operator leases a portion of a business location to operate keno as a main location, a satellite location, or an independent location, the business location must obtain a sales outlet location license. Notwithstanding the provisions of this regulation, any individual, sole proprietorship, partnership, limited liability company, corporation, nonprofit organization, or nonprofit corporation which leases space to a lottery operator to allow a lottery to be conducted at their location on behalf of a county, city, or village whose only business involvement at the location is a landlord and tenant relationship with the lottery operator is not required to apply for and obtain a sales outlet location license from the Department.

605.03 Unless the contract between a county, city, or village and the lottery operator specifies otherwise, a lottery operator has overall responsibility for

the daily operation of the lottery including, but not limited to, responsibility and liability for all operational aspects of the lottery which may include daily gaming operations; purchase, repair, replacement, and maintenance of lottery equipment; purchase and maintenance of lottery supplies; compensation, staffing, and training of all employees and agents; processing and handling of lottery gross proceeds; preparation of all reports required of a county, city, or village, or a lottery operator by the Department or any governmental entity or agency; advertising; development of official rules and procedures for play and collection of prizes and progressive game prizes; oversight of the lottery operation; and all other record keeping. A lottery operator is selected by a county, city, or village to conduct the lottery on behalf of the county, city, or village. A written contract may be executed which sets forth the obligations and responsibilities of both parties.

605.04 A lottery operator's license shall not be issued except to those applicants who are:

605.04A Residents of Nebraska if a sole proprietorship;

605.04B Organized under the laws of Nebraska if a partnership; or

605.04C Formed under the Limited Liability Company Act as provided in Neb. Rev. Stat. § 21-2601, et seq., if a limited liability company.

605.04D Incorporated under the Business Corporation Act as provided in Neb. Rev. Stat. § 21-2001, et seq., if a corporation. For the purpose of this regulation, a domesticated foreign corporation is not considered incorporated in Nebraska and, therefore, would not be eligible to obtain a license as a lottery operator.

605.05 No individual, sole proprietorship, partnership, limited liability company, or corporation shall conduct a lottery on behalf of a county, city, or village without having first obtained a lottery operator's license from the Department. Such license shall be applied for using the Nebraska Schedule I - County/City Lottery Operator Application, Form 50G. In addition to the information required on the application form, each applicant shall provide or perform the following:

605.05A A completed and notarized Personal History Record and Background Disclosure Form and two fingerprint cards for each individual who has an ownership interest, either directly or indirectly, in the applicant. If a sole proprietorship, by the individual owner and his or her spouse. If a partnership, by each partner, each partner's spouse, and any officer or director of the partnership. If a limited liability company, by each member and spouse. If a corporation, by each officer and his or her spouse and each individual who owns 10 percent or more of the debt or equity of the corporation.

605.05A(1) Completion of the Personal History Record and Background Disclosure Form and the submission of fingerprint cards by a spouse may be waived if such individual has no proprietary

interest, directly or indirectly, in the operation or profit derived from the activities of his or her spouse as a corporate stockholder, corporate debt holder, corporate officer, corporate director, limited liability company member, or partner of a lottery operator. An Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure Form must be completed, notarized, and submitted for each such individual.

605.05A(2) The fingerprinting requirement for an applicant may be waived if the Nebraska Liquor Control Commission has received fingerprint reports on the applicant within the past two years of the filing date of the Schedule I or if the license issued by the Nebraska Liquor Control Commission has been continuously maintained since documented fingerprints were filed to obtain such license.

605.05A(3) The fingerprinting requirement shall be waived for any debt holder of the applicant which is a financial institution organized or chartered under the laws of Nebraska, any other state, or the United States relating to banks, savings institutions, trust companies, savings and loan associations, credit unions, and installment loan licensees, or similar associations organized under the laws of this state which are subject to supervision by the Department of Banking and Finance.

605.05B In addition to filing the Personal History Record and Background Disclosure Form and fingerprint cards, each applicant may be subject to a background investigation, an inspection of the applicant's facilities, or both. The applicant may be required to pay the actual costs incurred by the Department, in advance under appropriate circumstances, in conducting the investigation or inspection. If payment in advance is not requested, the Department will inform the applicant of the maximum amount the Department anticipates spending and the Department will not seek more than that amount from the applicant without first seeking the applicant's permission to continue the investigation. If payment in advance is requested and the applicant does comply, the Department will refund the amount the applicant's advance exceeds the actual costs or will collect any underpayment for costs not covered by the advance after completion of the investigation or inspection. If payment in advance is requested and the applicant does not wish to comply for whatever reason, it may withdraw its application and its license fee will be refunded.

605.05B(1) The background investigation shall be waived for any debt holder of the applicant which is a financial institution organized or chartered under the laws of Nebraska, any other state, or the United States relating to banks, savings institutions, trust companies, savings and loan associations, credit unions, and installment loan licensees, or similar associations organized under the laws of this state which are subject to supervision by the Department of Banking and Finance.

605.05C Two sets of fingerprints on cards supplied by the Department and the required processing fees must be submitted to the Nebraska State Patrol.

605.06 The Department must be informed within 30 days after the licensee learns of any inaccuracies or makes any changes in the information supplied by the licensee in its most recent filing with the Department. Changes that will not require a new license to be issued can be reported by filing an amended application and identifying only the information to be changed. All requests for changes must be signed by an owner, partner, limited liability company member, corporate officer, or individual authorized by Power of Attorney on file with the Department and by a representative of the county, city, or village. No additional license fee shall be due under these circumstances.

605.06A The following are changes to a lottery operator license that are to be reported by the county, city, or village, or the lottery operator:

605.06A(1) For a sole proprietorship, the death, marriage, or divorce of the owner.

605.06A(2) For a partnership, the death, marriage, or divorce of one or more of the partners or when one partner sells part or all of his or her interest in the business to another existing partner.

605.06A(3) For a limited liability company, the death, marriage, or divorce of one or more of the members or when one member sells part or all of his or her interest in the business to another existing member.

605.06A(4) For a corporation, the resignation, death, marriage, or divorce of an existing officer or director, or a change of positions or titles among existing officers or directors, or the transfer of the outstanding and issued stock to shareholders in the corporation which results in no change to those previously reported as owning, directly or indirectly, 10 percent or more of the debt or equity of the corporation.

605.06B The following attachments are to be provided with the amended lottery operator application to report the above changes:

605.06B(1) In the case of death, if applicable, a copy of the court appointment of a Personal Representative, executor, administrator, or trustee.

605.06B(1)(a) The Personal Representative, executor, administrator, or trustee appointment will be valid for a lottery operator license for a period not to exceed the shorter of (1) the expiration of the existing lottery operator license, (2) the expiration of the existing lottery operator contract, or (3) one year.

605.06B(1)(b) A revised expiration date may be requested in writing with adequate documentation to indicate why the ownership of the licensed business could not change hands within the specified period. The prior written approval of such revision by the Department is required.

605.06B(2) In the case of marriage, the spouse's name, social security number, address, and date of birth are to be provided with the applicable Personal History Record and Background Disclosure Form or the Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure Form. If fingerprints are required, the fingerprint cards and the required processing fees must be submitted to the Nebraska State Patrol.

605.06B(3) In the case of divorce, a copy of the decree and property settlement agreement or other documentation showing the deletion of the spouse's name from the license information.

605.06B(4) In the case of changes in corporate officers, a copy of the election results and the letter of resignation, if applicable.

605.06B(5) In the case of ownership changes within the existing owners, the new percentages of ownership for the remaining partners, members, shareholders, equity holders, or owners.

605.07 A lottery operator is not considered licensed until such time it has physical possession of the printed license issued by the Department.

605.07A If the lottery is conducted at the lottery operator's location, the current original lottery operator's license(s) issued by the Department must be posted prominently at the licensed location. A reproduced copy of the license(s) shall not be substituted for the original(s).

605.07A(1) If there is no lottery operator's location where the lottery is conducted, the current original license is to be retained with the lottery operator's records.

605.07B A lottery operator who has had his or her license(s) lost, stolen, or destroyed must notify the Department as soon as possible. The lottery operator shall send a written statement to the Department signed by an owner, officer, member, or partner confirming the loss, theft, or destruction of the license. A duplicate license(s) for the lottery operator will be issued. No additional fee shall be due under these circumstances.

605.07C A lottery operator who is no longer under contract with the county, city, or village for which he or she is licensed or who no longer desires to be licensed shall notify the Department, in writing, of their intention to cancel the license. Such notification must be accompanied by the original license. In the event that a lottery operator's license is suspended, canceled, or revoked, the lottery operator shall surrender

physical possession of its license immediately upon receipt of the order of suspension, cancellation, or revocation. In the case of suspension, the Department shall return the license to the county, city, or village at the end of the suspension period. In the case of cancellation, the former licensee may reapply for a license when the period of cancellation has expired. In the case of revocation, the former licensee may not reapply for any license at any time in the future under the Nebraska County and City Lottery Act.

605.07C(1) If a licensee has successfully appealed an order of suspension, revocation, or cancellation, the Department shall return the license which had been surrendered to the Department.

605.08 All lottery operator licenses shall expire on May 31 of every even-numbered year and may be renewed biennially.

605.08A License fees are due with the application.

605.08B Applications for renewal of a lottery operator license shall be submitted to the Department on the prescribed form at least 60 days prior to the expiration date of the license.

605.09 A lottery operator's license may not be transferred under any circumstance, including change of ownership. A change of ownership is to be reported by filing an amended application with appropriate attachments. If a business entity licensed as a lottery operator will cease to exist when the ownership change is completed, a new lottery operator's license must be applied for including the payment of any applicable license fees and a copy of the county, city, or village's approval of the new ownership of the lottery operator.

605.09A A change of ownership occurs:

605.09A(1) For a sole proprietorship, whenever the sole owner changes.

605.09A(2) For a partnership, whenever a new partner is added to the partnership. If the same partnership continues in existence, an amended application is to be filed, but no license fee is required. Otherwise, a new application and license fee are to be submitted.

605.09A(3) For a limited liability company, whenever a new member is added to the limited liability company. If the same limited liability company continues in existence, an amended application is to be filed, but no license fee is required. Otherwise, a new application and license fee are to be submitted.

605.09A(4) For a corporation, whenever a change of ownership of shareholders or equity holders in the corporation results in any person becoming a holder directly or indirectly of 10 percent or more of any class of debt or equity interest in the corporation who did not hold such interest prior to the change in ownership and the same

corporation continues in existence, an amended application is to be filed, but no license fee is required. Otherwise, a new application and license fee are to be submitted.

605.09B When a change of ownership of a business licensed as a lottery operator is anticipated, the current owner of the lottery operator may designate as his or her agent the party purchasing the business. In order to be designated as an agent, the following criteria must be satisfied:

605.09B(1) A Nebraska Schedule I – County/City Lottery Operator Application, Form 50G, must be on file with the Department;

605.09B(2) A Temporary Agency Agreement on a form prescribed by the Department must be filed with the Nebraska Schedule I;

605.09B(2)(a) The Temporary Agency Agreement must be approved by the Department and a copy returned to the lottery operator for posting with the current lottery operator license.

605.09B(2)(b) A Temporary Agency Agreement is not effective without the Department's approval.

605.09B(3) Throughout the duration of the Temporary Agency Agreement, the designated agent may operate the lottery using the current lottery operator's license with the licensed lottery operator fully responsible to the county, city, or village and to the state for the proper operation of the lottery until such time as the new lottery operator is licensed;

605.09B(4) Temporary agency agreements will be valid for a lottery operator license for a period not to exceed the shorter of (1) the expiration of the existing lottery operator license or (2) 180 days unless otherwise extended in writing by the Department prior to the expiration of the 180 days.

605.10 No sole proprietor, partner in a partnership, member in a limited liability company, officer or director of a corporation, or individual with a substantial debt or equity interest in the person which is applying for or holds a lottery operator license shall have a substantial interest in any person licensed as a manufacturer or distributor of bingo equipment and supplies, as a manufacturer or distributor of pickle card units and punchboards, or as a manufacturer-distributor of lottery equipment and supplies.

605.11 No member of the governing board or any governing official of the county, city, or village shall have a substantial interest in any lottery operator with whom the county, city, or village contracts to conduct its lottery.

605.12 A business licensed as a lottery operator may apply for and obtain licenses to conduct other activities pursuant to the Nebraska Bingo Act and the Nebraska Pickle Card Lottery Act subject to the statutory limitations and

eligibility criteria of those Acts. However, a business licensed as a lottery operator may not hold a license as a manufacturer or distributor pursuant to the Nebraska Bingo Act or the Nebraska Pickle Card Lottery Act, or as a manufacturer-distributor pursuant to the Nebraska County and City Lottery Act.

605.13 No owner or officer of a lottery operator with whom the county, city, or village contracts to conduct its lottery shall play any lottery conducted by such county, city, or village at any time.

605.14 Except as noted below, all purchases, leases, or rentals of lottery equipment and supplies by a lottery operator shall only be made from a licensed manufacturer-distributor of lottery equipment and supplies. It is the responsibility of the lottery operator to verify in all instances the license status of a business marketing or selling lottery equipment and supplies in Nebraska.

605.14A A licensed county, city, village, or lottery operator may sell or donate their used lottery equipment to another licensed county, city, village, or lottery operator.

605.14B A previously licensed county, city, village, or lottery operator may sell or donate their used lottery equipment which was acquired while licensed to a currently licensed county, city, village, or lottery operator.

605.14C The transfer or sale of such used lottery equipment must have prior written approval by the Department.

605.15 All purchases, leases, or rentals of lottery equipment and supplies in Nebraska are subject to the Nebraska sales or use tax. Any manufacturer-distributor who leases or rents lottery equipment and supplies to a lottery operator in Nebraska is required to collect the applicable state and local sales tax on such leases or rentals. A lottery operator who purchases lottery equipment and supplies from a manufacturer-distributor who is not required to collect the Nebraska sales or use tax must report and pay a use tax to the Department on all such purchases.

605.15A A lottery operator may not use the sales tax-exempt status of a county, city, or village to avoid the payment of any applicable sales or use tax on the purchase, lease, or rental of lottery equipment and supplies.

REG-35-606 Manufacturer - Distributors

606.01 Any person that manufactures or distributes lottery equipment or supplies and intends to sell, rent, lease, or otherwise provide such equipment for use in Nebraska by a licensed county, city, village, or lottery operator must first apply for and obtain a manufacturer-distributor license from the Department. A manufacturer-distributor's license shall not be required of:

606.01A A person that manufactures or intends to sell only video recording equipment required for ball draw games, security cameras and systems, display devices, magnetic storage media, or other supply items used with lottery equipment that do not directly affect the outcome of the game.

606.01B A person that manufactures or intends to sell only keno paper, crayons and markers, and other supplies that do not directly affect the outcome of the game.

606.02 To qualify for a manufacturer-distributor's license, the applicant must be authorized to conduct business in Nebraska. Authorization to conduct business in Nebraska requires:

606.02A A domestic limited liability partnership and a domestic limited partnership to register with the Nebraska Secretary of State's office;

606.02B A domestic limited liability company to file Articles of Organization with the Nebraska Secretary of State's office;

606.02C A domestic corporation to file Articles of Incorporation with the Nebraska Secretary of State's office;

606.02D A foreign limited liability partnership and a foreign limited partnership to register with the Nebraska Secretary of State's office;

606.02E A foreign limited liability company or foreign corporation to obtain a certificate of authority to transact business in Nebraska from the Nebraska Secretary of State's office or to become domesticated by filing the required documents with the Nebraska Secretary of State's office and paying any required fees.

606.03 Applicants seeking a manufacturer-distributor's license who intend to be engaged in business in this state as defined in section 77-2702.06 of the Nebraska Revised Statutes, as amended, shall also submit a Nebraska Tax Application, Form 20, to obtain a Nebraska Sales and Use Tax Permit.

606.03A Manufacturers-distributors who are engaged in business in Nebraska are required to obtain a Nebraska sales tax permit and must collect and remit Nebraska sales tax on the gross receipts derived from the sale, rental, or lease of all county/city lottery equipment and supplies in Nebraska, except those sold, rented, or leased to an entity which is exempt as set forth in Sales and Use Tax Regulation 1-012 and which has presented a properly completed Nebraska Resale or Exempt Sale Certificate, Form 13.

606.04 No person shall manufacture, sell, lease, rent, print, distribute, or otherwise provide lottery equipment or supplies for use or play in Nebraska without having first obtained a license from the Department. The applicant shall include with the completed application form prescribed by the Department the statutorily required license fee and, at the minimum, the

following information:

606.04A The business name and address of the applicant and the name and address of each of the applicant's separate locations at which manufacturing, warehousing, selling, leasing, distributing, or promotion of lottery equipment and supplies occurs;

606.04B The type of ownership of the business and the name, social security number, home address, and date of birth of:

606.04B(1) If a sole proprietorship, the individual owner and his or her spouse.

606.04B(2) If a partnership, each partner and his or her spouse.

606.04B(3) If a limited liability company, each member and his or her spouse.

606.04B(4) If a corporation, each officer and his or her spouse, each director or board member, and each individual who owns 10 percent or more of the debt or equity of the corporation. If an entity holding 10 percent or more of the debt or equity of the applicant corporation is a partnership, limited liability company, or corporation, the information required in Reg-35-606.04B must be supplied for each partner of the partnership, each member of the limited liability company, or each officer of the corporation and every individual or entity holding 10 percent or more of the debt or equity of the partnership or corporation.

606.04C If the applicant is not a resident or a corporation, the full name, business address, and home address of an individual who is 19 years of age or older and a resident of this state to act as the manufacturer-distributor's agent for the purpose of receipt and acceptance of service of process and other communications on behalf of the manufacturer-distributor;

606.04D A completed and notarized Personal History Record and Background Disclosure Form supplied by the Department for each individual listed pursuant to Reg-35-606.04B;

606.04D(1) Completion of the Personal History Record and Background Disclosure Form by a spouse may be waived if such individual has no proprietary interest, directly or indirectly, in the operation or profit derived from the activities of his or her spouse as a corporate stockholder, corporate debt holder, corporate officer, corporate director, limited liability company member, or partner of a manufacturer-distributor. An Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure Form must be completed, notarized, and submitted for each such individual.

606.04E Two sets of fingerprints for each individual listed pursuant to Reg-35-606.04B on cards supplied by the Department and the required processing fees submitted to the Nebraska State Patrol;

606.04E(1) Completion of fingerprinting by a spouse may be waived if such individual has no proprietary interest, directly or indirectly, in the operation or profit derived from the activities of his or her spouse as a corporate stockholder, corporate debt holder, corporate officer, corporate director, limited liability company member, or partner of a manufacturer-distributor. An Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record and Background Disclosure Form must be completed, notarized, and submitted for each such individual.

