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CHAPTER 2 – GAME RULES

2.03 – SCRATCH-OFF TICKET GAME RULES

SCOPE

The Scratch-Off Ticket Game Rules and Regulations contain specific rules, regulations, procedures, instructions and directives which apply to Scratch-Off Games developed and offered for distribution and sale to the public by the North Carolina Education Lottery (“NCEL”). The NCEL will, from time to time, amend these Rules and Regulations and adopt new Rules and Regulations that pertain to all Scratch-Off Games as well as game specific items that will be incorporated into the Working Papers for each game. In the event of a conflict among the Act, the Scratch-Off Game Rules and Regulations, and the Retailer Contract, the Act will govern the Scratch-Off Game Rules and Regulations, and the Scratch-Off Game Rules and Regulations will govern the Retailer contract; however, to the extent not in conflict with the Act, the Working Papers will govern the Scratch-Off Game Rules and Regulations as to the specific Scratch-Off Game being produced for distribution; Further, however, to the extent not in conflict with the Act, any special rules, Draw Procedures or other Game Procedures adopted by the NCEL and uniformly announced to all Retailers for a specific Scratch-Off Game (such as for a sales promotion), will govern the Working Papers and the Scratch-Off Game Rules and Regulations as to that game.

DEFINITIONS

Capitalized terms used herein shall have the meanings set forth in Chapter 8.00 unless otherwise defined in context.

GENERAL RULES

- A. If the NCEL, in its sole discretion, has authorized a Retailer to sell Tickets for Scratch-Off Games at one or more of its Retailer Business Locations, in addition to all provisions, terms and conditions of the Act, other Rules and Regulations, and the Retailer Contract, the Scratch-Off Game Rules and Regulations herein shall apply to all Scratch-Off Games. To the extent of any inconsistency with either the Retailer Contract or with the Retailer Rules and Regulations found in Chapter 8.01 of the NCEL Policies and Procedures Manual, the Scratch-Off Game Rules and Regulations shall govern the Scratch-Off Games.
- B. Each Retailer shall sell Scratch-Off Tickets for any and all Scratch-Off Games, as directed by the NCEL, at each of its Retailer Business Locations listed in the Retailer Contract for which the NCEL has authorized the sale of Tickets for Scratch-Off Games.
- C. Acceptance and Return of Scratch-Off Tickets:
 1. Each Retailer shall have a fiduciary duty and responsibility to preserve and account for all Scratch-Off Tickets accepted from the NCEL or its distributor, as well as cash proceeds from the sale of any lottery products.

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2. Any Scratch-Off Tickets not properly accounted for by the Retailer upon termination of the Retailer Contract, or upon demand by the NCEL, regardless of the reason, will be charged to the Retailer, less appropriate Retailer Commissions.
 3. Retailers shall confirm receipt of all Packs of Scratch-Off Tickets delivered, at the time of delivery, through the Lottery Terminal provided by the NCEL. Failure to confirm Tickets upon receipt could result in the Retailer Contract being revoked. Retailers shall accept only complete Ticket orders assigned to them and will not be allowed to accept a part of the Ticket order delivered to them unless approved by the NCEL.
 4. The NCEL will accept full and partial Pack returns immediately following the termination, cancellation, suspension, revocation or non-renewal of a Retailer Contract with the NCEL. The returned Scratch-Off Tickets must be collected by or delivered directly to a Lottery Sales Representative or any other employee designated by the NCEL Chief Executive Officer and Executive Director ("CEO"). Scratch-Off Tickets not returned will be charged to the Retailer, less appropriate Retailer Commissions.
 5. For special Scratch-Off Games which may have varying market appeal, as determined from time to time in the sole discretion of the CEO (such as seasonal, special interest and sports theme Scratch-Off Games), the NCEL may accept full and partial Pack returns prior to the announced End of Game. The returned Scratch-Off Tickets must be collected by or delivered directly to a Lottery Sales Representative or any other employee designated by the CEO. Scratch-Off Tickets not returned will be charged to the Retailer, less appropriate Retailer Commissions.
 6. Prior to announcing the End of Game date for any particular Scratch-Off Game to the general public, the NCEL will notify Retailers of a prior date at which the NCEL expects the Retailer to cease selling Scratch-Off Tickets for that game. Thereafter, and on or before the End of Game date, the NCEL Sales Representative, or any other employee designated by the CEO, will pick up any full and partial Packs of Tickets for that game remaining with the Retailer. Scratch-Off Tickets not returned will be charged to the Retailer, less appropriate Retailer Commissions.
 7. The NCEL will allow a maximum of four (4) breaks in Ticket Number sequence per Pack of Scratch-Off Tickets returned. The NCEL will not accept the return of any Pack of Scratch-Off Tickets that contains more than four (4) breaks in Ticket Number sequence without a valid reason for the excessive breaks (defective pack, equipment issue, etc.).
 8. The foregoing notwithstanding, the NCEL may, from time to time, adopt rules limiting the return and acceptance of full and partial Packs for specific Scratch-Off Games as a condition of Retailer participation in sales promotions.
- D. Missing Scratch-Off Tickets:
1. Only non-activated full packs of tickets may be declared under the "missing" status and will be subject to the following restrictions based upon the number of occurrences.

