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## **FREQUENTLY ASKED QUESTIONS FROM COIN OPERATED AMUSEMENT MACHINE (COAM) LOCATION LICENSE HOLDERS**

The following provides answers to basic questions that are frequently asked regarding COAM licensing and operations for Location License Holders. The answers are not meant to be comprehensive, apply to all factual situations, or to replace or supersede laws set forth in House Bill 487 and Senate Bill 190, as well as, GLC COAM Rules and Regulations. **If you require further clarification, on any of the responses below, please contact the Georgia Lottery Corporation (GLC) Retailer Services Helpline at 1(800)746-8546 or email [COAMReporting@galottery.org](mailto:COAMReporting@galottery.org).**

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### **What is a COAM?**

COAM is an acronym for Coin Operated Amusement Machine. There are two types of COAMs in Georgia (Class A and Class B) which are defined by Georgia statute. Some examples of Class A COAMs are kiddie rides, skeeball, claw machines, pinball games, typical arcade games, pool tables that accept coins or bills, and juke boxes. Most Class B COAMs in Georgia are redemption devices that are also games of skill that may allow a successful player to carry over points won on one play to a subsequent play or plays.

### **Who regulates COAMs?**

Effective as of April 10, 2013, the Georgia Lottery Corporation (GLC) regulates the industry.

### **Do I have to be licensed to operate COAMs in Georgia?**

Yes. Any location that allows COAMs to be placed in the location and made available to the public for play must hold a valid COAM location license issued by GLC. A location license holder is the owner or operator of a business where 1 or more COAMs are available for play by the public.

### **Where can I find COAM laws, rules, and regulations?**

The GLC currently has rules and regulations in place for COAMs which can be located by going to <https://www.gacoam.com> website and accessing the Services and Support/Documents section.

### **Can I place COAM winnings on a Georgia Lottery iHOPE card?**

No. Rules and regulations prohibit the placement of COAM winnings on an iHOPE card and cannot be used as a form of redemption for COAM awards.

### **Can I display a copy of my COAM license in my location?**

No. The original Location or "L" license must be prominently displayed at the address for which the license has been issued. Displaying a copy of the L license is not sufficient. A Location may request a duplicate license from GLC and pay a reprint fee of \$100.00.

**How many Class B machines can I have in my location?**

Georgia law limits the number of Class B COAMs at a single location to a maximum of 9. State law does not limit the number of Class A COAMs at a single location. Please remember that the COAM license must show the accurate number of COAMs that are in the location.

**Is there a limitation on how much of my location's gross receipts can be derived from Class B machines?**

Pursuant to O.C.G.A. Section 50-27-84 (b) (1), no Class B COAM location licensee shall derive more than 50% of its monthly gross retail receipts for the business in which the COAMs are situated from such COAMs; provided however, that revenues that are due to a master licensee or to the Georgia Lottery Corporation (GLC) shall not be deemed revenue derived from COAMs. Effective July 1, 2015, GLC will compare a location licensee's gross retail receipts to the location's gross COAM receipts minus the revenues due to the master licensee for the location and the revenues due to GLC. A location licensee may include its Lottery sales commission in its gross retail receipts amount and any other commission amount for a product or service where the location only receives a commission from the sale. If a location licensee uses Lottery instant tickets as redemption for COAM awards, it shall not include the face value of the instant tickets in its gross retail receipts. A location may add the value of products or services it lawfully redeems for COAM awards into its gross retail receipts amount if it maintains adequate records of such redemptions and such records are available for audit and inspection by GLC or its authorized representatives. As a reminder, each location licensee remains required to reports its gross retail receipts to GLC on a monthly basis through the <https://www.gacoam.com> website.

**As a Class B location owner/operator, do I need to have a written contract and/or lease agreement with my Class B Master license holder?**

Yes. A Class B Location owner or operator must enter into a written agreement for the placement of COAMs in the business. The agreement must be between the master license holder and the location license holder for each location. A copy of the written agreement must be available for inspection at the Location owner's place of business.

**What happens if I am issued a citation by the GLC Compliance Inspectors for a COAM violation?**

Each Location is provided with an instructions and a plea document which explains the administrative hearing office procedures and informs each location licensee of its rights and duties.

**What are the prizes for COAM winnings?**

Georgia law prohibits any form of cash payout as a form of redemption for COAM awards. Redemption of COAM awards from Class B COAMs can only be made for non-cash business merchandise (up to \$5 per play) or lottery tickets at the location where the game is played. No alcohol, tobacco, or firearms can be redeemed as COAM prizes.