606.04F In addition to these requirements, each applicant is subject to a background investigation, an inspection of the applicant's facilities, or both. The applicant is required to pay the actual costs incurred by the Department in conducting the investigation or inspection. An advance deposit may be required in an amount estimated to cover the cost of the investigation or inspection. If the applicant does not wish to undergo a background investigation or facility inspection, the application may be withdrawn and any license fee remitted with the application will be refunded. If the applicant agrees to undergo a background investigation or facility inspection, the Department will refund any overpayment of costs or will collect any underpayment of costs after completion of the investigation or inspection.

606.04G The fingerprinting requirement and the background investigation and facility inspection shall be waived for any debt holder of the applicant which is a financial institution organized or chartered under the laws of Nebraska, any other state, or the United States relating to banks, savings institutions, trust companies, savings and loan associations, credit unions, and installment loan licensees, or similar associations organized under the laws of this state which are subject to supervision by the Department of Banking and Finance.

606.04H If the applicant is a partnership, a copy of the partnership agreement must be provided. If the applicant is a limited liability company, a copy of the Articles of Organization must be provided. If the applicant is a corporation, a copy of the Articles of Incorporation and all amendments thereto must be provided.

606.05 An applicant or licensee shall notify the Department within 30 days after the applicant or licensee learns of any inaccuracies or makes any changes in the information supplied in its most recent filing with the Department. Changes that will not require a new license to be issued can be reported by filing an amended application and identifying only the information to be changed. All requests for changes must be signed by an owner, partner, limited liability company member, corporate officer, or individual authorized by Power of Attorney on file with the Department. Any individual signing the most current application shall obligate the licensee to

comply with the Nebraska County and City Lottery Act and accompanying regulations for that licensing period. No additional license fee shall be due under these circumstances.

606.06 A manufacturer-distributor is not considered licensed until such time it has physical possession of the printed license issued by the Department.

606.06A A licensed manufacturer-distributor who has had its license lost, stolen, or destroyed must notify the Department as soon as possible of the loss, theft, or destruction. The licensed manufacturer-distributor shall send a written statement to the Department signed by an owner, partner, limited liability company member, or corporate officer confirming the loss, theft, or destruction of the license. A duplicate license will be issued. No additional fee is required under such circumstances.

606.06B A manufacturer-distributor who no longer desires to be licensed shall notify the Department, in writing, of its intention to cancel its license. Such notification shall be signed by an owner, partner, limited liability company member, or corporate officer of the manufacturer-distributor. A notification of cancellation shall be accompanied by the original license issued by the Department.

606.07 All manufacturer-distributor licenses shall expire on September 30 of every odd-numbered year and may be renewed biennially. Applications for renewal of a manufacturer-distributor license shall be submitted to the Department on the prescribed form at least 45 days prior to the expiration date of the license. License fees are due with the application. A manufacturer-distributor's license may not be transferred under any circumstance including change of ownership.

606.08 A licensed manufacturer-distributor, or any person having a substantial interest therein, is prohibited from holding any other licenses issued pursuant to the Nebraska Bingo Act, the Nebraska Pickle Card Lottery Act, the Nebraska Lottery and Raffle Act, or the Nebraska County and City Lottery Act, except as a manufacturer or distributor of bingo equipment and supplies or as a manufacturer or distributor of pickle card units and punchboards.

606.09 No individual, partner in a partnership, limited liability company member, or officer, director, 10 percent or more stockholder or equity holder of a corporation licensed as a manufacturer-distributor, or any employee or agent or spouse thereof shall play in any lottery conducted by any county, city, or village. No individual, partner in a partnership, limited liability company member, or officer, director, 10 percent or more stockholder or equity holder of a corporation licensed as a manufacturer-distributor, or any employee or agent or spouse thereof shall participate in the conduct or operation of any lottery conducted by any county, city, or village, or any other kind of authorized gambling activity regulated under Chapter 9 of the Nebraska Reissue Revised Statutes, except to the exclusive extent of his or her statutory duties as a licensed manufacturer-distributor of lottery equipment and supplies, as a licensed manufacturer or distributor of

bingo equipment and supplies, or as a licensed manufacturer or distributor of pickle card units and punchboards.

606.09A Notwithstanding the limitations of Reg-35-606.09, a licensed manufacturer-distributor may sell, lease, or otherwise provide lottery equipment to a county, city, village, or lottery operator where any financial agreement associated therewith is based upon a percentage of the gross proceeds or amount wagered. Such agreement is not considered participation in the conduct or operation of the lottery.

606.10 Any person licensed as a manufacturer or distributor of bingo equipment and supplies and any person licensed as a manufacturer or distributor of pickle card units and punchboards may apply for a license as a manufacturer-distributor of lottery equipment and supplies by filing the application form and paying the license fee.

606.11 No member of the governing board or governing official of a county, city, or village which is operating a lottery pursuant to the Nebraska County and City Lottery Act shall have a substantial interest in any person licensed as a manufacturer-distributor.

606.12 No individual, partner in a partnership, member in a limited liability company, officer or director of a corporation, or any individual with a substantial interest in a sole proprietorship, partnership, limited liability company, or corporation which is applying for or holding a lottery operator license shall be connected with or interested in, directly or indirectly, any person, partnership, firm, corporation, or other party licensed as a manufacturer-distributor of lottery equipment and supplies, as a manufacturer or distributor of bingo equipment and supplies, or as a manufacturer or distributor of pickle card units and punchboards.

606.13 A licensed manufacturer-distributor shall not sell, lease, or otherwise provide lottery equipment or supplies to anyone in Nebraska other than a county, city, or village licensed to conduct a lottery, a licensed lottery operator, or another licensed manufacturer-distributor of lottery equipment and supplies. Prior to selling, leasing, or otherwise providing lottery equipment and supplies to any authorized person, a licensed manufacturer-distributor shall obtain proof of licensing from the party seeking to obtain the equipment or supplies or verify that such person has a valid license by contacting the Department.

606.14 No licensed manufacturer-distributor shall purchase, lease, or otherwise obtain lottery equipment and supplies for use in this state from anyone other than another licensed manufacturer-distributor of lottery equipment and supplies in Nebraska.

606.15 A licensed manufacturer-distributor shall issue an invoice for each purchase, return, or exchange of lottery equipment and supplies by a county, city, or village licensed to conduct a lottery, a licensed lottery operator, or another licensed manufacturer-distributor. Every such invoice shall contain at a minimum the following information:

606.15A The name and complete address of the purchaser;

606.15B The individual placing the order or making the purchase on behalf of the county, city, or village, the lottery operator, or the manufacturer-distributor;

606.15C The date of the transaction;

606.15D A description of the lottery equipment and/or supplies sold, returned, or exchanged including when applicable the brand name, model number, and serial number of each item;

606.15E The total quantity of each type of lottery equipment and/or supplies sold, returned, or exchanged;

606.15F The price of each type of lottery equipment and/or supplies sold, returned, or exchanged and the extended total price based upon the total quantity of each item; and

606.15G The manner of delivery or shipment, including the name, address, and telephone number of the individual or business shipping the lottery equipment and supplies.

606.16 A manufacturer-distributor leasing or otherwise providing lottery equipment and supplies to a county, city, or village licensed to conduct a lottery, a licensed lottery operator, or another licensed manufacturer-distributor shall provide the party obtaining the equipment or supplies with a written agreement setting forth all of the terms and conditions of the lease or other arrangement. Such written agreement shall identify the following:

606.16A The name and complete address of the lessee;

606.16B The term of the lease or other arrangement;

606.16C A description of the lottery equipment and supplies included in the lease or other arrangement, including when applicable the brand name, model number, and serial number of each item;

606.16D The total quantity of each type of lottery equipment and supplies provided by the lease or other arrangement; and

606.16E The total dollar amount of the lease or other arrangement and corresponding payment or other terms.

REG-35-607 Construction Standards for Traditional Drawing Lottery Tickets

607.01 All tickets shall be constructed of the same material and be of the same size, shape, weight, and thickness.

607.02 Each ticket shall bear a unique number from a set of sequential numbers, which does not repeat within the complete pool of tickets.

607.03 Each ticket shall be constructed with:

607.03A A detachable stub which shall bear the same sequential number as its accompanying ticket; and

607.03B Blank spaces to be filled in with the purchaser's name, complete address, and telephone number.

607.04 Each ticket shall be imprinted with the following information:

607.04A The name of each city, county or village conducting or jointly conducting the lottery;

607.04B The cost per ticket;

607.04C The major prize(s) to be awarded;

607.04D The intended date of the drawing to determine the winner(s); and

607.04E If applicable, whether the purchaser is required to be present at the drawing in order to win a prize.

607.05 A sample of the proposed ticket shall be submitted to the Department, by the county, city, village, or licensed lottery operator for approval prior to any sale of such tickets.

REG-35-608 Conduct of the Game - Traditional Ticket Drawing Lottery

608.01 A county, city, or village which authorizes the conduct of a traditional ticket drawing lottery shall establish the limitations, if any, on the playing of the lottery conducted by that county, city, or village by:

608.01A Any member of the governing board, a governing official, or the immediate family of such member or official;

608.01B Any lottery operator or his or her immediate family; and

608.01C Any person(s) having ownership interest in the authorized lottery location(s) or any employee thereof.

608.01D For purposes of this regulation, immediate family shall mean spouse, children, grandchildren, brother, sister, parents, father-in-law or mother-in-law.

608.02 Tickets meeting the minimum standards as set forth in Regulation 35-607 are not required to be purchased through a licensed lottery manufacturer-distributor and may, for example, be supplied through a local printer; however, such tickets are subject to approval by the Department.

608.03 The drawing date to determine the winner(s) may not exceed the expiration date of the county, city or village's lottery license issued by the

Department.

608.03A If the drawing to determine the winner(s) is to be held after the expiration date of its current license, the county, city, or village must renew their license each consecutive licensing period up to and including the date of the drawing.

608.04 Each ticket stub shall be completed with the name, complete address and telephone number of the purchaser.

608.05 Tickets which have not been sold to participants are not eligible for the drawing to determine the winner:

608.05A All unsold tickets and stubs of eligible tickets shall be returned to the county, city, or village and accounted for prior to the drawing to determine the winner(s).

608.05B A county, city or village may not include any unsold stubs in the drawing.

608.05C Any unsold tickets returned to the county, city, or village shall be securely stored until destroyed. Prior to their destruction, a record shall be made of the sequential numbers of the tickets to be destroyed.

608.06 Winners shall be determined by a random drawing of all the ticket stubs sold which the ticket seller(s) have retained and returned to the county, city, or village as eligible for the drawing.

608.07 The drawing shall be physically conducted by an individual at least 19 years of age and witnessed by at least two governing officials or board members.

REG-35-609 REPEALED.

REG-35-610 REPEALED.

REG-35-611 REPEALED.

REG-35-612 REPEALED.

REG-35-613 Conduct of the Game - Keno

613.01 Age Restrictions. Individuals under the age of 19 cannot play or participate in any way in the game of keno.

613.01A Any ticket purchased by an individual under the age of 19 or by the agent of the individual is void.

613.01B A winning ticket presented by an individual under the age of 19 or by the agent of the individual will not be paid.

613.02 Equipment and Wagering Restrictions. Only computerized keno games may be conducted. Brush or non-computerized games are

prohibited. The following restrictions also apply.

613.02A A player cannot close a keno game or initiate the selection of winning numbers.

613.02B No person or licensee, or any employee or agent of a licensee, who accepts keno wagers may extend credit from the keno gross proceeds to players to purchase keno tickets.

613.02C Except as provided below, no person is allowed to purchase any outside ticket or place any wager pursuant to the Nebraska County and City Lottery Act (Act) unless he or she pays for the ticket or wager with cash, a debit card, the cash balance of a payment application, a transfer from a deposit account at a financial institution, or an account established in the name of the player with the lottery operator. A credit card shall not be accepted as payment for any wager on keno.

613.02C(1) A lottery operator or sales outlet location may cash a check for a player from the lottery operator's or sales outlet location's personal account (for example, the bar account or business account). The player must receive an equivalent amount of cash, less any applicable check cashing fees, from non-keno funds, and cash must be given to the keno writer at the time the wager is made. It is not permissible to hold a check and await the outcome of the game.

613.02C(2) A lottery operator, sales outlet location, or county, city, or village cannot cash a check from the keno account, the keno cash drawer, or other keno funds unless the check was issued to the player by the lottery operator, sales outlet location, or county, city, or village for keno winnings.

613.02C(3) Players may use gift certificates redeemable for keno play, free play keno coupons, or similar promotional items if the dollar amount of keno wagers represented by the promotional items is included in the gross proceeds of the lottery.

613.02C(3)(a) The retail value of free keno play is considered a promotional expense of operating the lottery and is subject to the 14% limitation on expenses if reimbursed by the county, city, or village.

613.02C(3)(b) A gift certificate must identify the name of the county, city, village, lottery operator, or sales outlet location issuing the certificate; and indicate that it is redeemable only for keno play. The issuer of the gift certificate is responsible for including cash in the keno bank account deposit for the day it is redeemed equivalent to the face value of the certificate.

613.02C(4) A participant is prohibited from using a debit card to purchase more than \$200 in keno wagers from a lottery operator, or to deposit more than \$200 into an account established in the name

of the player, in a calendar day.

613.03 Placing and Accepting Wagers.

613.03A Permissible and Impermissible Wagers. Players may place a wager by marking a paper keno ticket constructed with 80 blocks containing the printed numbers 1 through 80, with their number selections. The marked ticket is known as an inside ticket, and must be presented to a keno writer. Players are permitted to place a wager through the operator's digital-on-premises purchasing application or the operator's tablet, where permitted by regulation.

613.03A(1) The inside ticket must contain an area known as the "bet block" which indicates the dollar amount of the wager. Inside tickets may also contain advertising if approved by the sponsoring county, city, or village. Inside tickets are not required to identify the name of the sponsoring county, city, or village.

613.03A(2) A player may also present an outside ticket for replay, place an oral wager, or place a wager by some other medium in order to accommodate the player and comply with the Americans with Disabilities Act of 1990.

613.03A(3) Quick pick wagers, where numbers are randomly selected by the keno computer system for the player, are permissible if the player has the option to reject the computer number selection.

613.03A(4) Wagers from a player not present at a licensed location of the keno lottery are not allowed.

613.03A(5) Wagers by telephone or any other means of electronic transmission are not allowed unless specifically authorized by the Act or these regulations.

613.03B Documenting the Wager. The keno writer must enter each number selected by the player along with the amount wagered, the number of games to be played, and any other ticket conditioning aspects of the wager. A wager is also documented properly when it is submitted and accepted before game close through the operator's digital-on-premises purchasing application or the operator's tablet, where permitted by regulation.

613.03B(1) If an inside ticket is used to place a wager, it must be retained by the keno writer at the writer station for as long as the county, city, village, or lottery operator requires.

613.03B(2) After a player has placed a wager, an outside ticket must be generated by the keno system and presented to the player. The information on the ticket required by Reg-35-613.03L must be recorded on the keno system transaction log.

613.03B(3) Preprogrammed keno tickets, default wager amounts, and using optical character

613.03C Advisory Statement. A statement advising players to check their tickets for accuracy, and stating the consequence of a ticket being generated in error and not corrected before the start of a game, must be legibly posted at each location where keno is played, printed on the outside ticket, or printed on the schedule of prize payouts. If an operator is using a digital-on-premises purchasing application or operator's tablet, the same notice must be available on the application and tablet. The statement must include the requirement that all winnings are computed and paid according to the outside ticket, including a timeline for payment if winnings will not be paid out immediately.

613.03D Void Tickets. If an outside ticket is voided, the information pertaining to the voided wager must be entered by the keno writer into the keno system, and the system must log the transaction or a record of the void must be attached to the outside ticket to document the transaction. If an operator is using a digital-on-premises purchasing application or operator's tablet, the application must inform the player of the process for voiding a ticket. If the application or operator's tablet will void a ticket without a keno writer, all information outlined in Reg-35-613.03D must be documented. All voids must be initiated on premises.

613.03D(1) Void tickets which have not been issued and recorded by the keno system (manual voids) are not permissible, unless written procedures have been established by the county, city, village, or lottery operator regarding the circumstances under which a manual void ticket is permitted.

613.03D(2) The required record keeping for manual void tickets includes:

613.03D(2)(a) The outside ticket, if available, must have the word "VOID" written on it;

613.03D(2)(b) The keno writer's signature;

613.03D(2)(c) Documentation of the refund of any wager; and

613.03D(2)(d) Documentation of the circumstances which required a manual void.

613.03E Unexpected Game Delays. If any of the lottery equipment breaks down prior to selecting the winning numbers and completion of the game will be delayed until the next business day, players will be refunded the amount wagered on any games not completed at the time they present their outside tickets. Operators using a digital-on-premises purchasing application or operator's tablet must provide, through the application or operator's tablet, a means to request a refund in this

situation.

613.03F Closing the Game. Once the required time interval has elapsed, the game can be closed. A “close game” command must be entered on the keno system and the corresponding message displayed on all keno display boards, writer stations, and video display monitors. No outside tickets may be written or voided after a game has been closed and the winning number selection process has begun, except for tickets voided in accordance with Reg-35-613.03D. Outside tickets may be written or voided for future games after the current game has been closed.

613.03F(1) Controls must exist to prevent writing or voiding outside tickets for a game which has been closed. These controls must be identical for all satellite locations.

613.03F(2) Keno display boards or video display monitors used at satellite locations must have a countdown timer to warn players of the amount of time remaining before a game is closed.

613.03G Five-Minute Rule. At least five minutes must elapse between the random selection of winning numbers for each keno game. The five-minute interval is measured from game closing to game closing as recorded on the transaction log.

613.03H Prize Schedule. The potential payout for each different type of wager must be made known to the players prior to selecting numbers. This may be done by posting the potential payouts in a manner clearly visible to the players or through a printed schedule that is available at each location where keno is played. The requirements for progressive keno games are provided in Reg-35-613.09.

613.03I Wagering Limits. No outside ticket, including a way-ticket, may be purchased representing a wager of over \$100. A multirace ticket, however, may be purchased for an amount over \$100 if the wager for each game included in the ticket does not exceed \$100.

613.03J Time Limit for Redemption. A statement indicating any time restriction for redeeming a winning outside ticket must be visibly posted at each location where keno is played or printed on the outside ticket or on the schedule of prize payouts.

613.03K Invalid Wins. Any outside ticket identified as a winning ticket by the keno system, which is subsequently determined by the county, city, village, or lottery operator to be a losing ticket or a winning ticket of a lesser amount, is not a valid claim in the original amount against the county, city, village, or lottery operator. If the outside ticket is actually a losing ticket, the claim is invalid. If the outside ticket is a win of a lesser amount than originally identified, the claim for the larger win is not valid, but the claim is valid for the verified winning amount. All these instances must be reported to the Department by the end of the next business day following the date of the determination.