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2. For all occurrences involving missing Scratch-Off Tickets to which the cause is not due to the NCEL, the Retailer shall be responsible for the NCEL's administrative processing fee which shall increase incrementally based upon the number of occurrences filed within a specified period.
 - a. The fee for the first reporting occurrence within a rolling twelve (12) month period will be twenty-five dollars (\$25) per affected pack. Upon the first occurrence, the Retailer will be notified in writing by the NCEL regarding the Missing Tickets Policy and a reminder for the Retailer to maintain the Retailer's scratch-off ticket inventory more effectively to prevent future occurrences.
 - b. The second occurrence within a rolling twelve (12) month period from the previously reported pack of missing tickets will be \$100 per affected pack.
 - c. Three (3) or more occurrences within a rolling twelve (12) month period from the previously reported missing packs will be the value of each affected pack.
 - d. The administrative fee processing is not refundable, regardless of the recovery of the missing Scratch-Off Tickets, unless it is determined to be the fault of the NCEL.
 3. If Scratch-Off Tickets are missing during shipment to the Retailer, the Retailer shall report the missing Tickets to the NCEL within forty-eight (48) hours after delivery to be considered for waiver of the administrative fee. (A POLICE REPORT IS NOT REQUIRED FOR MISSING SCRATCH-OFF TICKETS).
 4. The NCEL reserves the right to charge the retailer face value for the tickets reported as missing if the retailer failed to secure the tickets in accordance with the NCEL's procedures and instructions.
- E. Stolen Scratch-Off Tickets:
1. For all incidents involving stolen Scratch-Off Tickets, the Retailer shall be responsible for the NCEL's administrative processing fee of \$10 per pack affected. The administrative processing fee is not refundable, regardless of the recovery of the stolen Scratch-Off Tickets.
 2. The Retailer shall report all stolen Scratch-Off Tickets to the NCEL Security Department within twenty-four (24) hours of discovery. **In addition, the Retailer shall notify the police of the stolen Tickets within twenty-four (24) hours and forward a copy of the police report to the NCEL Security Department within seven (7) calendar days of the initial report of the theft. If a copy of the police report is not received by the NCEL Security Department within the specified time period, the Retailer shall be responsible for the entire value of the activated pack(s) of Scratch-Off Tickets reported as stolen.**

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3. In addition to the administrative processing fee(s), for Packs that have been activated, the Retailer shall be responsible for the cost of the Scratch-Off Tickets based upon the percentage of validation up to the time when the Retailer notified the NCEL regarding the theft, minus any applicable Commissions. In the event that some or all of the stolen Activated Packs are recovered, the Retailer may be reimbursed for any charged tickets on a pro rata basis. The Retailer must have a valid Retailer Contract with the NCEL, be an active Retailer, and be current on all funds due to the NCEL in order to qualify for any reimbursement for stolen Scratch-Off Tickets.
4. The NCEL reserves the right to charge the retailer face value for the tickets reported as stolen if the retailer failed to secure the tickets in accordance with the NCEL's procedures and instructions.