**Can I give gift cards for other businesses as prizes?**

No. A location is not permitted to provide gift cards for other businesses (Wal-Mart, Target, etc.) as a form of redemption for COAM prizes. COAM awards must be redeemable only at the premises at which the COAM is located.

**Can I give lottery tickets as prizes?**

If a Location is a lottery retailer, it may give instant and online (draw game) tickets as COAM prizes (any price point). A Location that is a lottery retailer must ensure the instant games have not ended and ensure that none of the draws have expired for the online (draw game) tickets. If a Location is not a

lottery retailer, the Location may purchase instant tickets (any price point) from an authorized lottery retailer and provide them as COAM prizes.

**How do I renew or apply for a new COAM Location license?**

An applicant may apply for or renew a COAM Location license through the GLC COAM website. The website can be located by clicking on <https://www.gacoam.com>.

**How do I know how much a COAM Location license will cost as well as any other associated fees?**

The fee structure can be found in Georgia law and by clicking on <https://www.gacoam.com> and proceeding to the Service and Support/Documents section. Note all applications and orders are subject to a payment processing fee.

**Is my COAM license specific to my business address?**

Yes. Each COAM Location license is issued for the specific business address and State Tax Identifier (STI) number. Any relocation of a business by the owner requires a new license. COAM licenses are not transferable.

**Can I add Class A and/or Class B machines to my current Location license?**

Yes. A Location owner may add COAMs to its current license by accessing the licensing website at <https://www.gacoam.com> and following the instructions for adding COAMs to a current license.

**Can I receive a refund if I decide not to operate COAMs anymore once my license has been issued?**

No. Once a license has been issued, a refund of any fees paid is not available.

**What is the revenue split between my Location, the Master license holder and the GLC?**

Once the Class B accounting system is in place the Location License owner and the Master License Holder will each initially receive 47% and GLC will initially receive 6%. Effective July 1, 2016, the percentage to the GLC will increase to 7% and then increase 1% each year to a maximum of 10% with the Master License Holder and the Location Owner/Operator each equally splitting the remainder of the funds.

**Can I own and operate the Class B machines at my retailer establishment?**

No. Effective July 1, 2015, you cannot be both a Class B Master License Holder and a Class B Location license operator, nor can a Class B location license operator have any direct or indirect interest in a company or person with a Class B Master License.

**Can I have a Master license holder place Class A and/or Class B machines in my location if I have applied for a Class A or Class B license but have not yet received the license?**

No. The Location owner/operator must receive the physical paper license and post the original license in its establishment before Class A and/or Class B COAMs can lawfully be placed in the business. Placement of COAMs in an unlicensed Location may result in large fines up to \$50,000, denial of a license application, suspension and/or revocation of the license, and criminal penalties may also apply.

**What is required of a Location if they are having renovations in their Location?**

If the Master License Holder for the Location is aware of the renovations, they should contact the GLC to have the machines placed in a Disabled status. The Location may also contact the GLC and have the machines placed in a Disabled status.

**Can a Master license holder pay for my Location license where the machines are being placed?**

No. According to O.C.G.A. Section 50-27-87.1, it is unlawful for a location license holder to request or for a master license holder to provide any payment or consideration, including loans, financing arrangement, gift, procurement fee, lease payment or payment of fees for the placement of COAMs. Each violation is subject to a \$50,000 fine, possible suspension and/or revocation of the license, and potential criminal penalties.

**Can a Master license holder pay for fines on my behalf if I were to receive a violation citation from the GLC?**

No. According to section O.C.G.A. Section 50-27-87.1, it is unlawful for a master license holder to provide any payment or consideration, including loans, financing arrangement, gift, procurement fee, lease payment or payment of fees for the placement of COAMs.

**Can a location who is not an authorized lottery retailer redeem instant tickets offered as COAM prizes?**

No. A Location that is not an authorized lottery retailer but provides instant lottery tickets as COAM prizes shall not redeem those lottery tickets for cash. Players may be referred to authorized lottery retailers in order to redeem instant ticket prizes.

**Can a Location owner/operator receive anything of value from a Master license holder in consideration of having a COAM in an establishment?**

No. Other than the statutory revenue split, the master license holder cannot offer and the location owner or operator cannot accept anything of value in exchange to facilitate the placement of COAMs. The penalty for this violation is a fine up to \$50,000 per incident and revocation of the COAM license for up to 5 years.

**Am I required to place COAMs in my location if I am a lottery retailer?**

No.