613.03L Information Required on Each Ticket. Each outside ticket must contain the following information:

613.03L(1) The name of the sponsoring county, city, or village;

613.03L(2) The current day's date and time;

613.03L(3) The numbers chosen by the player;

613.03L(4) The ticket serial number;

613.03L(5) The dollar amount and conditioning of the wager;

613.03L(6) When a location has multiple stations, the station number where the outside ticket was generated; or the operator's digital-on-premises purchasing application or operator's tablet used to purchase the ticket;

613.03L(7) A reference to the applicable pay tables where multiple pay tables are offered;

613.03L(8) For a quick pick ticket, a designation that it is a quick pick ticket, for example, QP;

613.03L(9) The game number. For a multirace ticket, the first game number and last game number; and

613.03L(10) For a replay ticket, the serial number of the ticket replayed.

613.03L(11) An outside ticket may contain additional information regarding game rules or instructions which a county, city, or village and the lottery operator have agreed upon. This information cannot contradict any provision of the Act or any regulation adopted pursuant to the Act.

613.03M Draw Ticket. If the number selection is made by a manual ball draw method using an electrically-operated blower device, a draw ticket must be prepared for each game by a licensed lottery worker who is not the licensed lottery worker calling the game numbers. Regardless of the method of selecting the winning numbers, the keno system must be capable of printing a draw ticket.

613.03N Winnings of \$1,500 or More. Any ticket, whether a single race or a multirace ticket, with net winnings of \$1,500 or more must be paid by check and not in cash. Wins of less than \$1,500 or wins of any amount from a digital-on-premises ticket may be paid electronically.

613.03N(1) If multiple players are involved on the same winning ticket and the net winnings are \$1,500 or more, net winnings must be issued to a single payee by check and not in cash.

613.03N(2) If the player requests, a portion not exceeding 10% of the winnings may be paid in cash.

613.04 Manual Ball Draw Procedures. When numbers are selected by a manual ball draw method using an electrically-operated blower device, selecting and verifying the winning numbers must:

613.04A The keno balls must be randomly selected by a licensed lottery worker, designated as the “caller,” who operates the keno ball blower and rabbit ears. The caller, or another licensed lottery worker, must enter the numbers of the keno balls randomly selected into the keno system which simultaneously displays the corresponding numbers on the keno display boards and video display monitors and, if applicable, through the digital-on-premises purchasing application or operator’s tablet as the game results. The keno system must document and record the following on the transaction log: the date; the game number; the time the game was opened and closed; the numbers which were drawn in chronological sequence; and the method of selecting the winning numbers.

613.04B In addition to the licensed lottery worker who calls the keno ball numbers, a different licensed lottery worker designated as the “marker” must manually record the keno ball numbers, as they are drawn, on a draw ticket.

613.04B(1) The number of the game being drawn must be recorded on the draw ticket and given to the keno manager. The keno manager must compare the winning numbers selected by the electrically-operated blower device with the numbers entered into the keno system and initial or sign the draw ticket as evidence of his or her review.

613.04B(2) After the keno manager confirms that the winning numbers were entered correctly into the keno system, the keno manager must enter the appropriate command into the system to confirm the validity of the winning numbers selected and compute the game results.

613.04B(2)(a) Game results must then be displayed as “official” or “results” on all keno display boards and video display monitors, as well as through the digital-on-premises purchasing application or operator’s tablet, if applicable.

613.04B(2)(b) If the keno manager determines an error occurred in entering the winning numbers into the keno system after the game results have been displayed as “official” or “results,” the keno manager must edit the ball draw as described below:

613.04B(2)(b)(i) Each winning number entered in error must be crossed out on the keno display boards or video display monitors and, if applicable, through the digital-on-premises

purchasing application or operator's tablet;

613.04B(2)(b)(ii) The corrected winning numbers must then be highlighted on the keno display boards or video display monitors and, if applicable, through the digital-on-premises purchasing application or operator's tablet; and

613.04B(2)(b)(iii) All edited ball draws must be recorded on an exception log of the keno system, identifying the keno manager who edited the ball draw and made the corresponding changes.

613.04B(3) A minimum of three licensed lottery workers, one of whom is the keno manager, are required to perform the manual ball draw procedures.

613.04B(4) The Department may authorize alternative procedures for verifying a manual ball draw provided that a minimum of three licensed lottery workers perform the procedures. A county, city, village, or lottery operator desiring to deviate from the prescribed procedures must submit a written request to the Department seeking authorization to deviate from the prescribed procedures. The request must include a description of the alternative procedures proposed. The Department will review the request and issue its written determination to the county, city, village, or lottery operator.

613.04B(5) Each lottery operator is required to establish a written policy regarding the procedures to be followed when a keno ball breaks or cracks during the ball draw, or when a keno ball is inadvertently left in the throat or rabbit ears from the previous game.

613.04B(5)(a) The policy must be approved by the sponsoring county, city, or village and be posted conspicuously for the players or printed on the schedule of prize payouts.

613.04B(5)(b) The policy must include a requirement that when a ball draw irregularity is detected, it must be verbally announced at the main location and refunds must be offered to any player for amounts wagered on the game.

613.04B(5)(c) A copy of the approved policy must be filed with the Department prior to its use.

613.04C Video Recording Requirements. A camera must be used to videotape or digitally record (recording) all of the following prior to, during, and subsequent to the calling of a game, respectively:

613.04C(1) Empty rabbit ears or receptacle;

613.04C(2) Date, time, and game number;

613.04C(3) Throat of the rabbit ears and receptacle; and

613.04C(4) Full rabbit ears or receptacle holding the keno balls selected with the date, time, and game number. The picture of the rabbit ears or receptacle on the recording must provide a legible identification of the numbers on the keno balls drawn. If a split image screen is used in order to accomplish the required views, each track must be capable of being independently played in a full-screen format.

613.04D The game number referred to in Reg-35-613.04(C)(2) is not required to be recorded if it can be determined by comparing the date and time display on the recording to the date and time of the game recorded on the keno system transaction log.

613.04E Recordings must be retained for three months or until the time the keno compliance procedure relating to the review of the recordings is completed, whichever is later. Recording media may be reused once the keno compliance procedure has been completed.

613.04F The keno manager is required to inspect new and used keno balls prior to use at the beginning of each day. The keno balls must be cleaned regularly to insure proper operation of the ball draw equipment.

613.04F(1) Back-up keno ball inventories must be maintained in a locked storage cabinet to prevent unauthorized access.

613.04F(2) A county, city, village, or lottery operator must establish written procedures for changing keno ball sets and replacing damaged keno balls to ensure that all 80 numbered keno balls are in the receptacle and available for random selection. If games are conducted with less than the required 80 numbered keno balls or with duplicate keno balls in the receptacle, players must be offered a refund of the amount wagered for each affected game played upon presentation of the outside ticket.

613.05 Random Number Generator Selection Device Procedures. All random number generators must reside on a PROM or EPROM secured in the logic board of the computer, or otherwise digitally stored in a verifiable manner in the keno system. The numbers selected by the random number generator for each game must be stored in the keno system's memory and be capable of being printed on a draw ticket with no manual input of the numbers required.

613.05A The use of a "black box" random number generator as a peripheral device to the keno system is permissible. A black box random number generator is subject to all regulatory requirements for a random number generator which resides in the keno system.

613.05B A camera system is not required if a random number generator approved by the Department is used for selecting winning numbers.

613.06 Verifying Winning Tickets. Winning outside tickets must be verified prior to the payout and paid in the following manner:

613.06A Procedures must be established to preclude paying outside tickets previously paid, unclaimed winning tickets after a specified period of time, voided tickets, and tickets which have not been issued.

613.06B The serial number, or a number indexed to the serial number, of an outside ticket presented for payment must be entered into the keno system by the keno writer and the payment amount generated by the system given to the player. Using an electronic bar code scanner to scan a bar code printed on an outside ticket which includes the serial number of the ticket is a permissible method of entering the ticket serial number into the keno system. The serial number of a digital-on-premises ticket may be automatically verified by the system without keno writer intervention and paid electronically provided all other requirements of this section are met, unless otherwise agreed to by the Department.

613.06C All payments must be supported by the outside ticket and a pay ticket generated by the keno system or an electronic record of the same, unless the Department has authorized the county, city, village, or sales outlet location to eliminate pay tickets.

613.06C(1) The Department may authorize the payment of winnings without an outside ticket when circumstances exist to warrant payment. A request for payment without an outside ticket must be submitted by the keno lottery operator in writing to the Department for approval. No payment will be authorized without the approval of the sponsoring county, city, or village.

613.06D Unless the Department has authorized the county, city, village, lottery operator, or sales outlet location to eliminate pay tickets, a manual report or exception log must be maintained to document any winnings paid on outside tickets which were not authorized by the keno system and are not supported by a pay ticket generated by the system.

613.06E Winning outside tickets of \$1,500 to \$2,999.99 require the approval of the lottery operator or keno manager. Evidence of this approval includes the keno manager's signature on the pay ticket, or an alternative method approved by the Department. Nothing in this regulation precludes a county, city, village, lottery operator, or sales outlet location from requiring lottery operator or keno manager approval of winning tickets of less than \$1,500.

613.06F Net winnings of \$1,500 or more on a single keno game require that the player provide proper identification. Identification from a player account registration is considered proper identification for winnings on a digital-on-premises ticket and additional identity verification is not required if all information required to issue the player a Federal Form W-2G was collected at the time of registration.

613.06G Winning tickets of \$3,000 or more require the approval of the lottery operator or a keno manager. This approval may be evidenced by the keno manager's signature on the pay ticket or in another manner approved by the Department to document that:

613.06G(1) In the case of a manual ball draw method of selecting winning numbers, a review of the recording of rabbit ears or receptacle to verify the legitimacy of the draw and the accuracy of the draw ticket was performed;

613.06G(2) The winning outside ticket was compared to the transaction log or proof of win generated by the keno system; and

613.06G(3) The outside ticket was regraded using the payout schedule and draw information.

613.06H Winning tickets of \$10,000 or more are subject to all of the requirements found in Reg-35-613.06G and notification of the win to a county, city, or village official or county, city, or village employee serving as the governing official designee. The notification must be made no later than the next business day following the day the outside ticket was verified as a winner by the keno system.

613.06I A county, city, village, or lottery operator cannot deviate from the winning ticket verification procedures prescribed in this regulation unless otherwise approved in writing by the Department.

613.07 Security Standards and Controls. Access to the area where the keno lottery equipment operates must be restricted to the lottery operator, its employees or agents, sales outlet location employees or agents, authorized equipment service personnel, and employees or agents of the sponsoring county, city, or village. Law enforcement officers or agents or representatives of the Department must be allowed access to any restricted keno areas upon showing official identification.

13.07A Access to the keno system must be adequately restricted.

613.07B The keno system processor and "black box" random number generator must be secured and accessible only to authorized personnel. Keno ball sets must be stored in a secure area. Any keys needed to access this area must be maintained only by management personnel of the lottery operator or sales outlet.

613.07C Keno number display boards and video display monitors and, if applicable, the digital-on-premises purchasing application or operator's tablet must be inspected periodically throughout the day by keno personnel to ensure that game information is being displayed correctly.

613.07D The lottery operator or sales outlet location must:

613.07D(1) Assign the keno manager, authorized licensed lottery workers, and the manufacturer-distributor personnel computer system access codes or passwords which allow them to approve and perform specific functions on the keno system; and

613.07D(2) Assign each keno writer a personal identification number (PIN), to be used only by that keno writer to perform his or her duties.

613.07E Access to the pay tables and system configuration options is limited to keno managers, representatives of the lottery operator, or representatives of the manufacturer-distributor. An exception log must be produced by the keno system to document all access to the pay tables and system configuration options, as well as all occurrences of unauthorized attempts to access restricted functions on the system.

613.07E(1) Access codes or passwords must be changed periodically to prevent unauthorized personnel from performing restricted functions.

613.07E(2) Any revisions or modifications of the keno system software must be performed by an authorized representative of the licensed manufacturer-distributor. Changes to prize pay tables can only be made in the manner prescribed in Reg-35-614.05.

613.07E(3) All ticket processing, game results, pay information, or any other information required by these regulations to be entered on the transaction log may be kept on paper or on digital, electronic, magnetic, optical, or any other recording medium approved by the county, city, or village and the Department, so long as the transaction log remains capable of review and printing.

613.07E(3)(a) A procedure for making the transaction log available for keno compliance procedures must be submitted by the lottery operator, in writing, to the Department. The transaction log must be retained for a minimum of three years and be secured in an area other than the area where the keno game is conducted.

613.07E(3)(b) A copy of the transaction log must be forwarded to management personnel of the lottery operator and the sponsoring county, city, or village for use in the keno compliance procedures.

613.07E(4) A keno system which allows for copying game information to a medium other than paper must be designed so that copying is a required system function when running end-of-day reports. The system must notify the user if the copying function is not completed satisfactorily and require the user to continue performing the copy function until it is completed properly.

613.07F The power to access an operator's digital-on-premises purchasing application or operator tablet's internal administrative settings and controls must be limited to representatives of the lottery operator or representatives of the manufacturer-distributor.

613.08 Keno Tournaments and Leagues Prohibited. Keno tournaments, where multiple players pay an entry fee to play multiple keno games and where cash prizes are awarded from the pool of entry fees based on the player's total score are prohibited. Keno leagues played in a similar fashion as keno tournaments are also prohibited.

613.09 Progressive Keno Games. Progressive keno games are keno games with a jackpot prize that increases if the jackpot has not been won in the previous game. The jackpot may increase by a predetermined percentage or amount as each game is played, each wager is made, or otherwise, in a manner approved by the Department. Progressive keno games are permitted if the information describing how the game will be conducted and any jackpot limitations have been previously filed by the lottery operator with, and approved in writing by, the Department.

613.09A Unless otherwise authorized in writing by the Department, the jackpot prize at the beginning of the day, any prize limits, and the amount the progressive jackpot is advanced must be visibly posted and made known to the players prior to the start of each game, including through any digital-on-premises purchasing application or operator's tablet.

613.09B If two or more outside tickets are verified as jackpot winners, the full jackpot prize amount will be divided equally among the winning outside tickets.

613.09C The jackpot amount must be available to winning players by the end of the business day following the date that the winning transaction is verified. Verification must be completed no later than the third business day following the day the outside ticket is declared as a winner by the keno system.

613.09D The jackpot in a progressive keno game cannot be paid by annuity or any installment method. The jackpot may be insured by a county, city, village, or lottery operator if the Department has previously approved the arrangement in writing. Any premium expense incurred by the county, city, village, or lottery operator in insuring the jackpot is considered an expense of operating the lottery and is subject to the 14% expense limitation if paid for by the county, city, or village.

613.09E The progressive jackpot cannot be reduced to a lesser amount unless:

613.09E(1) A player wins the posted amount;

613.09E(2) An adjustment is necessary to prevent the posted amount from exceeding the published maximum amount of the progressive jackpot;

613.09E(3) There was a system malfunction. When this occurs, an explanation must be entered as part of the system record; or

613.09E(4) There is a player dispute as governed in Reg-35-613.09H.

613.09F Once a progressive jackpot amount is posted, that amount may not be decreased except as allowed by Reg-35-613.09E, and must remain until won or discontinued as provided in Reg-35-613.09G. The progressive jackpot amount is the responsibility of the county, city, or village if the operation of the progressive keno game ceases for any reason, including a change of lottery operator.

613.09G The Department may authorize a county, city, or village to discontinue a progressive keno game upon written request from the county, city, or village subject to the following requirements:

613.09G(1) The county, city, or village must conduct a public hearing on discontinuing its progressive keno game and discuss its intentions for using any accumulated progressive jackpot funds. If it is a joint lottery conducted pursuant to an interlocal cooperation agreement, the joint entity created pursuant to the agreement may conduct the public hearing in lieu of each county, city, or village which is a party to the agreement;

613.09G(1)(a) A copy of the public hearing notice must be posted in a visible location at each keno site; and

613.09G(1)(b) Once the public hearing has been held and the governing board of the county, city, village, or joint entity has reached a decision, a copy of the resolution that was adopted must be filed with the Department.

613.09G(2) The procedures specified in Reg-35-613.09G(1) do not apply to discontinuing a progressive jackpot which is not paid from a specific set-aside of lottery funds, and instead is paid from the overall prize fund.

613.09H If there is a player dispute over paying a progressive jackpot, the county, city, village, lottery operator, or sales outlet location (whoever is conducting the game) must:

613.09H(1) Reduce the progressive jackpot to its base amount and continue operating the game; and

613.09H(2) Deposit the disputed progressive jackpot amount into an escrow account until an investigation into the dispute by the Department has been completed and a decision is issued by the

Department.

613.09I If a player dispute is resolved by the Department in favor of the county, city, village, lottery operator, or sales outlet location, the progressive jackpot must be returned to the accumulated amount at the time of the dispute, less the base figure amount.

613.10 Standards for Conduct at a Satellite Location. When keno is conducted at a satellite location, the following requirements apply:

613.10A A keno writer at a satellite location must enter each number selected by the player, the amount wagered, and the total numbers played into the writer station of the keno system, unless this process is completed through the operator's digital-on-premises purchasing application or operator's tablet. An outside ticket must be generated by the system and given back to the player, except in the case of a digital-on-premises ticket. Evidence of a valid digital-on-premises ticket that identifies the ticket's unique serial number must be provided to the player through the operator's digital-on-premises purchasing application or operator's tablet.

613.10B Any inside ticket presented by the player must be kept by the keno writer at the satellite location for the period of time required by the county, city, village, or lottery operator, unless the operator can substitute similar digital records maintained for the same period of time.

613.10C When the game at the main location is closed, the game at the satellite location must simultaneously close.

613.10D At a satellite location, winning outside tickets for amounts up to \$1,499.99 may be verified and paid by the keno writer, or where applicable verified and paid electronically.

Nothing in this regulation precludes a county, city, village, lottery operator, or sales outlet location from requiring lottery operator or keno manager approval of winning tickets of less than \$1,500.

613.10D(1) Wins of \$1,500 or more must be presented for payment at the main location of the keno game or the office of the lottery operator, unless the ticket is verified and paid electronically, or unless an alternative method of verification is approved by the Department. The same verification procedures must be applied to outside tickets purchased at both the satellite location and the main location.

613.10D(2) The Department may authorize a larger amount to be paid at a satellite location based upon a written request from the county, city, village, or lottery operator if all of the winning ticket verification procedures required by these regulations are followed. The request must include the exact procedures to be followed by the satellite location to insure compliance with the verification requirements in these regulations. If the request is made by a lottery

operator, the approval of the county, city, or village is also required.

613.10E If reports are printed and produced from the keno system at the satellite location, they must be limited to the activity at that satellite location and cannot include information for the entire satellite configuration.

613.10F At a satellite location, the standards for game play, maintenance, checkout, and shift statistics must be the same as for the main location.