F. Damaged Scratch-Off Tickets:

1. For all incidents involving damaged Scratch-Off Tickets to which the cause is not due to the NCEL, the Retailer shall be responsible for the NCEL's administrative processing fee of \$10 per pack affected. The administrative processing fee is not refundable, regardless of the recovery of the damaged Scratch-Off Tickets.
2. If Scratch-Off Tickets are damaged during shipment to the Retailer, the Retailer shall report the damage to the NCEL within forty-eight (48) hours after delivery to be considered for waiver of the administrative processing fee. (A POLICE REPORT IS NOT REQUIRED FOR DAMAGED SCRATCH-OFF TICKETS.)
3. The Retailer shall be credited for Activated and Settled Scratch-Off Tickets damaged after delivery and returned to the NCEL unscratched, less any applicable Commissions. The Retailer shall be responsible for all Scratch-Off Tickets that have been scratched and/or have not been returned to the NCEL.
4. In addition to the administrative processing fee(s), for Scratch-Off Tickets that have been destroyed and cannot be returned to the NCEL, the Retailer shall be responsible for the cost of the Scratch-Off Tickets based upon the percentage of validation up to the time when the Retailer notified the NCEL regarding the destroyed tickets.

SCRATCH OFF GAME RULES

A. Sale of Scratch-Off Tickets:

1. Only Retailers who have entered into a Retailer Contract with the NCEL, and have been approved by the NCEL, in the NCEL's sole discretion, for the sale of Scratch-Off Games, are authorized to sell Scratch-Off Tickets. Scratch-Off Tickets may only be sold:
 - a. At the Retailer Business Location(s) listed in the Retailer Contract for which the NCEL has authorized the sale of Tickets for Scratch-Off Games; and

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- b. At the Retailer Business Location where each Scratch-Off Ticket Pack is assigned by the NCEL and accepted by the Retailer.
 2. Each Scratch-Off Ticket shall sell for the retail sales price authorized by the CEO and stated in the individual Working Papers.
- B. Determination of Prize Winner:
 1. The Play Symbols shall be used by a player to determine eligibility for Scratch-Off Game prizes. Qualifying Play Symbols are stated in the Working Papers.
 2. A player's eligibility to win a prize is subject to the Ticket validation requirements provided in Section (C) below.
 3. For each individual Scratch-Off Game, the player shall uncover the Play Area on the front and/or the back of the Ticket to reveal the Play Symbols. Eligibility to win a prize is based on the approved Play Style as stated in the Working Papers.
- C. Ticket Validation Requirements:
 1. Each Scratch-Off Ticket shall be validated according to validation procedures prior to payment of a prize.
 2. Each Scratch-Off Ticket shall comply with all of the following:
 - a. The Ticket shall not be stolen or appear on any list of omitted Tickets on file with the NCEL.
 - b. The Ticket shall not be counterfeit or forged, in whole or in part.
 - c. The Ticket shall not be mutilated, altered, unreadable, reconstituted, or tampered with in any manner.
 - d. The Ticket shall have been issued by the NCEL in an authorized manner.
 - e. The Ticket shall have been received or recorded by the NCEL by applicable redemption deadlines.
 - f. The Ticket shall pass the confidential validation and security tests appropriate to the applicable Play Style.
 - g. The Validation Number of an apparent winning Ticket shall appear on the NCEL's official file of Validation Numbers of winning Tickets. A Ticket with that Validation Number shall not have been paid previously.