**Can I power down (turn off) the COAM(s) at my location?**

A Class B COAM location should not turn off the power to Class B COAMs within its location. If you turn the power off (switch-off) the Class B COAMs at your location overnight you may have trouble getting the device that assists with communication with the central accounting terminal (SMIBs) to effectively function the next morning (if using a COAM with a SMIB). This failure may occur if the SMIB was in the middle of a communication cycle at the time of powering the COAM down. The SMIB is a true on-line real time device required to operate on a 24/7 basis.

**Does the Location owner/operator still need to continue inputting financial information on the GLC reporting website?**

After June 2015, Location owner/operators will ONLY be responsible for inputting the "Gross Retailer Receipts for the Business" into the COAM Reporting website.

**When does the Location Owner/Operator need to start making deposits to its COAM Electronic Funds Transfer Authorization (EFT) account?**

Once the COAMs are connected to the Central Accounting Systems, each Location Owner/Operator is responsible for depositing the net receipts to its dedicated COAM EFT account. The COAM law requires that the location licensee place all of the COAM proceeds in a separate bank account (just for COAM proceeds) no later than the next business day after the location licensee collects the proceeds. At such time of deposit, the proceeds become the property of GLC. Once a week, GLC will electronically sweep

53% of the COAM net proceeds due from the previous week's accounting period from each location licensee's designated COAM bank account. After each weekly sweep, GLC will retain its 6% of the proceeds, and then electronically transfer 47% of the COAM net proceeds to the master licensee for each location. After GLC's sweep, the location licensee may withdraw its share of the proceeds (and only its share). The amount of GLC's share increased to 7% on July 1, 2016 and will increase each fiscal year by 1% up to 10%.

**How does the GLC sweep my bank account for the amount due from the COAMs?**

Each Location is required to provide a completed Electronic Funds Transfer (EFT) Authorization Form for the Location and submit it to the GLC along with its Class B license application. A Location may obtain an EFT Authorization form and instructions by clicking on <http://www.galottery.com/images/pdfs/coam/eft-package-location.pdf>.

**Do I have to display the contract I have with my Master License Holder in my location?**

No, the contract does not need to be displayed but it must be within the location and available for inspection upon request of GLC or its authorized representative.

**How will the Master License Holder be paid its money from the COAMs?**

A Location's COAM EFT account will be swept for their financial amount due to the GLC every Wednesday. The GLC will electronically transfer funds due to the Master License Holder the following Tuesday after the Location's financial sweep. Timeliness of fund transfers to Master License Holders may be affected by national and observed bank holidays and the availability of funds from the Locations.

**How can the Location Owner/Operator find out how much should be deposited to the COAM EFT account for their specific location?**

The Location Owner/Operator may access the "Location Period Accounting" report on the Intralot website portal at <https://www.gacoamrpt.com> and obtain the amount (Location Total Deposit) which shall be deposited to its dedicated COAM EFT account for the designated accounting week. The Location Owner/Operator will access the website portal by inputting the same username as on the GLC Licensing website and the password that was emailed to the primary contact on the GLC Licensing website.

**Is the Location owner/operator responsible for the site controller or the COAMs connected to the site controller?**

Any person who intentionally damages or tampers with a site controller or COAMs connected to a site controller at a location may be subject to severe penalties, including large fines and criminal penalties.

**Who should the Location owner/operator contact if its COAMs become inoperable or are in need of repair?**

A Location Owner/Operator should contact its Master License Holder if any of its COAMs become inoperable or should need repair.

**What should I do if money is stolen from the COAMs at my Location or I am a victim of "Stringing"?**

A Location Owner/Operators should immediately contact its local law enforcement agency if it is a victim of theft. A Location Owner/Operator will not be reimbursed by the GLC for the theft of any monies from COAMs.

**Who should the location OWNER/OPERATOR contact if they cannot access the website portal to view accounting reports?**

A Location Owner/Operator should contact the Intralot Hotline by email at [georgiacoamhotline@intralot.us](mailto:georgiacoamhotline@intralot.us) or by toll free number 1-877-261-6242 for questions regarding accessing the Intralot website portal.

**Who should the location owner/operator contact if they need assistance with accounting reports on the website portal?**

A Location Owner/Operator should contact the GLC Retailer Services Department at 1-800-746-8546 for questions regarding the reports on the Intralot website portal.

**Can a location owner face penalties for their store clerks providing cash as COAM prizes?**

Pursuant to GLC rules and regulations, any act committed by an employee, agent, or representative of a licensee shall be deemed to be the act of the licensee.

**What types of penalties could I face for violations of COAM laws, rules and regulations?**

A Location owner could face legal penalties including prosecution by law enforcement authorities, fines and penalties, as well as, the possible suspension or revocation of the COAM license along with other state issued licenses.