613.11 Prize Fund Requirements. Every county, city, village, or lottery operator conducting a lottery must have sufficient funds available to pay every winning ticket by the end of the business day following the date that the winning tickets are verified. Verification must be completed no later than the third business day following the day the outside ticket is declared a winner by the keno system. Prizes must be paid in full to the winning player and cannot be paid over a period of time or through an annuity. The prize funds must be insured or guaranteed by monies deposited into an insured account maintained by a financial institution, an irrevocable letter of credit issued by a financial institution, or other security approved in writing by the Department.

613.11A If an irrevocable letter of credit is used to secure the prize funds, a copy must be provided to the Department and is subject to the Department's approval. An irrevocable letter of credit issued by the financial institution must name the county, city, or village as the beneficiary.

613.11B Prizes may be insured by a county, city, village, or lottery operator if the Department has previously approved the arrangement in writing. Any premium expense incurred by the county, city, village, or lottery operator is considered an expense of operating the lottery and is subject to the 14% expense limitation if paid for by the county, city, or village.

613.11C The county, city, or village must be able to draw on the insured deposit, irrevocable letter of credit, or insurance as needed. If the account, letter of credit, or insurance is drawn on and the remaining amount is less than the top prize offered, keno cannot resume play until the account, letter of credit, or insurance is replenished to an amount at least equal to the top prize offered.

613.11D If two or more outside tickets are verified as winning the jackpot prize on the same game, the full jackpot prize amount is divided equally among the winning tickets subject to the aggregate prize payout limit per game. The aggregate prize payout limit must be legibly posted at each keno location and printed on the schedule of prize payouts.

613.11E If two or more outside tickets are verified as winning the jackpot prizes in different games associated through an interlocal agreement or different games within the same county, city, or village,

the full jackpot amount as well as other prizes may be apportioned among all the winning tickets. The amount apportioned among the winning tickets is subject to the aggregate prize payout limit applicable to all participating games for a given day. The aggregate prize payout limit must be legibly posted at each keno location and printed on the schedule of prize payouts.

613.11F All unclaimed prizes are the property of the county, city, or village. The total value of unclaimed prizes must be taken into account in computing the overall prize payout percentage of the keno activity.

613.12 **Player Account.** A lottery operator may allow participants to establish a player account to be used for lottery play. Such accounts must only be funded with cash, a debit card, the cash balance of a payment application, or a transfer from a deposit account at a financial institution. The player must apply for this account in person with a lottery worker who will confirm their identity unless an alternate method of establishing and maintaining player accounts has been approved by the Department. A participant must not deposit funds into any such account from a debit card transaction if the total amount of funds from all such debit card transactions in that calendar day would exceed \$200. Players purchasing tickets through the operator's digital-on-premises application or operator's tablet must use a player account.

613.12A Funds must not be transferred between player accounts.

613.12B The operator must take reasonable steps to ensure that a player has only one account.

613.12C The operator must not profit from fees associated with opening, maintaining, or closing the account, nor are they permitted to profit from fees charged to the player to deposit or withdraw funds. Operators should take reasonable steps to provide a no-fee option for deposit and withdrawal of funds.

613.12D Operators must not limit the size of the withdrawal from a player account. The operator must take reasonable steps to ensure the identity of the player prior to completing the withdrawal of funds and set reasonable limits regarding hours in which deposits and withdrawals are available and regarding the timing in which fund transactions are considered settled and available for withdrawal.

613.12E Records pertaining to a player's accounts, including deposits, withdrawals, wagers, and wins must be made available to the verified player upon request within a reasonable time frame at no charge. The operator may specify the manner in which this request is to be made.

613.12F Operators must take reasonable steps to ensure the security of players' personal information and financial information associated with the account.

613.12G An account which has been inactive for more than five years is considered abandoned. Inactive means that the account holder has not made any deposits, withdrawn any money, nor placed any wager via the account. Accounts which are abandoned are not the property of the operator, the sponsoring community, or joint entity created by the county, city, or village pursuant to the Interlocal Cooperation Act and all funds associated with the abandoned account must be referred to the Nebraska State Treasurer Unclaimed Property Division.

613.12H The operator will notify the player if their deposits will be comingled in a single bank account as described in Reg-35-613.12J, as well as providing the insurance limitations of said bank account.

613.12I The limitations contained in Reg-35-613.12 must be made known to the player when creating their player account.

613.12J Unless an alternate method of establishing and maintaining player accounts has been approved by the Department, the operator will establish a separate non-interest bearing bank account at a financial institution which will receive the deposits for the player accounts. No funds from any other source are permitted in this account. This account will only be used for the following purposes: transferring funds to and from the prize account for the community or joint entity created by the county, city, or village pursuant to the Interlocal Cooperation Act, accepting deposits from players, placing wagers, receiving winnings to be credited to the player accounts, and be used to fund player account withdrawals. With the permission of each sponsoring community or joint entity created by the county, city, or village pursuant to the Interlocal Cooperation Act, an operator who is licensed in more than one community may comingle the player account funds from multiple communities into a single bank account. The financial institution must insure deposits up to the standard limit required by the Federal Deposit Insurance Corporation (FDIC), and the operator will make clear to the community and those who have player accounts what the insurance limits are.

613.13 Digital-On-Premises Purchasing Application or Operator's Tablet. A lottery operator may use digital-on-premises tickets sold via mobile device or operator's tablet after completing construction and testing of a mobile application or operator's tablet through an independent third-party laboratory approved by the Department, as well as obtaining the consent of the community. The operator must obtain the consent via resolution from the community's governing authority or in the lottery operator agreement.

613.13A The lottery operator must file with the Department the address of each location where digital-on-premises tickets are sold.

613.13B Unless an alternate method of confirming regulatory compliance has been approved by the Department, a location will not be permitted to use a digital-on-premises purchasing application until a representative of the Department has inspected and tested the

application at the location.

613.13C The lottery operator must use reasonable safeguards approved by the Department to ensure that digital-on-premises tickets are only accessible to individuals 19 years of age or older.

613.13D The lottery operator must submit controls, for approval by the Department, that include the following at the location of the lottery operator or the locations of its associated authorized sales outlets at which digital-on-premises tickets are sold:

613.13D(1) Any specific procedure and any technology partner used to fulfill the requirements set forth by the Department;

613.13D(2) Any location monitoring procedure to reasonably detect and dynamically monitor the location of a player attempting to purchase a digital-on-premises ticket for a keno game. The location procedures must be designed so that a player attempting to place a wager or void a ticket outside the permitted boundary is rejected and the player is notified. The permitted boundary must be established in such a manner that access is not regularly available away from the property on which the licensed premises is situated and such boundary is as closely matching to the actual or legal boundaries of the licensed premises as reasonably possible. Further controls may include but are not limited to: source of location data, how often the location is verified, events which trigger a check, listing of all data collected and length of time held, location fraud detection capabilities and response to such activity, and frequency of boundary checks;

613.13D(3) A process to prominently display and easily impose any limitation parameters relating to the purchase of a digital-on-premises ticket for a keno game;

613.13D(4) An easy and obvious method for a player to make a complaint and to enable the player to notify the Department if such complaint has not been or cannot be addressed by the lottery operator; and

613.13D(5) Any other specific controls as designated by the Department including but not limited to: preventing keno writers from playing on duty, length of time tickets are stored on the application, ensure purchases made are completed before the game closes, age verification, ticket identification (where the ticket was played), ticket verification, payment processes for the player, accounting processes for the location including how the end of day reconciliation of business will operate, fraudulent activity monitoring, and security of player information.

613.13E The Department must approve or deny the controls within thirty (30) days after submission. If denied, the Department must provide the reasons for denial and allow the lottery operator to resubmit revised

controls.

613.13F The Department must be notified when updates to the application are made by the lottery operator. Changes made to the application regarding monitoring of player accounts, interactions with the premises' location monitoring system, and other significant processes must be approved prior to implementation. Changes to the application which will fix issues, provide updates that do not impact functionality in a significant manner, or which are otherwise minor do not need approval prior to implementation.

REG-35-614 Keno Equipment Maintenance

614.01 An effective maintenance plan must be established to service keno equipment, including computer program updates, hardware servicing, and keno number selection equipment.

614.02 With the exception of routine maintenance, all keno equipment maintenance must be performed by persons other than the lottery operator and its employees. Routine maintenance shall include:

614.02A Cleaning of keno balls;

614.02B Clearing of ticket printer paper jams;

614.02C Changing printer heads and cutter bars; and

614.02D Changing paper tape, adding paper to the ticket printer or aligning the paper on the ticket printer.

614.03 Nonroutine maintenance must be performed by the manufacturer's service personnel or other service personnel authorized by the manufacturer. Nonroutine maintenance shall include:

614.03A Software updates or modifications;

614.03B Removal or replacement of PROMS or EPROMS;

614.03C Removal or replacement of logic boards; and

614.03D Any other maintenance of a technical nature.

614.04 A manufacturer may service the keno equipment on a "pull and replacement basis." Under such circumstances, a lottery operator or its employees would be allowed to remove a logic board, PROM or EPROM, and return it to the manufacturer for repair and exchange it for a replacement board, PROM or EPROM. Upon receipt and installation of the replacement board, PROM or EPROM, the lottery operator must submit a written report of the replacement to the Department within twenty-four hours. The report must include the serial number of the replacement board, PROM or EPROM. The lottery operator must maintain a written record of all access to the logic board area of the equipment. Such record shall include the date, the name

of the person accessing the area, and the reason for any access.

614.05 If the computerized keno system allows the lottery operator to update or modify the prize pay tables, such updates may only be performed by the keno manager. Modification of the pay tables includes the pre-programming of special prize payouts conducted periodically by the lottery operator. Any time the pay tables are updated or modified, the lottery operator must notify the Department of the changes within twenty-four hours. The system must be capable of maintaining a log of all updates to the prize pay tables or a manual list must be retained by the lottery operator including the date, the name of the person updating the prize pay tables, and the changes made.

If updates or modifications to the prize pay tables require the entire replacement of PROMS or EPROMS, such updates may only be performed by the manufacturer's service personnel, other service personnel authorized by the manufacturer, or on a "pull and replacement" basis as explained in Reg-35-614.04. The lottery operator must notify the Department of the changes within twenty-four hours.

614.06 A county, city, or village or lottery operator shall maintain a record of all nonroutine maintenance as identified in Reg-35-614.03 performed by the manufacturer's service personnel or other personnel authorized by the manufacturer including equipment malfunctions and irregularities. Such record shall include the identification of any down time experienced in the operation of the lottery attributable to equipment malfunctions or irregularities. This information shall be available for inspection by the Department or the sponsoring county, city, or village upon request.

614.06A Irregularities with any number selection device (i.e., random number generator, electronic blower device) must be reported to the Department and the sponsoring county, city, or village immediately.

REG-35-615 Keno Checkout Standards

615.01 Keno Writer Banks.

615.01A Every lottery operator is accountable for the starting amount located in each keno writer's bank. Each keno writer bank must contain a starting amount established in writing by the lottery operator and maintained under lock and key.

615.01B As keno writers are assigned banks, they must count and verify that the bank contains the starting amount prior to beginning their shift. The amount must be verified by the keno writer coming on duty at the beginning of the next shift and by the keno manager. The arriving and departing keno writers or management personnel must verify the starting amount in the bank and prepare a checkout sheet containing the following information:

615.01B(1) Day and shift;

615.01B(2) Count of cash;

615.01B(3) Bank over/short;

615.01B(4) Bank starting amount; and

615.01B(5) The signature of the departing and arriving keno writers and management personnel.

615.01C When a keno writer is unable to pay a player's winnings from his or her bank, he or she may obtain cash from the keno manager's bank. The keno manager must enter the amount of fill and the keno writer's personal identification number (PIN) into the keno system. The keno system must generate a fill ticket which is verified and signed by both the keno writer and the keno manager. The fill is then credited to that particular keno writer who retains the completed fill ticket until the close of the shift or day when it is turned in with the keno writer's cash.

615.01C(1) If keno writer fills are not recorded on the keno system, the following procedure is required:

615.01C(1)(a) The keno writer notifies the keno manager that additional cash is needed in the keno writer's bank;

615.01C(1)(b) The keno manager completes a two-part "fill slip" with the date and total fill completed on the form;

615.01C(1)(c) The keno manager obtains the required cash and verifies the amount with the keno writer. Both the keno manager and keno writer sign the "fill slip"; and

615.01C(1)(d) The cash and one copy of the "fill slip" are given to the keno writer. The other copy is retained by the keno manager. At the end of the shift or day, the keno writer turns in the "fill slip" with the remaining cash in the keno writer's bank.

615.01D When a keno writer accumulates excess cash in his or her bank, he or she may turn in cash to the keno manager's bank. A cash turn-in slip must be prepared and signed by the keno writer and the keno manager. The cash turn-in is credited to that particular keno writer who retains the completed cash turn-in slip until the close of his or her shift when it is turned in with the keno writer's cash.

615.01E Each keno writer must segregate his or her starting amount bank from cash taken in during his or her shift. The excess cash, paid (if applicable), void, and fill tickets, and cash turn-in slips must be turned over to the keno manager at the end of the shift. The cash turn-in must be verified by the keno manager who must record the amount on the keno turn-in summary. In addition, each keno writer must sign in ink next to the corresponding entry on the keno daily summary.

615.01F The cash turn-in is listed on a cash turn-in slip. The keno manager places the cash and the cash turn-in slip in the keno manager's bank or transports the cash and cash turn-in slip along with the various keno reports and tickets to a secured area. The cash turn-in must be recorded.

615.01G As an alternative for sales outlet locations or satellite locations, the management personnel at the sales outlet location or satellite location may perform the keno writer checks required by this regulation.

615.01H During the hours that keno is conducted at a lottery operator location or sales outlet location, cash constituting the starting bank, cash receipts from the sale of keno tickets, and any fills must be segregated from all other revenue of the lottery operator location or sales outlet location.

615.02 Keno Manager's Bank.

615.02A If the lottery operator chooses to use a keno manager bank in addition to the keno writer's bank, the lottery operator is also responsible for the starting amount of the keno manager's bank. If a keno manager's bank is used, a checkout sheet must be prepared at the beginning of the day with the following information:

615.02A(1) Date and shift;

615.02A(2) Bank starting amount;

615.02A(3) Count of cash; and

615.02A(4) The signature of the keno manager.

615.02B The keno manager may need to order additional cash from the lottery operator to pay a large winning ticket. When this occurs, the keno manager enters the amount of the fill and his or her PIN into the keno system. A fill ticket must be generated which is verified and signed by both the keno manager and the lottery operator. The fill is then credited to the keno manager's bank and the completed fill ticket retained until it is turned in with the keno manager's cash at the end of the shift or the end of the day.

615.02B(1) If keno manager fills are not recorded on the keno system, the following procedure is required:

615.02B(1)(a) The keno manager notifies the lottery operator that additional cash is needed in the keno manager's bank;

615.02B(1)(b) The lottery operator completes a two-part "fill slip" with the date and total fill completed on the form;

615.02B(1)(c) The lottery operator obtains the required cash and verifies the amount with the keno manager. Both the lottery operator and keno manager sign the "fill slip"; and

615.02B(1)(d) The cash and one copy of the "fill slip" are given to the keno manager. The other copy is retained by the lottery operator. At the end of the shift or day, the keno manager turns in the "fill slip" with the remaining cash in the keno manager's bank.

615.02C If the keno manager changes during the day, the arriving and departing keno managers must verify the starting amount in the keno manager's bank and record the following information on the checkout sheet:

615.02C(1) Date and time;

615.02C(2) Bank starting amount;

615.02C(3) Count of cash;

615.02C(4) Total keno writer fills by the departing keno manager;

615.02C(5) Total cash turn-ins received by the departing keno manager;

615.02C(6) Total keno manager pays on winning tickets;

615.02C(7) Total keno manager fills by the lottery operator;

615.02C(8) Bank over and short; and

615.02C(9) The signatures of the departing and arriving keno managers.

615.03 End of Shift or End of Day Checkout.

615.03A Once the last game has been completed for a shift or for the day, the keno manager or the keno manager's designee, must perform the close of shift or day procedures on the keno system. The completed shift or day report must be recorded on the transaction log and show for each keno station or keno writer the following information:

615.03A(1) Date and time;

615.03A(2) Beginning cash balance;

615.03A(3) Total dollars wagered on tickets written;

615.03A(4) Total keno writer fills;

615.03A(5) Total keno writer pays on winning tickets;

615.03A(6) Total number and value of voided tickets;

615.03A(7) Total number and value of coupons redeemed;

615.03A(8) Total cash turn-in;

615.03A(9) Ending cash balance; and

615.03A(10) Net per station or keno writer.

615.03B If a keno manager's bank is used, a similar report must be recorded on the transaction log for the keno manager's bank showing the following information:

615.03B(1) Date and time;

615.03B(2) Beginning cash balance;

615.03B(3) Total keno writer fills;

615.03B(4) Total cash turn-in from keno writers;

615.03B(5) Total keno manager pays on winning tickets;

615.03B(6) Total keno manager bank fills;

615.03B(7) Ending cash balance; and

615.03B(8) Net per keno manager.

615.03C The information required in Reg-35-615.03B must be recorded on the transaction log.

615.03D A cash summary report (count sheet) must be prepared at the conclusion of the shift or the day on a form approved by the Department and must include the following information:

615.03D(1) Total value of voided tickets;

615.03D(2) Net write (total dollars wagered less the value of voided tickets);

615.03D(3) Total value of wins paid;

615.03D(4) Total hold (net write less wins paid);

615.03D(5) Total value of wins paid by check and the value of coupons redeemed;

615.03D(6) The calculated deposit amount and the actual amount deposited;

615.03D(7) The date of the deposit;

615.03D(8) The difference between the calculated deposit and the actual deposit, and an explanation of any overage or shortage;

615.03D(9) The value of unclaimed wins; and

615.03D(10) The signatures of all individuals who prepared the cash summary report.

615.03E The cash turn-in for the shift or day must be deposited into a bank account of the county, city, village, or the lottery operator five (5) business days following the day the cash was collected. Keno funds must be separately stated on a deposit slip or otherwise documented for each separate day of gaming and must be clearly identified as keno funds. At the option of the lottery operator, a sales outlet location or satellite location may directly deposit the cash into the bank account of the county, city, village, the lottery operator, or joint entity created by the county, city, or village pursuant to the Interlocal Cooperation Act. This rule may be referred to as the "5-Day Rule."

615.03E(1) For purposes of this regulation, cash collected from midnight until such time as keno must no longer be conducted as established in Reg-35-613.02D will be considered collected on the most previous calendar day.

615.04 Duty to Report Late Deposits.

615.04A It is the operator's duty to report to the Department and the sponsoring county, city, village, or joint entity created by the county, city, or village pursuant to the Interlocal Cooperation Act each deposit that violates the 5-Day Rule within one week of violation.