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- h. The Ticket shall be intact, and not miscut, and have exactly one Play Symbol and exactly one Caption in each of the rub-off spots, exactly one Pack Number, exactly one Ticket Number, exactly one Keyless Validation Code, and exactly one Validation Number on the Ticket.
 - i. The Game Number, Pack Number, Ticket Number, and Validation Number must be present in their entirety and be fully legible. The Validation Number shall correspond, using the NCEL's codes, to the Play Symbols on the Ticket.
 - j. The Play Symbols, Caption, Validation Number, Pack Number, and Ticket Number must be right side up and not reversed in any manner.
 - k. The Ticket must not be blank or partially blank, mis-registered, defective, or printed or produced in error.
 - l. Each of the Play Symbols on the Scratch-Off Game Ticket must be exactly one of those described in that Scratch-Off Game's Working Papers and each of the Captions must be exactly one of those described in the same Working Papers.
 - m. Each of the Play Symbols on the Ticket must be printed in the correct symbol font and correspond precisely to the artwork on file at the NCEL. Each of the Captions must be printed in the Caption font and must correspond precisely to the artwork on file at the NCEL. The Validation Number must be printed in the Validation Number font and must correspond precisely to the artwork on file at the NCEL.
 - n. The display printing must be regular in every respect and correspond precisely with the artwork on file at the NCEL.
- 3. Any Ticket not passing all of the validation tests and requirements is void and ineligible for any prize and shall not be paid. The CEO may, at CEO's exclusive determination, reimburse the player for the cost of the void Ticket. Notwithstanding the foregoing, the CEO (or their designee) may, in their sole discretion, allow the validation and payment of a claim on a damaged Ticket, or in other extraordinary circumstances, when the validity of the Ticket has been verified in accordance with the Ticket Reconstruction Policy and the Security Department is able to confirm the rightful owner of the Ticket.
 - 4. If a defective Ticket is purchased, the NCEL's only liability shall be reimbursement for the cost of the void Ticket.
- D. Ticket Responsibility:
- 1. A Ticket is a bearer instrument until signed on the back by the Ticket holder.
 - 2. The NCEL shall not be responsible for lost, stolen, or destroyed Tickets.

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3. The NCEL shall not be responsible for erroneous or mutilated Tickets.
4. The NCEL shall not be responsible for Tickets claimed by a player in error for a lower prize at a Retailer.
5. The NCEL shall not pay prizes to any Claimant who purchases a Ticket from an unauthorized Retailer.
6. The NCEL shall not pay prizes to any Claimant based upon a fraudulent ticket.
7. The NCEL shall pay a prize to only one individual or entity unless a multiple ownership form is completed.

E. Disputed Ticket:

If a dispute arises between the NCEL and a Ticket Claimant concerning whether the Ticket is a winning Ticket and if the Ticket prize has not been paid, the CEO may, exclusively at their determination, reimburse the Claimant for the cost of the disputed Ticket. This shall be the Claimant's exclusive remedy. The NCEL's decision and judgments with regard to the determination of a winning ticket or of any other dispute arising from payment or awarding of prizes shall be final and binding upon all participants in the Lottery unless otherwise provided by law or these rules.

F. End of Game and Prize Claim Period:

1. The Executive Director, at any time, may establish the End of Game date for an individual Scratch-Off Game or series of Scratch-Off Games.
2. The NCEL Sales Representatives will be directed to contact all Retailers in order to have the Retailers properly account for and return for credit the unsold Scratch-Off Tickets from each discontinuing Scratch-Off Game on or before the corresponding End of Game date. Scratch-Off Tickets not returned will be charged to the Retailer.
3. When the End of Game date for an individual Scratch-Off Game or series of Scratch-Off Games has been established, the NCEL sales division shall prepare and distribute an End of Game flyer to all NCEL Retailers announcing the names of Scratch-Off Games which are ending, End of Game date, and last day to redeem date.

G. Procedures for Claiming and Payment of Prizes

1. Prizes less than \$600 may be claimed at Lottery retailers, the NCEL's Regional Claim offices, NCEL Headquarters or via mail addressed to the North Carolina Education Lottery at P.O. Box 41606, Raleigh, NC 27629-1606.

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2. Prizes \$600 to \$99,999 must be claimed at NCEL's Headquarters, a Regional Claim Office or via mail addressed to the North Carolina Education Lottery at P.O. Box 41606, Raleigh, NC 27629-1606.
3. Prizes \$100,000 or greater must be claimed in person at the NCEL's Headquarters.
4. All prizes must be claimed within 90 days from the End of Game date for the individual Scratch-Off Game for which the prize is being claimed. In order to be considered claimed, the ticket and, if applicable, claim form must be received by the end of the business day (ET), as posted by the NCEL, on the 90th calendar day following the End of Game date. If the 90th calendar day falls on a day which the NCEL is not open for business, the ticket must be claimed by the end of the NCEL's next business day. The risk of loss or late delivery of a claim package submitted by mail or another carrier remains with the Player. Post marks shall not constitute satisfaction of the 90-day requirement.
5. Claimants of a winning Ticket must comply with all prize claim and prize validation requirements of the NCEL, including those in its Policies and Procedures Manual.