**Am I required to be a licensed lottery retailer to place COAMs in my location?**

No.

**What are some conditions that the GLC could revoke or suspend my Location owner/operators COAM license?**

- Intentional violation of a provision of the law or regulation promulgated under the law.
- Failure to provide requested information, intentionally making false statements or omitting any material or requested information.
- Engaging in coercive action.
- Engaging in unfair or deceptive acts or practices as defined by the law.
- Failure to meet any obligations imposed by the tax laws or other laws or regulations of the state.

**What types of penalties could I face for COAM violations?**

In addition to fines, criminal sanctions and the loss of a location license, a person could also lose other permissive licenses issued by the state or local government including, but not limited to licenses for alcohol, lottery and tobacco products.

**Can local governments audit machine receipts or limit Class B machines?**

Yes. Local governments may have the right to audit the business location owner or operators reports to verify compliance with local and state laws. Local governments may also decrease the allowable number of COAMs in a location and can impose other restrictions provided by law.

**How do I become a COAM Location operator?**

Those interested in becoming a COAM Location operator must submit an application for a location license and pay the appropriate fee. To apply for a Location license, please visit the GLC COAM website at [www.gacoam.com](http://www.gacoam.com).

**Is the GLC recruiting new COAM Location operators?**

No. A Master License owner/operator is not an employee of the GLC and does not represent GLC. The GLC's role with COAMs involves licensing, compliance and regulation.

**How will the GLC provide additional informational updates?**

Updates will be provided through the GLC COAM website at <https://www.gacoam.com>.

**What information will be required to be reported monthly by each Location owner/operator?**

Commencing July 1, 2015, Location owner/operators will be required to report, separately by location on a monthly basis, ONLY gross retail receipts for the business location. Each such monthly report shall be submitted in electronic format via the <https://www.gacoam.com> website as required by the GLC and shall be due by the 20<sup>th</sup> of the following month. That is, the first report for the month of July 2015 shall be due August 20, 2015 with subsequent reports due on the twentieth day of each month thereafter for the previous month.

**How do I report suspicious business practices regarding the operations and management of Class B COAMs in Georgia?**

An anonymous tip line is provided by GLC for the public or business owners in the State of Georgia to report suspicious business practices regarding the operation and management of the Class B COAMs. To report abuse, please contact:

- Toll-Free Telephone (855) 515-0004
- Website: <http://www.lighthouse-services.com/galottery>

**Will I be charged a late fee if I do not renew my Class A and/or Class B COAM license by July 1?**

Yes. Applicants who do not RENEW their COAM licenses by July 1 will be subject a nonrefundable late fee of \$1,000. An existing COAM Location licensee will not be allowed to apply for a new Location license to avoid payment of a late fee.

**When will the COAM funds be swept from my EFT account?**

Upon connection to the central system, electronic withdrawals of funds will commence on the Wednesday following the connection date and continue on a weekly basis. The accounting week runs from Sunday through Saturday. Timeliness of sweeps to Locations Owner/Operators may be affected by national and observed bank holidays.

**What is the "Central Accounting System" reference in HB 487?**

The Central Accounting System is a communications network that will be connected to each and every Class B COAM in Georgia. The system will monitor and read activity of the COAMs as authorized in HB 487 to track financial activity as well as allow for remote enabling and disabling of machines when warranted.

**Where can I go to find out more information regarding COAMs in Georgia?**

More information regarding COAM's in Georgia can be found on the Georgia Lottery Corporation's website at <https://www.gacoam.com>

**What would the GLC emphasize most to an existing COAM location license holder?**

Awareness and education are the two most important fundamentals for a COAM Location license holder in today's industry. It is the Location license holders' responsibility to know the law, rules, and

regulations. While we encourage the Master License Holders to educate the Location License Holders, it is still the responsibility of the Location License Holder to know, study, and put into practice the requirements of HB 487 and the Georgia Lottery Rules and Regulations. The Location License Holder also has the responsibility of training his or her location's staff. The law and regulations can be found at <https://www.gacoam.com>. The old adage "ignorance of the law is no excuse" really holds true. Investigations for non-compliance will extend beyond the store clerk and will look for culpability on the part of the Location License Holder when it exists.

**What is the Georgia Bureau of Investigation's (GBI) role since 2014?**

Since the inception of the GBI's Commercial Gambling Unit (CGU) in August 2013, the Unit has opened multiple investigations into gambling activity in Georgia. GBI Agents have executed search warrants and made arrests for charges including, but not limited to, Commercial Gambling, Racketeering, and Tax Evasion. The Unit has seized millions of dollars to date which does not include the multiple properties and businesses seized as part of civil RICO (racketeering) investigations initiated by the local prosecuting attorney as a result of CGU's criminal investigations. The GBI's primary focus will be criminal violations committed by licensees.