615.04B The report must contain the following information:

615.04B(1) Operator's name;

615.04B(2) Name of sponsoring community;

615.04B(3) Name of sales outlet location whose deposit violated the 5-Day Rule;

615.04B(4) Dates associated with the violation, including the date of gaming for the late deposit, the date the deposit was due under the regulations, and the actual date the funds were deposited;

615.04B(5) Amount of expected deposit for each violation, if known; and

615.04B(6) An explanation for each violation, if known.

615.04C This report must be e-mailed to keno.deposits@nebraska.gov. The report must also be emailed to the lottery worker or an otherwise agreed to individual for the sponsoring county, city, village, or joint entity created by the county, city, or village pursuant to the Interlocal Cooperation Act.

615.05 An operator must not deviate from the procedures prescribed in this regulation unless otherwise approved in writing by the Department.

615.06 Player Account Deposits. If a lottery operator chooses to use player accounts and the location will allow the player to deposit money, in a form allowed by statute and regulation, via the keno writer, the lottery operator will first provide specific controls to be approved by the Department on how it will ensure the money is deposited in the correct bank account, credited to the correct player, how it will do so securely, and how the transaction will be documented clearly to allow for auditing by the community and/or Department. Upon approval of controls, training must be done in accordance with Reg-35-605.03.

REG-35-616 Keno Compliance Procedures

616.01 On an annual basis, a county, city, or village shall, at a minimum, perform the compliance procedures prescribed by the Department of its keno lottery activity. The compliance procedures shall cover the fiscal year of the county, city, or village unless otherwise authorized by the Department.

616.01A In the case of a joint lottery conducted pursuant to an interlocal cooperation agreement as provided for in Neb. Rev. Stat. § 9-625, the compliance procedures shall be performed by each county, city or village which is a party to the agreement and cover the fiscal year of each such county, city, or village or be performed by any joint entity created pursuant to the agreement on behalf of each such county, city, or village and cover the fiscal year of such entity.

616.01B The keno compliance procedures required by Reg-35-616.01 through 35-616.03 are the responsibility of the county, city, or village and shall be performed by the county, city, or village or by a person which has contracted with the county, city, or village.

616.01B(1) In the case of a joint lottery conducted pursuant to an interlocal cooperation agreement, the keno compliance procedures may be performed by a joint entity created pursuant to the agreement or by a person which has contracted with such joint entity.

616.01C The lottery operator shall not perform the compliance procedures nor shall the lottery operator contract for the performance of the procedures on behalf of the county, city, or village.

616.01C(1) In the case of a joint lottery conducted pursuant to an interlocal cooperation agreement, the lottery operator shall not perform the compliance procedures nor shall the lottery operator contract for the performance of the procedures on behalf of any county, city, or village which is a party to the agreement or on behalf of any joint entity created pursuant to the agreement.

616.01D Any costs incurred by a county, city, or village in the performance of the annual compliance procedures shall be considered an audit and legal expense of operating the lottery as defined in Neb. Rev. Stat. § 9-629(4).

616.01E A county, city, or village or, in the case of a joint lottery, any joint entity created pursuant to an interlocal cooperation agreement may require a lottery operator to pay for any costs incurred in the performance of the annual compliance procedures.

616.02 Such analysis shall be performed in accordance with the compliance procedures established by the Department unless otherwise authorized by the Department. A county, city, or village may submit a written request to the Department to obtain authorization to deviate from the compliance procedures prescribed by the Department. Such request shall include a description of the alternative procedures proposed.

616.02A In the case of a joint lottery conducted pursuant to an interlocal cooperation agreement, a joint entity created pursuant to the agreement may submit the request on behalf of each county, city, or village which is a party to the agreement and desires to deviate from the compliance procedures prescribed by the Department. Such request shall include a description of the alternative procedures proposed.

616.02B Documentation such as a log, checklist, or other similar materials shall be maintained evidencing the performance of all keno compliance procedures.

616.03 Management personnel from both the county, city, or village and the lottery operator shall review keno compliance exceptions, and shall perform and document investigations into unresolved exceptions. A report outlining the findings from the performance of the compliance procedures or alternative procedures approved by the Department shall be submitted by the county, city, or village to the Department within 90 days of the end of the fiscal year of the county, city, or village. In the event a county, city, or village cancels its license or allows such license to expire prior to the end of the reporting period, a final report shall be filed with the Department within 90 days of the date the license was canceled or expired.

616.03A In the case of a joint lottery conducted pursuant to an interlocal cooperation agreement, any joint entity created pursuant to the agreement and the lottery operator shall review keno compliance exceptions, and shall perform and document investigations into any unresolved exceptions. The joint entity may submit the report outlining

the findings from the performance of the compliance procedures or alternative procedures approved by the Department. The report shall be filed with the Department within 90 days of the end of the fiscal year of the joint entity. A copy of the report shall be provided to each county, city, or village which is a party to the agreement. In the event any county, city, or village which is a party to the agreement cancels its license or allows such license to expire prior to the end of the reporting period of the joint entity, a final report for such county, city, or village shall be filed with the Department within 90 days of the date the license was canceled or expired.

REG-35-617 Lottery Equipment

617.01 A manufacturer-distributor shall not offer or market in Nebraska any type of lottery equipment for use in a lottery conducted pursuant to the Nebraska County and City Lottery Act unless it has been approved by the Department. Approval of lottery equipment will be based upon, but not be limited to, its conformance with the requirements contained in the Nebraska County and City Lottery Act, County and City Lottery Regulations, and test criteria established by the Department.

617.01A Lottery equipment subject to approval includes all proprietary devices, machines, and parts used in the manufacture or maintenance of equipment which is used in and is an integral part of the conduct of the lottery. Lottery equipment does not include any associated equipment, that is, all proprietary devices, machines, and parts which do not directly affect the outcome of the lottery or are not an integral part of any system that monitors the operation of the lottery.

617.01A(1) For the purpose of this regulation, lottery equipment includes, but is not limited to:

617.01A(1)(a) Keno balls;

617.01A(1)(b) Keno ball selection devices including electrically operated blower machines, automated ball draw systems, and other electronic selection devices;

617.01A(1)(c) Random number generators (internal and external); and

617.01A(1)(d) Keno systems.

617.01A(2) For the purpose of this regulation, lottery equipment does not include, but is not limited to:

617.01A(2)(a) Keno display boards and monitors;

617.01A(2)(b) Rabbit ears used in conjunction with electrically operated blower machines;

617.01A(2)(c) Magnetic, electronic, and digital storage media (including, but not limited to, floppy disks, magnetic tape, CD-ROM, USB flash drives) and other supply items used with the lottery equipment which do not directly affect the outcome of the game;

617.01A(2)(d) Video and digital recording equipment required for ball draw methods of winning number selection; and

617.01A(2)(e) Security cameras and systems.

617.01B The Department shall have the authority to request the testing and approval of any lottery equipment at any time if deemed necessary in order to insure fairness to the public and maintain the integrity of the lottery activity. This includes any equipment previously designated by this regulation to be excluded from the definition of lottery equipment.

617.01C A manufacturer of lottery equipment is responsible for obtaining approval of lottery equipment for use in Nebraska. Lottery equipment may not be submitted for approval until a manufacturer-distributor's license has been obtained from the Department. Any sole proprietorship, partnership, limited liability company, or corporation which has obtained a manufacturer-distributor's license who only distributes lottery equipment is not required to apply for and obtain approval of lottery equipment. However, such licensee must verify that the necessary approvals have been obtained by the manufacturer before such equipment can be marketed in Nebraska. Lottery equipment verification shall be requested in writing from the Department.

617.01D The Department may require that the manufacturer-distributor use the services of an independent testing laboratory which has contracted with the Department to test and examine lottery equipment.

617.01E The costs of any testing, examination, and analysis of lottery equipment, including the time and material required and any special testing equipment needed, shall be the responsibility of the manufacturer-distributor seeking approval of the lottery equipment.

617.02 Requests for approval of lottery equipment must be made and processed in such manner and using such forms as the Department may prescribe. A separate request shall be submitted by the manufacturer-distributor to the Department or its independent testing laboratory for each type or system of lottery equipment to be marketed in Nebraska. Such request shall be on company letterhead and include, at a minimum, the following:

617.02A The name and complete address of the manufacturer-distributor seeking approval of the lottery equipment;

617.02B The manufacturer-distributor's Nebraska Identification Number and license number issued by the Department;

617.02C The name, title, and telephone number of an employee of the manufacturer-distributor who will serve as the main point of contact for the Department during evaluation of the lottery equipment and who is authorized to discuss the lottery equipment with the Department or its independent testing laboratory;

617.02D The items requested for certification. In the case of software, the manufacturer-distributor shall include identification numbers and revision levels, if applicable. In the case of proprietary hardware, the manufacturer-distributor shall indicate the manufacturer, model, and part and revision number of the associated components of hardware.

617.02E Unless otherwise authorized by the Department or its independent testing laboratory, one working model of the machine and associated equipment transported to the location designated for testing, examination, and analysis. Each item of lottery equipment supplied by a manufacturer-distributor to a lottery location in Nebraska shall be functionally identical to the equipment tested and certified;

617.02F The complete address of other non-Nebraska locations where the equipment is currently in use or is installed;

617.02G If deemed necessary by the Department or its independent testing laboratory, each submission of hardware shall contain the following, if applicable:

617.02G(1) Server, Database, Front End Controller, and Ancillary Stations to include but not limited to: Writer Station functionality; Callers Desk/Ball Draw functionality; System Configuration Parameters functionality; and Accounting/Reporting functionality;

617.02G(2) Monitors, keyboards, mouse, printers, etc., to support the items listed above;

617.02G(3) A supply of blank outside ticket stock to facilitate testing;

617.02G(4) Uninterruptible Power Supply (UPS) for critical components;

617.02G(5) All accompanying technical documents, manuals, and schematics shall be submitted. In addition, the following items shall be provided:

617.02G(5)(a) If applicable, all UL, CSA, EC, AS3100, etc., or equivalent certification. This certification information may be supplied at a later date;

617.02G(5)(b) Any other proprietary equipment that may be used in the field in conjunction with the submission, if necessary to test the requirements set forth;

617.02G(5)(c) Accompanying software; and

617.02G(5)(d) If the manufacturer-distributor has specialized equipment and/or software which is needed by the test laboratory to test the submitted system, such as load/game simulators or test data files, then the specialized equipment and/or software and all appropriate operation and user manuals for the equipment and/or software shall be included with the submission.

617.02G(6) Such other information deemed necessary by the Department.

617.02H If deemed necessary by the Department or its independent testing laboratory, the following software documentation, if applicable:

617.02H(1) A complete, comprehensive, and technically accurate description and explanation in both technical and layman's terms of the manner in which the software operates;

617.02H(2) Two sets of all EPROMs, CD-ROMs, or other storage media which contain identical contents. This includes all program executables, system component firmware, bin files, etc.;

617.02H(3) Source Code, a Link Map, and Symbol Table for all primary software executables. In addition, if requested, explanation of all non-volatile RAM on any system device with the non-volatile RAM locations described. The following items shall be contained within all submitted source code or related modules:

617.02H(3)(a) Module Name;

617.02H(3)(b) Brief description of module function; and

617.02H(3)(c) Edit History, including who modified it, when, and why. All source code submitted shall be commented in an informative and useful manner. All source code submitted shall be correct, complete, and able to be compiled.

617.02H(4) All user manuals in both hard and soft copy format to include a general overview of the system from a component level, software and hardware setup and integration, and system block diagrams and flow charts for the communication program, if required;

617.02H(5) If not included in the user manuals, a connectivity manual for all associated peripheral devices or remote sales or monitoring units;

617.02H(6) If not included in the user manuals, provide example reports for each standard report capable of being generated on the

system with a formula summary detailing all reporting calculations including data types involved, mathematical operations performed, and field limit;

617.02H(7) If not included in the user manuals, a list of all supported communication protocols specifying version, if applicable;

617.02H(8) If utilizing a software verification algorithm, provide a description of the algorithm, theoretical basis of the algorithm, results of any analyses or tests to demonstrate that the algorithm is suitable for the intended application, rules for selection of algorithm coefficients or "seeds," and means of setting the algorithm coefficients or "seeds;"

617.02H(9) On the primary system software components submitted and subsequently placed in the field, each program shall be uniquely identified and either display version information at all times or utilize a user accessible function.

For EPROM based firmware, the identification label shall be placed over the UV window to avoid erasure or alteration of the program.

617.02H(10) Where a system requires the use of defined user roles with associated passwords or personal identification numbers (PIN), a default list of all users and passwords or PINs must be submitted, including a method to access the database.

617.02I A description of all testing criteria, if performed, and the results of the tests for the following:

617.02I(1) Random number generator;

617.02I(2) Electromechanical interference;

617.02I(3) Radio frequency interference;

617.02I(4) FCC standards;

617.02I(5) A.C. line noise;

617.02I(6) Static electricity; and

617.02I(7) Extreme temperature conditions.

617.03 The testing, examination, and analysis of lottery equipment may include entire dismantling of the equipment and may result in damage or destruction to one or more systems or components of the equipment. Once submitted, the lottery equipment may not be returned to the manufacturer-distributor unless otherwise authorized by the Department.

617.04 Upon the completion of the testing, examination, and analysis of the lottery equipment, the Department or its independent testing laboratory

shall provide the manufacturer-distributor with a report containing the findings, conclusions, and results of the tests. The report may contain recommendations for modifications to bring the lottery equipment into compliance with statutory and regulatory requirements. Prior to approving any lottery equipment, the Department may require a field test of the equipment for a period of up to 60 days. The equipment shall be field tested in a location in Nebraska where an approved and licensed lottery activity is being conducted. During the field test, the manufacturer-distributor shall not make any modifications to the lottery equipment unless previously approved by the Department.

617.04A The Department may order the termination of the test period, if it is determined that the manufacturer-distributor or the lottery location has not complied with the terms and conditions of the field testing procedure or the lottery equipment fails to meet the performance standards contained in these regulations.

617.04B If the test period is terminated due to the lottery location's failure to comply with the terms and conditions of the field testing procedure, the Department may order the test to be conducted at another lottery location.

617.04C A manufacturer-distributor may object to the termination of test period by filing a written objection with the Department. The filing of an objection shall not stay the termination of the test. If the Department fails to order the resumption of the field test within 60 days of the written objection, the objection will be deemed denied. If the Department sustains the objection, the field test may be resumed under terms approved or required by the Department.

617.05 Final approval or disapproval of the lottery equipment shall be made by the Department either upon the completion of the testing, examination, and analysis of the equipment by the Department or its independent testing laboratory or upon the completion of the field test, if required. Such determination shall be in writing and state the reasons for any disapproval. A manufacturer-distributor may appeal a disapproval determination of the Department provided such appeal is in writing and is filed with the Department within 30 days of the service of notice to the manufacturer-distributor of the Department's disapproval of the lottery equipment. The appeal shall set forth the basis for reconsideration of the disapproval including any applicable statutory or regulatory cites in support of reconsideration.

617.06 A manufacturer-distributor may not change the operational functions of previously approved lottery equipment for use in Nebraska unless the following conditions are met:

617.06A A request for modification to existing lottery equipment is made, on company letterhead, to the Department or its independent testing laboratory that contains information relating to the type of change, reason for change, and all documentation required in Reg-35-617.02 unless such documentation has not changed.

617.06A(1) Modifications to previously approved hardware shall include:

617.06A(1)(a) Identification of the individual items being submitted (including part number);

617.06A(1)(b) A complete set of schematics, diagrams, data sheets, etc., describing the modification along with the reason for the change(s) for any manufacturer-distributor designed and built component; and

617.06A(1)(c) The updated or new hardware, a description and the method of connection to the original system or hardware components.

617.06A(2) Modifications to previously approved software shall include a description of the software change(s) and modules affected, and new source code for the entire program, if applicable.

617.06B In emergency cases, when a change is deemed necessary to prevent cheating or malfunction, temporary verbal approval may be requested prior to submitting a formal request for approval of a modification to existing lottery equipment. Any temporary approval must be followed within 15 days by a formal written request noting that temporary approval was given and include all documentation required in Reg-35-617.02.

617.06C All regulatory requirements that apply to the initial approval of lottery equipment shall also apply to a request for approval of a modification to existing lottery equipment unless waived in writing by the Department. The Department may also require a field test of any modification to existing lottery equipment in the same manner as may be required for an initial approval of lottery equipment.

617.06D The Department may authorize a field test of modifications to previously approved lottery equipment in advance of formal testing by its independent testing laboratory to determine whether a proposed modification resolves a problem intended to be corrected by the modification. The Department shall specify in its authorization the location(s) to be included in the field test and the duration of the field test. Upon satisfactory completion of the field test, the modification shall be submitted to the independent testing laboratory for formal testing and approval.

617.07 All lottery equipment placed in a lottery location must conform to the exact specifications of the lottery equipment tested and approved by the Department. Prior to the installation of any lottery equipment in a lottery establishment, the manufacturer-distributor shall provide the Department the following:

617.07A The serial number(s) of the lottery equipment to be installed;

617.07B The model number(s) of the lottery equipment to be installed;

617.07C The location(s) of the lottery establishment(s) where the lottery equipment will be installed; and

617.07D With respect to software, the version and release number.

617.08 A manufacturer-distributor shall provide similar information for all associated lottery equipment installed at a lottery location even though such equipment may not be subject to testing and approval by the Department.

617.09 Any replacements of lottery equipment at a lottery location shall be communicated to the Department by the manufacturer-distributor or lottery operator. Verbal notice shall be given to the Department within 24 hours of the installation. Written confirmation shall be provided within ten days of the installation and include the information required in Reg-35-617.07 and an explanation of the reason(s) for replacement of the lottery equipment.

617.10 A manufacturer-distributor or its authorized service personnel shall not alter the operation of approved and installed lottery equipment and shall maintain the equipment in the manner and condition approved by the Department. The manufacturer-distributor or its authorized service personnel shall maintain a record of all nonroutine maintenance of the lottery equipment and any required replacement parts. This record may be requested by the Department at any time. For the purpose of this regulation, the definition of nonroutine maintenance in Reg-35-614.03 shall apply.

617.11 The Department shall have discretionary authority to conditionally approve lottery equipment subject to the following:

617.11A Final approval of the lottery equipment is contingent upon the satisfactory testing, examination, and analysis of the equipment as set forth in Reg-35-617.02.

617.11B Conditional or final approval may be withdrawn by the Department upon a determination that the lottery equipment does not conform to the statutory and regulatory requirements for lottery equipment and test criteria established by the Department, including new or revised requirements that differ from those in effect at the time conditional or final approval was granted.

617.11C Conditional approval may be granted only upon receipt by the Department or its independent testing laboratory of the information prescribed in Reg-35-617.02. No business other than a licensed manufacturer-distributor may request conditional approval of lottery equipment.

617.12 If the Department subsequently determines that lottery equipment previously granted conditional approval does not meet the statutory and

regulatory requirements, the manufacturer-distributor shall immediately, upon receipt of the Department's notice of disapproval, remove the lottery equipment from any and all lottery locations wherein such equipment has been installed.