H. Governing Law:

In purchasing a Ticket, the customer or player agrees to comply with, and abide by, the Act, other applicable North Carolina laws, all Rules and Regulations and final decisions of the NCEL, and all procedures and instructions established by the NCEL or the CEO for the conduct of the game.

I. Taxes and Setoffs:

In accordance with the Act and other applicable laws:

1. All prizes are subject to applicable federal and state withholdings, and state and federal income taxes; and
2. Prizes of \$600.00 and above are subject to Debt Setoff collection by claimant agencies.

J. Game report:

Following the time period in which prizes may be claimed after the End of Game date, the NCEL shall prepare a report that shows, at a minimum, the total number of Tickets sold and the number of prizes awarded in the game. The report shall be made available for public inspection.

K. Coordination of Scratch-Off Game Rules and Draw Game Rules:

If and when there is an issue or topic relevant to the Scratch-Off Game Rules and Regulations, which is addressed in the Draw Game Rules and Regulations, but which is not addressed in the Scratch-Off Ticket Game Rules and Regulations, then the provisions of the Draw Game Rules and Regulations shall apply equally to the Scratch-Off Games for such issue or topic; however, in no

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case shall a Scratch-Off Game winner be allowed the option to receive in a lump sum the cash value equivalency in lieu of an annuitized prize unless that option is specifically provided for in the respective Scratch-Off Game Working Papers.

ANNUITY PRIZE AWARD ASSOCIATED WITH A SCRATCH-OFF TICKET

This section only applies to individual Scratch-Off Games that offer prize awards consisting of annuity prize payments. The payment term and amount of the annuity prize payments shall be established by the NCEL. The prize award of the annuity prize payments under this section shall be known as an “Annuity Prize Award.” For these Scratch-Off Games offering an Annuity Prize Award, the NCEL may offer the prize winner an opportunity to elect a discounted lump sum prize amount in lieu of the Annuity Prize Award. The discounted lump sum amount shall be established by the NCEL and shall be known as the “Cash-Option Prize Award.” The prize winner of these Scratch-Off Games winning an annuity prize award shall only select one form of payment, either the Annuity Prize Award or the Cash-Option Prize Award. The prize winner has sixty (60) days from the claim date to elect the prize award option, but no payment shall be issued to the prize winner until the prize winner specifies, in writing, their selection of either the Annuity Prize Award or the Cash-Option Prize Award. If the NCEL does not receive written certification by the prize winner within the sixty (60) day period, the NCEL shall designate that the prize winner has selected the Annuity Prize Award and will issue the first regular annuity payment to the prize winner within thirty (30) days following the sixty (60) day expiration. Unless otherwise provided in the Rules and Regulations, no payment of an Annuity Prize Award shall be accelerated beyond the normal dates of payment.

WIN-FOR-LIFE PRIZE AWARD ASSOCIATED WITH A SCRATCH-OFF TICKET

This section only applies to individual Scratch-Off Games that offer a prize award or bonus prize award consisting of scheduled prize payments based upon the remaining life term of the prize winner, and shall be known as “Win-For-Life Prize Award.” Each Win-For-Life Prize Award includes guaranteed minimum prize payments of a specified term and amount. The scheduled prize payments and the Guaranteed portion of the Win-For-Life Prize Award shall be determined by the NCEL for each Scratch-Off Game. Prize winners of the Win-For-Life Prize Award must be a natural person who is at least eighteen (18) years of age. Proper identification shall be required to verify the prize winner’s age. If the prize winner is one natural person and does not live beyond the term of the Guaranteed portion of the Win-For-Life Prize Award, the remaining scheduled payments under the Guaranteed portion of the Win-For-Life Prize Award will be paid to the prize winner’s estate or other person as designated during the winner’s lifetime. If the prize winner is one natural person and lives beyond the term established for the Guaranteed portion of the Win-For-Life Prize Award, the prize winner may be required to provide an annual affidavit verifying that the prize winner is living, and such other information as requested by the NCEL. Legal entities such as corporations, partnerships, trusts and estates, are only eligible to claim the Guaranteed portion of the Win-For-Life Prize Award. For purposes of this section, “legal entities” shall not include an individual natural person. Multiple individuals on one winning ticket are only eligible to win the proportionate share of the Guaranteed portion of the Win-For-Life Prize award. The Win-For-Life Prize Award and the associated benefits thereon will not be awarded to legal entities and multiple individuals claiming under one winning ticket.

