



NON-SUFFICIENT FUNDS (NSF) POLICY

Collection Procedure

Definitions

1. Electronic Fund Transfer (EFT) - used by the Lottery to collect funds from its Agents each week. The Lottery debits agent bank accounts for their sales of lottery tickets less cash prizes they have paid to players.
2. Non-sufficient funds (NSF) - a term used in the banking industry to indicate that a demand for payment (a check or electronic payment) cannot be honored because insufficient funds are available in the account on which the instrument was drawn. Notification that an account has been closed or a stop payment has been placed may also be considered an NSF.
3. Customer Service Rep II (CSRII) - the Lottery employee responsible for collecting funds from Agents.
4. Auto Orders - Lottery system generated orders to replenish agents instant ticket inventory based on agent parameters and sales history.
5. Initial Orders - Lottery system generated orders for new games as they become available based on agent parameters and sales history.

Steps:

1. **First notification:** Upon the first notification from the bank of insufficient funds to cover an EFT, the CSRII, or designee, shall call the Agent regarding the rejected transfer. The Agent shall be advised that the EFT will be submitted again. If the EFT clears the bank after the second submittal, no further steps shall be taken. If the notification from the bank is due to closure of an account or a stop payment, the notification will be immediately considered a deliberate avoidance of payment and the Lottery will proceed with Step 5.
2. **Second notification:** If a second notification is received from the bank by the Lottery of insufficient funds for an EFT that has been submitted twice, the EFT cannot be attempted a third time. The CSRII, or designee, shall call the Agent and notify them

that a bank check will be required to cover this NSF. If the Agent sends the required bank check within one week, no further steps shall be taken.

3. Inventory Restrictions: In consultation with the Lottery Sales Supervisor, any agent who has an NSF shall be removed from Auto Orders and Initial Orders thereby restricting their Instant Ticket inventory. Orders must then be placed by calling Lottery Headquarters. The amount of tickets sent will also be restricted.
4. Payment Plans: If an agent is unable to provide a single bank check to cover an NSF they may verbally request a payment plan. Once the debtor has reached an agreement with the Lottery including payment date(s) and amount(s), the Lottery shall send a letter documenting the telephone conversation. This letter will also refer the Agent to the provisions of the Agent's signed agreement and Rules & Regulations of the Lottery regarding timely payments. The Lottery Sales Supervisor shall be notified of the NSF and will also be consulted and notified of any payment arrangements.

The following guidelines shall govern payment plans:

Total amount owed of \$3,000 or less – Up to 8 weeks to pay the past due/NSF, equal payments at 12% interest per annum and be current, in good standing;

Total amount owed of \$3,001 - \$5,000 – Up to 12 weeks to pay the past due/NSF, equal payments at 12% interest per annum and be current, in good standing;

Total amount owed of \$5,001 - \$10,000 – Up to 20 weeks to pay the past due/NSF, equal payments at 12% interest per annum and be current, in good standing;

Total amount owed over \$10,000 – Payment plan must be approved by the Executive Director, with interest charged at 12% interest per annum; a Surety Bond may be required to retain license.

If the Agent becomes delinquent in making the scheduled payments, the CSRII will place a reminder call to the agent followed by a reminder letter reiterating the phone conversation and agreed upon payment plan. If payment has not been received during this period, a final letter shall be mailed by certified mail that a recommendation has been made to the Executive Director of the Vermont Lottery for suspension or revocation of the agent license.

5. License Suspension: If an Agent stops payment on any EFT, closes the authorized bank account used to draw lottery payments, or their payment plan is returned NSF, the Agents Lottery License will be suspended. The Agent will be immediately notified by phone and official letter that their lottery license is immediately suspended. All Lottery equipment and products will be scheduled for removal at the soonest available opportunity. The terminal and all ticket inventory shall be immediately suspended until recovery of equipment is completed. Once the Agent has paid their debt to the Lottery in full, then the equipment may be returned to the

location, subject to approval by the Executive Director. Once the license has been reinstated, the Agent will be placed on probationary status (see step 6) for a period not less than 6 months.

6. Probationary Status: Probationary status shall include the Instant Ticket inventory restrictions listed in step 3. Also, all inventory shall be settled upon activation for a period not less than 30 days for NSF and 6 months for Deliberate Avoidance of Payment (step 3) above.
7. Any agent credits will be applied to the outstanding balance due.
8. At any time, if an agent fails to respond to the Lottery's attempts of communication or for any other reason, the Lottery may suspend the Agent terminal.
9. Per Lottery Rule NO. 10 (Bonding of Agents), the Lottery may require a surety bond from any Agent at any time in an amount that the Lottery deems necessary to avoid monetary loss to the State of Vermont.
10. If an NSF situation occurs more than three times during any 12-month period, the Agent account will go under review for determination of ability to maintain a license under Lottery Rule NO. 4 (License Revocation) and a recommendation can be made to the Executive Director of the Vermont Lottery for suspension or revocation of the agent license. If a Deliberate Avoidance of Payment situation occurs more than once, that Agent's license will be revoked permanently.
11. If the Agent is going out of business and owes the Lottery any funds, the same Collection Procedure will be implemented. Any Agent credits will be applied to the outstanding balance due.
12. At the option of the Lottery, a claim may be filed against the agent with Small Claims Court and/or the Vermont Tax Department.
13. If a terminal is removed because of a license suspension or revocation, the agent will be liable for all costs necessary to reinstall the terminal if the license is reinstated.