617.12A If new rules are adopted which cause previously approved or conditionally approved equipment to no longer be in compliance with statutory and regulatory requirements, the Department may allow up to 120 days for the manufacturer-distributor to modify the equipment and bring the equipment into compliance. Under these circumstances, the Department shall have discretionary authority to allow the continued use of the lottery equipment while such modifications are being made.

617.12A(1) Notwithstanding the requirements of Reg-35-617.12A, any lottery equipment which has been approved for use in Nebraska prior to the effective date of these regulations and which is no longer in compliance with the statutory and regulatory requirements for lottery equipment or the test criteria established by the Department may, with the approval of the Department, continue to be used until such time as a modification is otherwise required by the manufacturer-distributor. In conjunction with such modification, the manufacturer-distributor shall include all technical changes identified by the Department which are necessary in order for the lottery equipment to be compliant.

617.13 Technical Standards for Lottery Equipment.

617.13A Hardware Requirements.

617.13A(1) All electrical and mechanical parts and design principles shall follow acceptable industrial codes and standards in both design and manufacture.

617.13A(2) Logic boards and software EPROMs must be in a locked or sealed area within the machine, or in a separate machine. No access to this area is allowed by individuals other than the manufacturer-distributor's service personnel, other service personnel authorized by the manufacturer-distributor, or as provided for in Reg-35-614.04. Any unauthorized tampering or entrance into the logic area is prohibited.

617.13A(3) All EPROMs must have unique serial numbers that may be used to identify the EPROM for approval and inspection purposes. All logic boards must have unique serial numbers or model numbers for approval or inspection purposes.

617.13A(4) A machine must have a nonremovable identification label externally attached to the machine which shall include the name of the manufacturer-distributor, the serial number of the machine, the model or make of the machine, and any other information required by the Department.

617.13B Safety Requirements.

617.13B(1) Lottery equipment must not present a physical, mechanical, electrical, or fire hazard when used in its intended mode of operation. The device must be designed in such a manner that the operator or public is not exposed to any safety hazards.

617.13C Machine Protection and Integrity.

617.13C(1) A surge protector that feeds all power to the equipment must be installed. A uninterruptible power supply (UPS) must also be installed to insure the retention of all game data during power fluctuations and loss. The UPS must be in a state of charge during normal operation of the equipment.

617.13C(2) The operation of the lottery equipment must be unaffected by influences from outside including, but not limited to, electro-magnetic interference, electro-static interference, and radio frequency interference.

617.13C(3) All computer functions and programs must be secured in a locked and protective housing.

617.13C(4) The design of the lottery equipment shall ensure that there are no readily accessible game function related points which would allow any input and that there is no access to input or output circuits unless it is necessary for the proper operation of the equipment. No switches or other controlling devices may be added to the machine that would cause the machine to operate in a manner other than in which it is designed to play.

617.13C(5) The random number generator and random selection process must be impervious to influences from outside the device including, but not limited to, electro-magnetic interference, electro-static interference, and radio frequency interference. The lottery equipment must use appropriate communication protocols to protect the random number generator and random selection process from influence by associated equipment which is conducting data communications with the lottery equipment.

617.13C(5)(a) Lottery equipment which is used in a satellite configuration with on-line communications capability between the main location and satellite locations must include appropriate communication protocols to safeguard the integrity of the information transmitted between sites, prevent unauthorized interception and use of transmitted data, and access to the computer and computer software via electronic communications equipment. Encryption systems, message authentication, and network access control systems are methods of protecting transmitted data. An application for approval of lottery equipment shall include a complete, comprehensive, and

technically accurate description and explanation in both technical and layman's terms of the manner in which the system communicates between the main location and the satellite locations.

617.13C(6) Lottery equipment must be capable of detecting and recording errors in the system such as a disk drive error or a communications problem including date and time of each occurrence. Lottery equipment must be capable of continuing the current game with all current game features after a machine malfunction or communication error is cleared and corrected.

617.13D Software Requirements.

617.13D(1) The logic of the hardware or software may not interfere with the approved random number generator software.

617.13D(2) Machine programs shall be capable of detecting corruption and shall provide an error message due to failure of the program storage media and cause the machine to cease play until corrected.

617.13D(3) All programs residing in the equipment must be contained in a storage media which is not alterable through any use of the circuitry or programming of the machine itself.

617.13E Retention of Game Data.

617.13E(1) Lottery equipment shall be capable of retaining the information required in Reg-35-613, 35-615, and 35-622. This data may be retained electronically or mechanically or any combination thereof.

617.13E(2) No lottery equipment shall have a mechanism whereby an error will cause the game data to automatically clear. Game data must be maintained at all times, regardless of whether the machine is being supplied with power.

617.13E(3) Game data must be stored in such a way as to prevent loss of the data when replacing parts or modules during normal maintenance.

617.13E(4) All keno systems shall incorporate the use of fault tolerant technology or an alternative method approved by the Department to insure the retention of game data in the event of hard drive failure or network failure.

617.13F Random Number Generator.

617.13F(1) If number selection is by random number generator, each possible combination of numbers which produce winning or losing game outcomes must be available for random selection at the

initiation of each game. The random selection process must not produce any patterns of game outcomes, or be dependent upon any previous number selections or game outcomes, the amount wagered, or upon the style or method of play. At a minimum, the random values produced by the random number generator shall pass the 95 percent confidence level for the following tests:

617.13F(2) Each number position must satisfy the 95 percent confidence level using the standard chi-squared analysis. "Chi-squared analysis" is the sum of the squares of the difference between the expected result and the observed result. "Number position" means first number drawn, second number drawn in sequential order, up to the 20th number drawn.

617.13F(3) Each number position does not produce a significant statistic with regard to producing patterns of occurrences. Each number position will be considered random if it meets the 95 percent confidence level with regard to the "runs test" or any similar pattern testing statistic. The "runs test" is a mathematical statistic that determines the existence of recurring patterns within a set of data.

617.13F(4) Each number position is independently chosen without regard to any other number drawn within that game play. This test is the "correlation test." Each pair of number positions is considered random if the pair meets the 95 percent confidence level using standard correlation analysis.

617.13F(5) Each number position is independently chosen without reference to the same number position in the previous game. This test is the "serial correlation test." Each number position is considered random if it meets the 95 percent confidence level using the standard serial correlation analysis.

617.13G Printer.

617.13G(1) The numbers that the player selects shall be displayed on a printed ticket. The ticket must display all of the information required in Reg-35-613.

617.13G(2) Printer mechanisms shall have a paper sensing device that upon sensing a "paper low" condition will allow the printer to finish printing the ticket and then prevent further ticket writing.

617.13G(3) A keno system must recognize a printer power loss occurrence and cease play until power has been restored to the printer and the printer is capable of producing a valid ticket.

617.13G(4) Printed game data or shift data must be printed in ink and on paper stock that will remain legible throughout the retention period required by the Department. The use of thermal printers is permissible subject to the same requirements for record retention.

617.13H Keno Balls.

617.13H(1) If keno balls are used for number selection, two entire sets of the balls shall be submitted to the Department by the manufacturer-distributor for testing. All keno balls shall be essentially the same in size, shape, weight, balance, and all other characteristics so that at all times during the number selection process, each ball possesses the capacity for equal agitation with any other ball within the receptacle.

REG-35-618 Sales Outlet Locations

618.01 Any individual, sole proprietorship, partnership, limited liability company, corporation, nonprofit organization, or nonprofit corporation that has contracted with a lottery operator to allow a lottery to be conducted at their location on behalf of a county, city, or village must apply for and obtain a sales outlet location license from the Department. A sales outlet location license is required for a satellite location which is connected to the main location and an independent location running a separate lottery. This includes any business which only provides space to the county, city, village, or lottery operator for a satellite location or an independent location, even if the leased space is only a portion of the business location and is staffed by the county, city, village, or lottery operator.

618.01A In the case of a joint lottery conducted pursuant to an interlocal cooperation agreement in which each county, city, or village operates an independent game location, a sales outlet location license is required of each business location for the county, city, or village in which the independent game is located.

618.01B In the case of a joint lottery conducted pursuant to an interlocal cooperation agreement in which each county, city, or village operates a satellite location, a sales outlet location license is required of each business location for each county, city, or village included in the joint lottery activity.

618.01C If a lottery operator leases a portion of a business location to operate keno as a satellite location or an independent location, the business location must obtain a sales outlet location license. Notwithstanding the provisions of this regulation, any individual, sole proprietorship, partnership, limited liability company, corporation, nonprofit organization, or nonprofit corporation which leases space to a lottery operator to allow a lottery to be conducted at their location on behalf of a county, city, or village whose only business involvement at the location is a landlord and tenant relationship with the lottery operator is not required to apply for and obtain a sales outlet location license from the Department.

618.02 Although the lottery operator has overall responsibility for the daily operation of the lottery, many of the specific functions or tasks associated with the lottery are often performed by the sales outlet location. These

functions or tasks may include, but are not limited to, maintenance of the lottery location, staffing, record keeping, conduct of the lottery, prize payments to winners, and providing or leasing space to the lottery operator, all as specified in the written agreement between the lottery operator and the sales outlet location.

618.02A A sales outlet location is selected by the lottery operator to conduct the lottery on behalf of the county, city, or village. A written contract commonly referred to as a site location agreement or location lease is executed by the lottery operator and the sales outlet location setting forth the obligations and responsibilities of both parties.

618.02B The sales outlet location must also be approved by the governing body of the county, city, or village in accordance with the county, city, or village's previously adopted sales outlet location qualification standards. The license is unique to the individuals involved in the location and the county, city, or village's approval is to be based on the individual owners and/or officers, not solely the address or trade name of the location.

618.02B(1) The county, city, or village shall provide a copy of the sales outlet location qualification standards to the Department within 30 days of their adoption. Should the standards be revised after initial adoption, a copy of the revised standards is to be provided the Department along with copies of the county, city, or village approval of each existing sales outlet location based on the newly adopted standards.

618.02B(2) The county, city, or village approval of each sales outlet location shall be provided to the Department by the county, city, or village within 30 days of such approval.

618.03 No individual, sole proprietorship, partnership, limited liability company, corporation, nonprofit association, or nonprofit corporation shall conduct a lottery as a sales outlet location without having first obtained a sales outlet location's license from the Department. Such license shall be applied for using the Nebraska Schedule II - County/City Sales Outlet Location Application, Form 50G. In addition to the information required on the application form, each applicant shall provide the following:

618.03A Two completed fingerprint cards for each individual who has an ownership interest, either directly or indirectly, in the applicant. If a sole proprietorship, by the individual owner and spouse. If a partnership, by each partner and spouse and any officer or director of the partnership. If a limited liability company, by each member and spouse. If a corporation, by each officer and spouse and each individual who owns 10 percent or more of the debt or equity of the corporation. If a nonprofit organization or nonprofit corporation, by the manager.

618.03A(1) Completion of the two fingerprint cards by a spouse may be waived if such individual has no proprietary interest, directly or indirectly, in the operation or profit derived from the activities of his

or her spouse as a corporate stockholder, corporate debt holder, corporate officer, corporate director, limited liability company member, or partner of a sales outlet location. An Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record for Charitable Gaming License Application must be completed, notarized, and submitted for each individual.

618.03A(2) The fingerprinting requirement for an applicant may be waived if the Nebraska Liquor Control Commission has received fingerprint reports on the applicant within the past two years of the filing date of the Schedule II or if the license issued by the Nebraska Liquor Control Commission has been continuously maintained since documented fingerprints were filed to obtain such license.

618.03A(3) The fingerprinting requirement shall be waived for any debt holder of the applicant which is a financial institution organized or chartered under the laws of Nebraska, any other state, or the United States relating to banks, savings institutions, trust companies, savings and loan associations, credit unions, and installment loan licensees, or similar associations organized under the laws of this state which are subject to supervision by the Department of Banking and Finance.

618.03A(4) Two sets of fingerprints on cards supplied by the Department and the required processing fees must be submitted to the Nebraska State Patrol.

618.03B A copy of the county, city, or village approval of the sales outlet location based on the adopted sales outlet location qualification standards.

618.03C A copy of the current contract or lease between the lottery operator and the sales outlet location.

618.04 The Department must be informed within 30 days after the licensee learns of any inaccuracies or makes any changes in the information supplied by the licensee in its most recent filing with the Department. Changes that will not require a new license to be issued can be reported by filing an amended application and identifying only the information to be changed. All requests for changes must be signed by an owner, partner, limited liability company member, corporate officer, or individual authorized by Power of Attorney on file with the Department and by a representative of the county, city, or village.

618.05 A sales outlet location is not considered licensed until such time it has physical possession of the printed license issued by the Department.

618.05A The current original sales outlet location's license(s) issued by the Department must be prominently posted at the licensed location. A reproduced copy of the license shall not be substituted for the original(s).

618.05A(1) A sales outlet location whose license has been lost, stolen, or destroyed must notify the Department as soon as possible. A duplicate license for the sales outlet location will be issued.

618.05A(2) A sales outlet location which is no longer under contract with the lottery operator or is no longer approved by the county, city, or village for which it is licensed or which no longer desires to be licensed shall notify the Department, in writing, of its intention to cancel the license. Such notification must be accompanied by the original license. In the event that a sales outlet location's license is suspended, canceled, or revoked, the sales outlet shall surrender physical possession of its license immediately upon receipt of the order of suspension, cancellation or revocation. In the case of suspension, the Department shall return the license to the county, city, or village at the end of the suspension period. In the case of cancellation, the former licensee may reapply for a license when the period of cancellation has expired. In the case of revocation, the former licensee may not reapply for any license at any time in the future under the Nebraska County and City Lottery Act.

618.05A(3) If a licensee has successfully appealed an order of suspension, revocation, or cancellation, the Department shall return the license which had been surrendered to the Department.

618.06 All sales outlet location licenses shall expire on May 31 of every even-numbered year and may be renewed biennially.

618.06A Applications for renewal of a sales outlet location license shall be submitted to the Department on the prescribed form at least 60 days prior to the expiration date of the license.

618.07 A sales outlet location's license may not be transferred under any circumstance including change of ownership. If a change of ownership occurs, a new sales outlet location's license must be applied for and include a copy of the county, city, or village's approval of the new ownership of the sales outlet location and the new sales outlet location's contract with the lottery operator.

618.07A The following changes of ownership are to be reported by the county, city, or village, lottery operator, or sales outlet location when they occur:

618.07A(1) For a partnership, whenever a new partner is added to the partnership. If the same partnership continues in existence, an amended application is to be filed. Otherwise, a new application is to be submitted.

618.07A(2) For a limited liability company, whenever a new member is added to the limited liability company. If the same limited liability company continues in existence, an amended application is to be filed. Otherwise, a new application is to be submitted.

618.07A(3) For a corporation, whenever a change of ownership of shareholders or equity holders in the corporation results in any person becoming a holder directly or indirectly of 10 percent or more of any class of stock or equity interest in the corporation who did not hold such interest prior to the change in ownership and the same corporation continues in existence, an amended application is to be filed. Otherwise, a new application is to be submitted.

618.07A(4) For a nonprofit organization or nonprofit corporation, when any changes are made in the manager or officers. Since the same nonprofit organization or nonprofit corporation continues in existence, an amended application is to be filed.

618.07B When a change of ownership of a business licensed as a sales outlet location is anticipated, the current owner of the sales outlet location may designate the party purchasing the business as his or her agent. In order to be designated as an agent, the following criteria must be satisfied:

618.07B(1) A Nebraska Schedule II - County/City Lottery Sales Outlet Location Application, Form 50G, must be on file with the Department;

618.07B(2) A Temporary Agency Agreement on a form prescribed by the Department must be filed with the Nebraska Schedule II;

618.07B(2)(a) The Temporary Agency Agreement must be approved by the Department and a copy returned to the sales outlet for posting with the current sales outlet license.

618.07B(2)(b) A Temporary Agency Agreement is not effective without the Department's approval.

618.07B(3) Throughout the duration of the temporary agency agreement, the designated agent may operate the lottery using the current sales outlet's license with the licensed sales outlet fully responsible to the county, city, or village and to the state for the proper operation of the lottery until such time as the new sales outlet location is licensed;

618.07B(4) Temporary agency agreements for sales outlet locations may not exceed 120 days;

618.07C The following are changes to a sales outlet location licensee that are to be reported promptly:

618.07C(1) For a sole proprietorship, the death of the owner or the owner's spouse, or the marriage or divorce of the owner.

618.07C(2) For a partnership, the death of one or more of the partners or partner's spouse, or the marriage or divorce of one or

more of the partners.

618.07C(3) For a limited liability company, the death of one or more of the members or member's spouse, or the marriage or divorce of one or more of the members.

618.07C(4) For a corporation, the death of an officer or director, or the marriage or divorce of an existing officer or director of the corporation.

618.07C(5) For a nonprofit organization or nonprofit corporation, any change in manager, officers, or directors of the nonprofit.

618.07D To report these other changes, the licensee or licensee's representative is to provide:

618.07D(1) In the case of death, if applicable, a copy of the court appointment of the Personal Representative, executor, administrator, or trustee.

618.07D(1)(a) The Personal Representative, executor, administrator, or trustee appointment will be valid for a sales outlet location license for a period not to exceed the shorter of (1) the expiration of the existing sales outlet location license, (2) the expiration of the existing site location agreement or location lease, or (3) one year.

618.07D(1)(b) A revised expiration date may be requested in writing with adequate documentation to indicate why the ownership of the licensed business could not change hands within the specified period. The prior written approval of such revision by the Department is required.

618.07D(2) In the case of marriage, the spouse's name, social security number, address, and date of birth are to be provided with the applicable pair of fingerprint cards or the Affidavit by Spouse for Waiver of Fingerprinting and/or Personal History Record for Charitable Gaming License Application. If fingerprints are required, the fingerprint cards and the required processing fees must be submitted to the Nebraska State Patrol.

618.07D(3) In the case of divorce, a copy of the decree and property settlement agreement or other legal documentation showing the deletion of the spouse's name from the business holding the sales outlet location license.

618.08 A business licensed as a sales outlet location may apply for and obtain licenses to conduct other activities pursuant to the Nebraska Bingo Act and the Nebraska Pickle Card Lottery Act, subject to the statutory limitations and eligibility criteria of those acts. However, a business licensed as a sales outlet location may not hold a license as a manufacturer or distributor pursuant to the Nebraska Bingo Act or the Nebraska Pickle Card

Lottery Act or as a manufacturer-distributor pursuant to the Nebraska County and City Lottery Act. No sole proprietor, partner in a partnership, member in a limited liability company, officer or director of a corporation, or individual with a substantial interest in the person which is applying for or holds a sales outlet location license shall have a substantial interest in any person licensed as a manufacturer or distributor of bingo equipment and supplies, as a manufacturer or distributor of pickle card units and punchboards, or as a manufacturer-distributor of lottery equipment and supplies.