For each Scratch-Off Game offering the Win-For-Life Prize Award, the NCEL may, at its sole discretion, offer the prize winner an opportunity to elect a discounted lump sum prize amount in lieu of the Win-For-

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Life Prize Award or Guaranteed portion of the Win-For-Life Prize Award (as applicable to legal entities and multiple individuals). The NCEL's decision to offer the discounted lump sum will be made before the specified game goes on sale and will be applicable to all prize winners for that game. If offered, the discounted lump sum amount will be established by the NCEL based upon the Guaranteed portion of the Win-For-Life Prize Amount and shall be known as the "Cash-Option Prize Award." The prize winner of these Scratch-Off Games winning the top prize award shall only select one form of payment, either the Win-For-Life Prize Award (or Guaranteed portion of the Win-For-Life Prize Award as applicable to legal entities and multiple individuals) or the Cash-Option Prize Award (if offered by the NCEL). If the NCEL offers the cash-option for a particular game, the prize winner has sixty (60) days from the claim date to elect the prize award option, but no payment shall be issued to the prize winner until the prize winner specifies, in writing, their selection of either the Win-For-Life Prize Award (or Guaranteed portion of the Win-For-Life Prize Award as applicable to legal entities and multiple individuals) or the Cash-Option Prize Award. If the NCEL does not receive written certification by the prize winner within the sixty (60) day period, the NCEL shall designate that the prize winner has selected the Win-For-Life Prize Award (or Guaranteed portion of the Win-For-Life Prize Award as applicable to legal entities and multiple individuals) and will issue the first regular payment to the prize winner within thirty (30) days following the sixty (60) day expiration. Unless otherwise provided in the Rules and Regulations, no payment of a Win-For-Life Prize Award (or Guaranteed portion of the Win-For-Life Prize Award as applicable to legal entities and multiple individuals) shall be accelerated beyond the normal dates of payment.

The annual payment schedule for each prize will be established based on the payment option selection date.

GRAND PRIZE DRAWING RULES

This section shall not apply to individual Scratch-Off Games that do not provide for a Grand Prize Drawing.

- A. Eligibility for a Grand Prize Drawing shall be determined by, but not limited to, a direct entry in a Grand Prize Drawing or an entry into a Preliminary Drawing as provided in the Draw Procedures established by the NCEL. The CEO shall determine any prizes to be awarded and the method of payment that shall be stated in the Draw Procedures.
- B. Unless otherwise noted in a particular Scratch-Off Game, "Entry," "Drawing" or other like play symbol designating a player's eligibility to enter to the preliminary and/or Grand Prize Drawing shall not be deemed as a prize with any value.
- C. Preliminary Drawings and Grand Prize Drawings shall be conducted at times and places and pursuant to the methods stated in the Draw Procedures.
- D. An entry in a Preliminary Drawing or Grand Prize Drawing submitted by a player in accordance with the applicable Draw Procedures is eligible to be included in a drawing as provided in the Draw Procedures.

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- E. Entries in Preliminary Drawing or Grand Prize Drawing shall be submitted/entered as per the requirements established in the Draw Procedures no later than the last day of the time frame specified in the Draw Procedures.
- F. The number of Preliminary Drawing and Grand Prize Drawing winners selected to advance or to win a prize shall be specified in the Draw Procedures. The odds of winning an entry into these drawings for a prize of a specific amount need not be uniform throughout the game and are subject to change by the CEO.
- G. Each selected Grand Prize Drawing candidate shall submit a completed Claim Form to the NCEL within the required claim filing period. Failure to claim within the claim filing period shall result in forfeiture of the prize.
- H. Each selected Grand Prize Drawing candidate will be notified by the NCEL regarding their selection status and claiming instructions.
- I. If a dispute arises between the NCEL and a Ticket Claimant concerning whether the Ticket is a winning Ticket and if the Ticket prize has not been paid, the CEO may exclusively at their determination, reimburse the Claimant for the cost of the disputed Ticket. This shall be the Claimant's exclusive remedy.