**Have there been any citations issued for COAM non-compliance by Locations?**

Yes. The GLC has nine (9) Compliance Inspectors conducting inspections throughout the State of Georgia on a daily basis which have resulted in citations and warnings. GLC has also partnered with local and state law enforcement agencies to detect non-compliance.

**What has changed regarding enforcement resources since HB 487 came into existence?**

The GLC has allocated dedicated resources to enforce compliance mandates, and the GLC is very focused on the goal of furthering a highly regulated, professional industry with the key element of integrity. The GLC now has its own Compliance Inspectors who conduct COAM inspections and investigations. They work very closely with law enforcement and other regulatory agencies when circumstances dictate. The GLC has also contracted out with a GLC Hearing Officer who will preside over cases involving licensing issues and citations for non-compliance, and he will administer fines as well as license suspensions and revocations when deemed appropriate.

**What violations or offenses is the GLC finding most prevalent in the COAM industry?**

The two most high profile offenses that we see from a compliance perspective involving Locations are cash payouts and inducements. Inducements include anything of value exchanged between the Master License Holder and Location License Holder (and/or family members) to include loans, property, rent, fee payments, gifts, etc.

**Can I change the COAM Master Licensee in my location after July 1, 2015?**

A COAM Location Licensee cannot remove or replace COAMs within its location on or after July 1, 2015 unless both the Master Licensee and the Location Licensee certify to GLC that there is no dispute between them related to the COAMs. If either party is unable to certify that there is no dispute, the matter will be referred to arbitration. For Class B COAMs, the COAMs shall remain connected to the central accounting terminal in the location during the pendency of the dispute. Licensees must use the forms that will be available on GLC's COAM website to make the necessary certifications to GLC.



**Can I change the COAM Master Licensee that currently has COAMs in my location (whether or not there was a change of ownership of the business)?**

Until October 1, 2015, a class B master and a Class B location licensee are prohibited from facilitating the movement of Class B COAMs from or into a COAM location without the approval of a waiver request by GLC pursuant to GLC RU 13.1.5 and 13.1.6. Additionally, as of July 1, 2015, before any COAMs are removed or replaced in a location, the master licensee and the location licensee must certify to GLC whether or not there is a dispute between them. If there is a dispute between the master licensee and the location licensee, the matter will be referred to arbitration pursuant to O.C.G.A. 50-27-102 (d). Pursuant to the law, Class B COAMs must remain connected to the central accounting system within the business during the pendency of the dispute. Before COAMs are removed from a location, please visit the GLC COAM website <https://www.gacoam.com> (under COAM Forms) to print a copy of the arbitration form and follow the instructions on the form to return it to GLC. The master licensee and the location licensee should each complete an arbitration form. If either party certifies to GLC that there is a dispute, the matter will be referred to arbitration proceedings. If GLC Contacts a licensee regarding a non-dispute certification and the licensee fails to respond with its own dispute certification form to GLC within five (5) calendar days, GLC will assume there is no dispute between the location and the master licensees and proceed accordingly. If GLC confirms that there is no dispute between the master and the location licensees, the COAMs may be removed from the location. For Class B COAMs, the COAMs must be disconnected from the central system with the assistance of Intralot to ensure that the central accounting system records are updated accordingly.

**I currently do not have Class B COAMs in my location. Can a Master Licensee place Class B COAMs in my location?**

If a Class B COAM location is in compliance with GLC RU 13.1.6 and O.C.G.A. 50-27-102 (d), a master licensee may only place Class B COAMs in the location no more than 2 days before the scheduled central system connection date and only if the location owner or operator holds and posts a valid original Class B COAM location license. Class B COAMs cannot be available to the public for play until they are successfully connected to the central accounting system.

**Will I have to provide a Fiduciary Security Deposit (FSD)?**

COAM Locations will be required to submit an FSD if established credit criteria is not met.

**Can a Location advertise to the public that there are COAMs in their Location?**

There is no prohibition in the COAM law regarding advertisement of the availability of COAM games at a location. However, any advertisement or message must still comply with other applicable laws and rules, including not using the Georgia Lottery name or any other protected names or marks without permission. Additionally, any terminology or images used in any advertisement of COAMs within a location should be consistent with applicable law and rules (for example, no images of cards or cash). The Georgia Lottery Corporation does not own or operate COAMs. Therefore, it would be inappropriate and impermissible to refer to the COAMs as any variation of Georgia Lottery games or machines.