618.09 All purchases of lottery supplies in Nebraska are subject to the Nebraska sales or use tax. A sales outlet location which purchases lottery supplies from a manufacturer-distributor which is not required to collect the Nebraska sales or use tax must report and pay a use tax to the Department on all such purchases.

618.09A A sales outlet location may not use the sales tax-exempt status of a county, city, or village to avoid the payment of any applicable sales or use tax on the purchase of lottery supplies.

REG-35-619 Lottery Workers

619.01 Any individual who performs any duties that are within the definition of a lottery worker, must complete a Nebraska Schedule III - County/City Lottery Worker Application, Form 50G.

619.01A Individuals who are required to file a Nebraska Schedule III include, but are not limited to, the following:

619.01A(1) Any individual, except one who acts solely as a keno writer, who performs work directly related to the conduct of a lottery, even though the individual may not be an actual employee of the county, city, village, lottery operator, or sales outlet location;

619.01A(2) Any employee or agent of the county, city, or village who is involved with the record keeping of the lottery activity. Normally, this includes county, city, or village clerks and treasurers, as well as individuals who have administrative responsibilities for the lottery; and

619.01A(3) In the case of lottery operators and sales outlet locations, any individual with an ownership interest if the individual is involved in the day-to-day conduct of the lottery, except individuals acting solely as keno writers.

619.01B The following individuals are not required to file a Nebraska Schedule III:

619.01B(1) Individuals whose sole responsibilities are as keno writers;

619.01B(2) Individuals whose sole responsibilities relate to concession activities or the sale of pickle cards at the location;

619.01B(3) Individuals whose sole responsibilities are as custodial or maintenance personnel at the location;

619.01B(4) Individuals whose sole responsibilities are for security at the location if the security service is provided by a third-party professional security contractor; or

619.01B(5) Individuals with whom the county, city, or village contracts to provide bookkeeping, accounting, or auditing services. This includes outside individuals compiling information for tax returns or reports for the county/city lottery.

619.01C If an individual works or intends to work as a lottery worker for more than one county, city, or village lottery, a separate Nebraska Schedule III must be filed for each county, city, or village unless otherwise authorized by the Department.

619.01D An individual must be at least 19 years of age to be eligible for a lottery worker license.

619.02 A Nebraska Schedule III must be on file with the Department prior to any individual beginning his or her duties as a lottery worker. Once a Nebraska Schedule III is on file with the Department, the individual may begin performing duties as a lottery worker and is considered to be acting under a 120-day probationary license.

619.02A The Nebraska Schedule III will be considered on file with the Department when it has been received by the Department or, if mailed, when it is postmarked. The Nebraska Schedule III will also be considered on file when electronically transmitted to the Department, provided the physical application is received by the Department within 10 days after the date it was electronically transmitted.

619.02A(1) A Nebraska Schedule III that is electronically transmitted but not physically received by the Department within 10 days after the electronic transmission is not considered filed. The county, city, village, authorized representative, or lottery operator is responsible for confirming that the application was actually received by the Department within 10 days. If it was not received within 10 days, the lottery worker applicant must cease performing any duties for the lottery until a Nebraska Schedule III is received by the Department.

619.02A(2) If the tenth day falls on a Saturday, Sunday, or legal holiday, the time period expires on the next business day.

619.02B The Nebraska Schedule III will be considered properly completed if accurate and legible entries are made for all required fields and the required signatures are affixed.

619.02B(1) A governing official of the county, city, or village or an authorized representative of the county, city, or village as defined in Reg-35-600.02B must sign the Nebraska Schedule III, signifying that the governing official or authorized representative has examined the completed Nebraska Schedule III and approved the Nebraska Schedule III for submission to the Department.

619.02B(2) All information requested on the Nebraska Schedule III must be properly completed.

619.02C An incomplete Nebraska Schedule III will be returned to the county, city, village, or authorized representative of the county, city, or village. If the Nebraska Schedule III is returned, the lottery worker applicant cannot perform any duties for the lottery until a properly completed Nebraska Schedule III is received by the Department.

619.03 In addition to the information required on the Nebraska Schedule III, an applicant who is designated as a keno manager or who has the authority to verify winning number selection by an electrically-operated blower machine must be fingerprinted for criminal background investigation purposes. Lottery workers licensed as of July 20, 2002 are not required to be fingerprinted as long as they remain actively licensed.

619.03A The fingerprinting requirement for an applicant may be waived if the Nebraska Liquor Control Commission has received fingerprint reports on the applicant within the two years preceding the filing date of the Nebraska Schedule III, or if the license issued by the Nebraska Liquor Control Commission has been continuously maintained since documented fingerprints were filed to obtain a license.

619.03B The applicant must promptly submit two sets of completed fingerprint cards and the required processing fees to the Department. Blank fingerprint cards are available from the Department.

619.03C The Department must receive the fingerprint reports from the Nebraska State Patrol prior to the expiration of the 120-day probationary license or the lottery worker's application will be denied.

619.04 If a lottery worker license applicant has: (a) been convicted of or forfeited bond upon a charge of, any felony within ten years preceding the date the Nebraska Schedule III is filed; (b) been convicted of or forfeited a bond upon a charge of any felony or misdemeanor involving fraud, theft, or any gambling activity at any time; (c) willfully failed to make required payments or reports; or (d) filed false reports with a governmental agency at any level; the applicant must furnish the Department the following information for each incident to the extent that it is available to the applicant:

619.04A The date and place each incident occurred;

619.04B The court case or docket number under which it is filed;

619.04C The original charge and ultimate disposition of the matter; and

619.04D A description of the events which are the subject of the incident.

619.05 If the Department determines that a false or incorrect response has been made on the Nebraska Schedule III to the questions regarding prior criminal activities, the applicant may be disqualified from being a lottery worker for falsifying information on the Nebraska Schedule III.

619.06 Once a Nebraska Schedule III has been filed with the Department, the applicant will be granted a probationary license to perform work directly related to the conduct of a lottery.

619.06A A probationary license is valid for a period of 120 days from the date the Nebraska Schedule III is filed with the Department, unless:

619.06A(1) The applicant is subsequently disqualified;

619.06A(2) The Department returns the Nebraska Schedule III because it is incomplete; or

619.06A(3) The license application is denied by the Department.

619.06B If a notice of disqualification or the notice of intent to deny a license has not been issued by the Department prior to the expiration of the probationary period, the applicant is considered licensed to perform work directly related to the conduct of a lottery

619.06B(1) Notice of the Department's intent to deny will be sent to the applicant, the county, city, or village, the lottery operator, and, if applicable, the sales outlet location. The individual may continue performing his or her duties for the lottery until the denial becomes final.

619.06B(2) Notice of an applicant's disqualification will be sent to the applicant, the county, city, or village, the lottery operator, and, if applicable, the sales outlet location. Upon receiving the notification of disqualification, the individual must cease working with the lottery immediately.

619.07 Every lottery worker licensee must keep the information on the Nebraska Schedule III filed with the Department current. All changes must be reported on a Nebraska Schedule III, marked "Report Changes", and signed by the lottery worker licensee and a governing official or authorized representative of the county, city, or village.

619.07A The report must be made within 30 days after the lottery worker licensee learns of any inaccuracies or has any changes in the information supplied by the lottery worker licensee in his or her most recent application filed with the Department. Reportable changes

include, but are not limited to: a new surname; a new street or mailing address; new duties; any new conviction; bond forfeiture; guilty plea; or nolo contendere plea to any felony or to any felony or misdemeanor involving fraud, theft, or any gambling activity; willful failure to make required payments or reports; or filing false reports to a governmental agency at any level.

619.07B If an individual licensed as a lottery worker is no longer working for the county, city, village, or lottery operator for which the license was obtained, or for any sales outlet location with which the county, city, village, or lottery operator contracts, the license is no longer valid. This may be reported to the Department by the county, city, village, or lottery operator on a Nebraska Schedule III marked "Inactive." The signature of the lottery worker licensee is not required.

619.07B(1) Seasonal, periodic, or emergency workers may maintain a valid license although not actively working on a regular basis. Once it is known that an individual will not return to work, the Nebraska Schedule III marked "Inactive" may be filed.

619.08 All lottery worker licenses expire on May 31 of every odd-numbered year and may be renewed biennially.

619.08A Applications for renewal of a lottery worker license must be submitted to the Department electronically or on the Nebraska Schedule III at least 60 days prior to the expiration date of the license.

619.08B A lottery worker's license is not transferrable.

619.09 An individual acting as a keno writer or licensed as a lottery worker under the Nebraska County and City Lottery Act cannot be connected with or interested in, directly or indirectly, any individual, sole proprietorship, partnership, limited liability company, corporation, or other party licensed as a distributor, manufacturer, or manufacturer-distributor under Neb. Rev. Stat. §§ 9-255.07, 9-255.09, 9-330, 9-332, or 9-632.

REG-35-620 Proration and Refund of License Fees

620.01 The fees paid pursuant to the Nebraska County and City Lottery Act for any license issued to a county, city, village, or lottery operator are due in full for the biennial licensing period. A license fee may be prorated or refunded by the Department on an annual basis under the following circumstances:

620.01A If a new application for a county, city, village, or lottery operator license is received by the Department for a license which will become effective on or after June 1 of the second year of the biennial licensing period, the applicable license fee shall be one-half of the biennial fee.

620.01B If a new application for a county, city, village, or lottery operator license is received by the Department for a license which will

become effective prior to June 1 of the second year of the biennial licensing period, no proration of the license fee shall be allowed.

620.01C In the event a license application for a county, city, village, or lottery operator is denied and a temporary license was issued to the applicant prior to the effective date of the license application denial, one-half of the biennial license fee paid by the applicant may be refunded provided the effective date of the license application denial is prior to June 1 of the second year of the biennial licensing period.

620.01D In the event a license application for a county, city, village, or lottery operator is denied and a temporary license was not issued or a license application is withdrawn, the license fees paid by the applicant may be refunded.

620.02 The fees paid pursuant to the Nebraska County and City Lottery Act for any license issued to a manufacturer-distributor are due in full for the biennial licensing period. A license fee may be prorated or refunded by the Department on an annual basis under the following circumstances:

620.02A If a new application for a manufacturer-distributor license is received by the Department for a license which will become effective on or after October 1 of the second year of the biennial licensing period, the applicable license fee shall be one-half of the biennial fee.

620.02B If a new application for a manufacturer-distributor license is received by the Department for a license which will become effective prior to October 1 of the second year of the biennial licensing period, no proration of the license fee shall be allowed.

620.02C In the event a license application for a manufacturer-distributor is denied and a temporary license was issued to the applicant prior to the effective date of the license application denial, one-half of the biennial license fee paid by the applicant may be refunded, provided the effective date of the license application denial is prior to October 1 of the second year of the biennial licensing period.

620.02D In the event a license application for a manufacturer-distributor is denied and a temporary license was not issued or a license application is withdrawn, the license fees paid by the applicant may be refunded.

620.02E The Department may apply the portion of any manufacturer-distributor's license fee to be refunded to any amount owed by the licensee or applicant with respect to a background investigation or facility inspection conducted by the Department.

620.03 No license fee paid pursuant to the Nebraska County and City Lottery Act may be refunded for any portion of the licensing period in which a license was not used unless otherwise authorized by the Department.

620.04 In the event a license issued pursuant to the Nebraska County and City Lottery Act is suspended, cancelled, or revoked by the Department, no

portion of the license fee shall be refunded unless otherwise authorized by the Department.

REG-35-621 Automated Ball Draw System

621.01 For the purposes of this regulation, the following definitions apply:

621.01A Automated ball draw system means a mechanical and electronic system consisting of machine readable keno balls, an electronic blower device, ball calling unit, glass bowl, control unit, and vision system which:

621.01A(1) Selects the winning numbers for the keno game after the keno operator informs the keno system to begin a new game;

621.01A(2) Reads the number of the keno ball by use of the vision system; and

621.01A(3) Electronically transmits the number to the keno system as if the keno operator had manually entered the number into the system after confirmation by the vision system of the ball number read.

621.01B No Read condition means the automated ball draw system is unable to read the number of the keno ball.

621.01C Misread condition means the automated ball draw system reads the number of the keno ball incorrectly. The number of the ball selected as it appears in the ball calling unit is not the same as the number of the ball transmitted electronically to the keno system.

621.01D Keno management personnel means management or administrative personnel of the lottery operator other than an on-site shift manager or shift supervisor in charge of the daily operation of the keno game.

621.01E Selected ball means the keno ball selected by the automated ball draw system for a particular wheel position in a particular game. A keno ball is selected when the number of the ball has been electronically transmitted to and recorded by the keno system and the wheel has advanced to the next empty position.

621.02 An automated ball draw system and related keno system software may be sold, leased, rented, or otherwise provided in Nebraska only by a licensed manufacturer-distributor of lottery equipment. Unless otherwise authorized by the Department, no automated ball draw system and related keno system software may be sold, leased, rented, or otherwise provided in this state for use in a keno lottery conducted pursuant to the Nebraska County and City Lottery Act unless and until the automated ball draw system and related keno system software has been approved by the Department. Approval is based on conformance with the written requirements of this regulation and any other test criteria established by the

Department for the testing and evaluation of these types of systems.

621.03 A licensed manufacturer-distributor seeking approval of an automated ball draw system and related keno system software must adhere to the requirements of County and City Lottery Reg-35-617 relating to the submission of lottery equipment for testing and approval.

621.04 The vision system consisting of a computer, monitor, and camera may be used only for system set up, monitoring of system performance, and system adjustments and may not perform any functions related to the conduct of the keno lottery except for reading the numbers of the keno balls and electronic transmission of the numbers read either directly or through an approved interface unit to a keno system approved for use in Nebraska.

621.04A The vision system may be maintained only by the manufacturer-distributor of the automated ball draw system or its authorized representative, and operated only by the keno manager on duty.

621.04B The camera which reads the numbers of the keno balls must be secured in a locked box or by other means approved by the Department and accessed solely for system set up, adjustments, and required system maintenance by an authorized representative of the licensed manufacturer-distributor of the automated ball draw system or an authorized representative of the lottery operator or sponsoring county, city, or village. The key for a locked box arrangement must be secured by management personnel when not in use.

621.04C The keno balls used in conjunction with the automated ball draw system must be supplied by the licensed manufacturer-distributor of the automated ball draw system and approved for use by the Department. The keno balls may be supplied by another licensed manufacturer-distributor of lottery equipment if the keno balls meet the specifications of the licensed manufacturer-distributor of the automated ball draw system and have been approved for use by the Department.

621.05 In addition to the technical standards for lottery equipment prescribed in County and City Lottery Reg-35-617.13, all keno systems which communicate directly or through an approved interface unit with an automated ball draw system must include the following characteristics:

621.05A The use of an automated ball draw system for winning number selection must be an option in the system configuration menu which can be enabled only by the licensed manufacturer-distributor of the keno system, its authorized representative, or keno management personnel with appropriate password authorization.

621.05B All access to the system configuration menu to enable or disable the automated ball draw system must be recorded on the system exception log.

621.05C When the blower is activated on the automated ball draw system, it must send a message to the keno system and receive an acknowledgment which is recorded on the transaction log or system exception log. The transaction log must also reflect that winning number selection for the game was performed by an automated ball draw system.

621.05D All numbers selected must be sent to the keno system and recorded on the transaction log for the current game number. If there are not any No Read conditions detected during the winning number selection process, the keno system must verify that no two numbers are the same. If 20 unique numbers are reported, the system records the draw as official and calculates the game results in the same manner as any other method of winning number selection.

621.05E If a No Read condition occurs during the winning number selection process or duplicate numbers are supplied to the system, the system must alert the operator of the condition and require the operator to intervene and make the appropriate corrections to the draw before the game is declared official. All No Read conditions and duplicate number occurrences which require operator intervention must be recorded on the transaction log or system exception log and summarized in an end of day report. The system must be capable of maintaining a cumulative record of these occurrences for periodic audit purposes;

621.05F Operator intervention to correct a No Read condition may only be performed with authorized password access and is limited to keno managers.

621.05G If operator intervention is required to correct a No Read condition, only the numbers not read or duplicate numbers can be changed. The keno system may not allow valid numbers to be changed. All corrections performed by the keno manager must be recorded on the transaction log or system exception log reflecting the ball position not read, the ball number entered, and the user identification number of the individual who made the change; for example, "Ball position 4 manually entered as number 36 by 999."

621.05H The edit ball draw feature of the keno system must be disabled when using an automated ball draw system for winning number selection.

621.05I If the automated ball draw system malfunctions due to component failure prior to the completion of the draw, the ball draw is invalid and the game must be redrawn after the malfunction has been remedied. All these occurrences must be recorded on the transaction log or system exception log with a notation that the game was redrawn. The operator may initiate a redraw of a game only with authorized password access by the keno manager.

621.05J If the keno system powers down or otherwise fails prior to the completion of the draw, the automated ball draw system must continue to send the numbers selected to the keno system until the keno system acknowledges receipt of the information. The keno system must be capable of resuming the winning number selection process from the point when the power went down or the system failed. The keno system must be equipped with an uninterrupted power source (UPS) to minimize the occurrence of power fluctuations or power loss. The UPS must meet the minimum specifications recommended by the licensed manufacturer-distributor of the keno system and must be of sufficient run time to enable the completion of the ball draw process during power fluctuations or power losses of short duration.

621.05K If the automated ball draw system powers down or otherwise fails prior to the completion of the draw and it drops all or any of the balls previously selected, the ball draw is invalid and the game must be redrawn after power has been restored to the system or the system is rendered operable again. For the operator to initiate a redraw of a game authorized password access by the keno manager is required. If the system is designed so that none of the balls previously selected are dropped, the ball draw can resume from the point when the power down or system failure occurred. All automated ball draw system interruptions must be recorded on the transaction log or system exception log. The automated ball draw system must be equipped with an UPS to minimize the occurrence of power fluctuations or power loss. The UPS must meet the minimum specifications recommended by the licensed manufacturer-distributor of the automated ball draw system and be of sufficient run time to enable the completion of the ball draw process during power fluctuations or power losses of short duration.

621.06 When winning numbers are selected using an automated ball draw system, number selection and verification must be conducted in the following manner:

621.06A After the keno manager informs the keno system to begin a new game, the ball numbers must be randomly selected by the automated ball draw system and electronically transmitted to the keno system either directly or through an approved interface unit.

621.06B Only one individual must be on duty when winning number selection is performed by use of an automated ball draw system. However, this individual must have at least keno manager responsibility.

621.06C Cameras must be used to videotape or digitally record the following prior to, during, and after calling a game, respectively:

621.06C(1) Empty ball calling unit;

621.06C(2) Date and time;

621.06C(3) Game number;

621.06C(4) Ball calling unit throat;

621.06C(5) The entire wheel and all ball numbers selected or each wheel position and each individual ball number selected; and

621.06C(6) The immediate work area where the automated ball draw system is located.

621.06D The videotape or the digital recording of the ball calling unit throat and each occupied wheel position must provide a legible identification of the numbers on the balls drawn. If a split image screen is used to accomplish the required views, each track must be capable of independent play in a full screen format.

621.06E If the game number can be determined by comparing the date and time display on the videotape or the digital recording to the date and time of the game recorded on the keno system transaction log the game number need not be videotaped or digitally recorded.

621.06F Videotapes or digital recordings must be retained for at least three months or until the keno compliance procedures are completed, whichever is later.

621.06G All security camera systems used in conjunction with an automated ball draw system must be inspected and approved by the Department prior to the use of the automated ball draw system.

621.06H The automated ball draw system must be configured by the licensed manufacturer-distributor of the system or by the licensed manufacturer-distributor of the keno system to render it inoperable when the video or digital recording device malfunctions or the video or digital recording device is out of recording capacity . These safeguards must be inspected and approved by the Department prior to the use of the automated ball draw system.

621.06I If a No Read condition occurs during the winning number selection process or duplicate numbers are supplied to the system, the keno system will alert the individual on duty and he or she, or another keno manager, must access the system with appropriate password authorization to make the appropriate corrections to the draw before the game is declared official. The individual on duty, or another keno manager, must determine the corrections to be made by visual observation of the wheel positions in the ball calling unit.

621.06J All No Read conditions and duplicate number occurrences which required operator intervention to correct must be reviewed by keno management personnel daily to insure that the corrections made were appropriate. This review may not be performed by the individuals on duty for the day or time being evaluated. This review must be accomplished by reviewing the video or digital recording of the applicable game's draw and determining that the corrections made were

appropriate. Any discrepancies noted must be communicated immediately to the Department and the sponsoring county, city, or village. Telephone, fax, email, or written communications are acceptable. This review may be performed at a location other than the location where the ball draw occurred. A written record of the daily review must be maintained by keno management personnel and include the game numbers reviewed, the results of the review, and the signatures of the individuals who performed the review.

621.06K If a Misread condition is detected during or after the completion of the draw but prior to closing the next game, the Department and the sponsoring county, city, or village must be notified immediately of the occurrence by telephone. The Department will determine the corrective action to be taken.

621.06L If the automated ball draw system malfunctions due to component failure prior to the completion of the draw, the ball draw is invalid and the game must be redrawn after the malfunction has been remedied. The keno manager must announce to players at the main location that a problem has been encountered during the ball draw and provide players the opportunity to request a refund of any single race tickets they have purchased for that game. Players with active multirace tickets may quit the race, be paid any accumulated winnings, and be refunded the amount wagered for games not played. All these occurrences must be recorded on the transaction log or system exception log with a notation that the game was redrawn. The keno manager may initiate a redraw of a game only after the problem has been corrected and all requested refunds and accumulated winnings on multirace tickets have been paid.

621.06L(1) If the problem which caused the failure of the automated ball draw system cannot be immediately remedied, the keno manager must announce to players at the main location that a problem has been encountered during the ball draw and provide players the opportunity to request a refund of any single race tickets they have purchased for that game. Players with active multirace tickets may quit the race, be paid any accumulated winnings, and be refunded the amount wagered for games not played. The keno game may be resumed with the approval of the sponsoring county, city, or village with an alternative method of winning number selection, either random number generator or manual ball draw. This circumstance is an emergency situation which must be reported to the Department within 24 hours of its occurrence. The change in the method of winning number selection must be performed in the system configuration menu by the licensed manufacturer-distributor of the keno system, its authorized representative, or keno management personnel with appropriate password authorization and must be recorded on the system exception log.

621.06L(2) Once the problem with the automated ball draw system has been corrected, the keno game may resume using the automated ball draw system. The automated ball draw method of

winning number selection will be reactivated in the manner prescribed in this regulation.

621.06M If the automated ball draw system powers down prior to the completion of the draw and it drops all or any of the balls previously selected, the ball draw is invalid and the game must be redrawn after power has been restored to the system. The keno manager must announce to players at the main location that a problem has been encountered during the ball draw and provide players the opportunity to request a refund of any single race tickets they have purchased for that game. Players with active multirace tickets may quit the race, be paid any accumulated winnings, and be refunded the amount wagered for games not played. All these occurrences must be recorded on the transaction log or system exception log with a notation that the game was redrawn. The keno manager may initiate a redraw of a game only after the problem has been corrected and all requested refunds and accumulated winnings on multirace tickets have been paid. If the system is designed so that none of the balls previously selected are dropped, the ball draw can resume from the point when the power down or system failure occurred.

621.06N If a ball splits in half during a ball draw selection process and one-half of the ball is selected or both halves are selected, the ball draw is invalid and the game must be redrawn after the damaged ball has been replaced. The keno manager must announce to players at the main location that a problem has been encountered during the ball draw and provide players the opportunity to request a refund of any single race tickets they have purchased for that game. Players with active multirace tickets may quit the race, be paid any accumulated winnings, and be refunded the amount wagered for games not played. The keno manager may initiate a redraw of a game only after the problem has been corrected and all requested refunds and accumulated winnings on multirace tickets have been paid. All these occurrences must be recorded on the transaction log or system exception log with a notation that the game was redrawn.

621.06O All winning ticket verifications must be performed in accordance with the requirements of County and City Lottery Reg-35-613.06.

621.06P A county, city, village, or lottery operator using an automated ball draw system for winning number selection may not deviate from the operational procedures in this regulation unless otherwise authorized by the Department based upon a written request from the county, city, village, or lottery operator describing the alternative procedures. A request made by a lottery operator must have the concurrence of the county, city, or village prior to submission to the Department.

621.07 To minimize the occurrence of No Read and Misread conditions, the keno manager:

621.07A Must inspect all keno balls for cleanliness and defects prior to use at the beginning of each day. Cracked balls and any balls on which the optical coding or numbers have been worn off must be replaced. The keno balls must be waxed periodically according to directions provided by the licensed manufacturer-distributor of the automated ball draw system. Back-up keno ball inventories must be maintained in a locked storage cabinet to prevent unauthorized access.

621.07B Must inspect and clean the ball calling unit periodically according to directions provided by the manufacturer-distributor of the automated ball draw system.

621.07C Must clean the glass lens on the camera inside the ball calling unit periodically according to directions provided by the manufacturer-distributor of the automated ball draw system.

621.08 A county, city, village, or lottery operator using an automated ball draw system for winning number selection must adhere to all other requirements of County and City Lottery Reg-35-614 relating to the maintenance of lottery equipment.

REG-35-622 Record Keeping and Reporting Requirements - Keno Lottery

622.01 In the case of a keno lottery, unless otherwise stated in these regulations, records shall be retained and disposed of by the county, city, or village as provided for in Schedule 59 - County/City Lottery Records approved by the Records Management Division of the Secretary of State's office.

622.02 In the case of a keno lottery conducted by a county, city, or village, the following information shall be reported to the Department on a quarterly basis:

622.02A The gross proceeds of the keno lottery for the reporting quarter;

622.02B The value of prizes paid for the reporting quarter;

622.02C Lottery operator commission(s) paid or incurred by the county, city, or village for the reporting quarter;

622.02D State lottery taxes paid or incurred by the county, city, or village for the reporting quarter;

622.02E State license fees paid or incurred by the county, city, or village for the reporting quarter;

622.02F Audit and legal expenses as defined in Neb. Rev. Stat. § 9-629(4) paid or incurred by the county, city, or village for the reporting quarter;

622.02G An itemized listing of all other expenses paid or incurred by the county, city, or village in the operation of the keno lottery for the reporting quarter (not the lottery operator's expenses); and

622.02H An itemized listing of disbursements made by the county, city, or village for community betterment purposes for the reporting quarter.

622.02I The report shall be prepared on a form prescribed by the Department and accompany the quarterly tax return prescribed in Neb. Rev. Stat. § 9-648 of the Nebraska County and City Lottery Act.

622.02I(1) A county, city, or village may submit a written request to the Department to obtain authorization to deviate from the quarterly report format prescribed in this regulation. Such request shall include a description of the alternative format proposed.

622.03 In the case of a keno lottery, the county, city, or village shall:

622.03A Ensure that adequate documentation of all pertinent keno information is generated by the keno system and that such documentation is restricted to authorized personnel. This documentation shall include, but not be limited to:

622.03A(1) Ticket information including date, ticket serial number, conditioning of the ticket, writer station number, game number, and amount of wager;

622.03A(2) Prize payout information including date, time, ticket serial number, amount, etc.;

622.03A(3) Game information including game number, ball draw, date and time, etc.;

622.03A(4) Daily summary information including write (handle), wins, wins paid, voids, net handle;

622.03A(5) System exception information including manual voids, late pays, pays not authorized by the keno system, and appropriate system parameter information (changes in pay tables, ball draw edits, unauthorized access, etc.); and

622.03A(6) Employee duty list which includes employee name, employee user identification number or personal identification number, and authorized system functions.

622.03B Ensure that records are maintained which include write (handle), wins, wins paid, voids, and net handle by individual writer and writer station for each shift;

622.03C Ensure that records are maintained which include at a minimum write (handle), wins, wins paid, voids, and net handle for:

622.03C(1) Each shift (if applicable);

622.03C(2) Each day;

622.03C(3) Month-to-date; and

622.03C(4) Year-to-date;

622.03D Ensure that management from both the county, city, or village and the lottery operator review on a monthly basis cash overages or shortages in excess of \$25.00 per keno writer per shift/day and investigate and notify the Department immediately of any such overages or shortages which are not attributable to accounting or system errors and warrant further investigation by the Department. Such investigations shall be documented and maintained for inspection by the Department; and

622.03E Ensure that the gross proceeds of the lottery less prizes paid in cash are deposited into a separate bank account of the county, city, village, or lottery operator within five business days following the day the cash was collected. The county, city, or village must notify the Department immediately of any instances of noncompliance with this requirement.

622.03E(1) Subject to Reg-35-623 the transfer of funds from the lottery operator location's or sales outlet location's segregated bank account to the bank account of the lottery operator, county, city, village, or joint entity created by the county, city, or village pursuant to the Interlocal Cooperation Act may be done by an electronic transfer of funds.

622.03E(2) A transfer made pursuant to Reg-35-622.03E(1) must be made no later than five business days following the day the funds were collected.

622.03E(3) For purposes of this regulation, cash collected from midnight until such time as keno must no longer be conducted as established in Reg.35-613.02D will be considered collected on the most previous calendar day.

622.03F Ensure that a player does not purchase more than \$200 of keno wagers by debit card in a single business day. The county, city, village or joint entity created by the county, city, or village pursuant to the Interlocal Cooperation Act must notify the Department immediately of any instances of noncompliance.

622.04 In the case of a keno lottery, each county, city, or village shall file with the Department an annual report of its keno lottery activity. The annual report shall be on a form prescribed by the Department unless otherwise authorized by the Department. A county, city, or village may submit a written request to the Department to obtain authorization to deviate from

the annual report format prescribed in this regulation. Such request shall include a description of the alternative format proposed.

622.04A The annual report shall cover the fiscal year of the county, city, or village and be filed with the Department within 90 days of the end of the period covered by the report. In the event a county, city, or village cancels its license or allows such license to expire prior to the end of the reporting period, a final report shall be filed with the Department within 90 days of the date the license was canceled or expired. The annual report shall include at a minimum the following information:

622.04A(1) The gross proceeds of the keno lottery and the retail value of any free play coupons accepted or redeemed. If the lottery operator uses digital-on-premises tickets the report must identify the value of the gross proceeds of such wagers;

622.04A(2) The total value of prizes paid. If the lottery operator pays wins electronically, the report must identify the value of the prizes paid electronically;

622.04A(5) A summary of each keno operations bank account maintained by the lottery operator for lottery proceeds including the name and complete address of the financial institution where such account is maintained, the account number, the beginning and ending account balances for the reporting period, total deposits to the account and disbursements made from the account during the reporting period, and total interest earned during the reporting period.

622.04A(5)(a) The keno operations bank account information shall also include:

622.04A(5)(a)(i) The amount of cash on hand or deposits in transit as of the beginning of the reporting period;

622.04A(5)(a)(ii) The amount of cash on hand or deposits in transit as of the end of the reporting period;

622.04A(5)(a)(iii) Prizes paid by check and withdrawals from the keno operations bank account for keno manager or keno writer bank fills made during the reporting period;

622.04A(5)(a)(iv) The balance in the prize reserve account as of the end of the reporting period;

622.04A(5)(a)(v) The balance in the community betterment account as of the end of the reporting period; and

622.04A(5)(a)(vi) Deposits made to the keno operations bank account other than daily lottery proceeds (i.e., transfers from the prize reserve account, community betterment account, or any other account).

622.04A(5)(a)(vii) Any electronic transfer requests authorized under Reg-35-622.03E(1) and Reg-35-623.05C that are not fulfilled due to non-sufficient funds;

622.04A(5)(a)(viii) If the operator uses a digital-on-premises purchasing application or operator's tablet and has established a bank account in only the community's name to hold player account funds, the balance in said bank account as of the end of the reporting period. If the operator uses a joint account with multiple communities to hold these funds, this information need not be supplied.

622.04A(6) The annual report shall be signed by the preparer and a governing official of the county, city, or village and made available for public inspection by the residents of the county, city, or village.

622.05 In the case of a keno lottery conducted by a county, city, or village, the results of the performance of the annual compliance procedures shall be submitted to the Department as prescribed in Reg-35-616.

622.06 Each licensed manufacturer-distributor shall maintain complete and detailed records relating to the quantity and types of lottery equipment or supplies sold to any county, city, village, licensed lottery operator, or licensed manufacturer-distributor including, but not limited to:

622.06A The name and address of any county, city, village, licensed lottery operator, licensed manufacturer-distributor, or any other purchaser located in Nebraska purchasing lottery equipment or supplies;

622.06B Relative to each sale, the quantity and type of lottery equipment or supplies sold; and

622.06C Any other information concerning lottery equipment or supplies sold which the Department deems necessary.

REG-35-623 Comingling of Keno Funds in Non-Segregated Bank Account

623.01 Unless specifically modified by the regulations in this section, all regulations of Reg-35-600 to 35-622 remain in effect. This section will only apply to lottery operators seeking authorization to comingle keno funds in a non-segregated bank account of the lottery operator location or sales outlet location.

623.02 If a lottery operator intends to have the lottery operator location or sales outlet location deposit keno funds into a non-segregated bank account of the location at the close of business each day, the operator and participating lottery operator location or sales outlet location must follow one of the two methods outlined in Reg-35-623.03 and 35-623.04, unless other sufficient controls are agreed to in writing by the Department. The operator must inform the Department in writing which method they intend to use for each lottery operator location or sales outlet location for

compliance with Reg-35-623.02.

623.03 An operator may comply with Reg-35-623.02 by instituting the following audit procedures:

623.03A The operator must perform at least one monthly random audit of every keno drawer at each lottery operator location and sales outlet location.

623.03B The operator must maintain documentation relating to all audits performed pursuant to Reg-35-623.03A. Documentation must include all of the following unless agreed to in writing with the Department:

623.03B(1) The reason for audit;

623.03B(2) The person who performed audit;

623.03B(3) The date and time of audit;

623.03B(4) All keno writers on duty;

623.03B(5) All keno managers on duty;

623.03B(6) The results of the audit;

623.03B(7) Any action taken as a result of the audit; and

623.03B(8) Any other information and documentation the auditor deems necessary.

623.03C Documentation of all audits must be maintained by the operator for a period of three years and be provided to the Department upon request within a reasonable time.

623.03D A copy of audit documentation relating to the lottery operator location or sales outlet location must be kept on the premises of the location for a period of three months and be provided to the Department upon request.

623.04 An operator may comply with Reg-35-623.02 by installing video cameras with recording equipment and adhering to the following procedures:

623.04A At each lottery operator location or sales outlet location, at least one camera must be installed to monitor each keno writer station. The camera(s) must be positioned to provide a full view of the keno drawer, terminal, scanner, printer, and area where the customer transactions take place.

623.04A(1) The Department reserves the right to request any camera be adjusted and/or moved to provide an adequate line of sight.

623.04A(2) A single camera may be positioned to record multiple stations only if the Department after reviewing the position determines that the items referenced in Reg-35-623.04A can be adequately monitored.

623.04B The operator must notify the Department of the date they intend to install the camera(s) to allow the Department, if they choose, to be present for the installation and inspect the cameras and recording equipment.

623.04C Cameras installed in accordance with Reg-35-623.04 must meet the following technical requirements:

623.04C(1) Have a minimum resolution of 704 x 480;

623.04C(2) Record at a minimum of 30 frames per second;

623.04C(3) Must display the date and time for all recordings; and

623.04C(4) Be equipped with an uninterruptable power supply.

623.04D Recording equipment may record in any format of media. Recording equipment must be housed in secured location under lock and key. Physically stored recordings must be stored in secured location under lock and key. If recordings are stored electronically, password protection must be used.

623.04D(1) Recording equipment must be equipped with an uninterruptable power supply.

623.04D(2) All recordings, regardless of format, must be retained for at least three months.

623.04D(3) Regardless of the format of recording, the stored recordings must be accessible by the Department upon demand within a reasonable time.

623.04E All cameras and recording equipment must be inspected daily prior to beginning the first game. All cameras and recording equipment must also be monitored throughout the day.

623.04E(1) All camera and recording equipment failures must be reported to the Department immediately upon discovery and repaired as soon as is practical.

623.04E(1)(a) The game may continue upon noticing the failure only if the Department has been notified.

623.04E(1)(b) If the camera or recording issue has not been resolved after five days, then the lottery operator location or sales outlet location where the issue is occurring is not permitted

to comingle keno funds until the repair is completed, unless the location utilizes the audit procedures outlined in Reg-35-623.03.

623.05 An operator who follows the provisions of Reg-35-623.01 to 35-623.04 at a lottery operator location or sales outlet location is permitted to have lottery proceeds from the location deposited into a non-segregated bank account of the lottery operator location or sales outlet location. Such bank account must be designated by the lottery operator, county, city, village, or joint entity created by the county, city, or village pursuant to the Interlocal Cooperation Act. Keno funds must remain segregated from all other revenue of the lottery operator location or sales outlet location until the deposit is made into the non-segregated bank account.

623.05A If the deposit is made with non-lottery funds from the lottery operator location or sales outlet location, the deposit slip must clearly indicate the amount of keno funds being deposited.

623.05B The deposit must be made within five business days following the day such gross proceeds were collected.

623.05C Transfer of funds from the lottery operator location or sales outlet location non-segregated bank account to the bank account of the lottery operator, county, city, village, or joint entity created by the county, city, or village pursuant to the Interlocal Cooperation Act may be done by an electronic transfer of funds.

623.05C(1) A transfer pursuant to Reg-35-623.05C must be made no later than five business days following the day the funds were collected.

