

#### MEMORANDUM

**Date:** June 25, 2010

**To:** California State Lottery Commission

From: Joan M. Borucki

Director

**Prepared By:** Michael Ota, Deputy Director

Finance Division

**Subject:** Item 9(c) - Amendments to MEGA Millions® Regulations

#### <u>ISSUE</u>

Should the California State Lottery Commission (Commission) adopt proposed amendments to the California State Lottery Regulations (Regulations) to conform to changes in California law and multistate MEGA Millions® rules changes for Grand/Jackpot prize structures?

#### RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission adopt the proposed amendments effective August 31, 2010.

#### **BACKGROUND**

Recently, the MEGA Millions consortium entered into a cross-sell agreement with the Multi-State Lottery Association (MUSL). This cross-sell agreement was necessary to allow the twelve states that sell MEGA Millions tickets to begin selling Powerball tickets and the thirty-three MUSL states that sell Powerball tickets to begin selling MEGA Millions tickets. The MEGA Millions consortium rules are being changed to bring consistency to the Grand/Jackpot prize (grand prize) structure of the MEGA Millions game and the Powerball game. Those changes are scheduled to take effect on August 31, 2010.

The proposed amendments will bring the Lottery's regulations into conformity with the MEGA Millions consortium rule changes. Lottery staff endorses these changes as they streamline business processes by eliminating the need to purchase annuity California State Lottery Commission June 25, 2010 Page 2

investments each time a California player wins the grand prize for a MEGA Millions game and the changes eliminate investment risks that occurred when the MEGA Millions/Powerball cross-sell agreement was implemented.

#### DISCUSSION

The MEGA Millions game is designed to generate revenue for participating lotteries through the operation of a multistate lottery game. This multistate game awards prizes to ticket holders matching specified combinations of numbers randomly selected in regularly scheduled drawings. Currently, the annuity value of the MEGA Millions grand prize that is announced for each game is guaranteed. However, the grand prize winner has the option to choose the estimated cash equivalent of the guaranteed annuity prize amount.

Under current regulations, when a California player wins the grand prize for a MEGA Millions game, the Lottery initiates the purchase of U.S. Treasury bonds on the next business day following the winning draw. This annuity investment funds a series of 26 annual payments to the grand prize winner that will equal the guaranteed grand prize amount. Initiating the investment the next business day mitigates investment risk and ensures that the guaranteed annuity prize is fully funded.

A grand prize winner has 60 days after the date they become entitled to the grand prize to select either annuity payments or a single cash payment. If they elect to receive a single cash payment, the Lottery will initiate the sale of the U.S. Treasury bonds that were purchased for this prize. The proceeds from the sale of these bonds added to the funds for the first annuity payment comprise the value of the cash payment for the grand prize. The value of the U.S. Treasury bonds may change from the time of purchase to the time of sale due to fluctuating financial market conditions. This is the reason the cash equivalent of the guaranteed annuity prize amount is advertised as "estimated,"

The coming MEGA Millions multistate rule changes will amend the grand prize configuration. These rule changes will guarantee the announced cash value of the grand prize and will convert the annuity value of the grand prize from a guaranteed amount to an estimated amount. These changes will make the grand prize configuration consistent for the MEGA Millions and Powerball games.

With the pending MEGA Millions rule changes, when a California player wins the grand prize, they will still have 60 days following their confirmation as the grand prize winner to elect either annuity payments or a single cash payment. However, under the proposed rule changes, the value of the single cash payment will become the guaranteed prize amount.

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Upon approval of the proposed regulation amendments, the Lottery will no longer purchase U.S. Treasury bonds the next business day after a winning draw. If the grand prize winner subsequently chooses the annuity option, the cash prize amount will be used for the first payment to the prize winner and U.S. Treasury bonds will be purchased with the remaining funds.

Because the U.S. Treasury bonds are not purchased until/unless the grand prize winner elects the annuity payment option, the annuity prize amount for each drawing will be advertised as "estimated" because of the uncertainty of how much the cash prize amount will be able to purchase in U.S. Treasury bonds at an undetermined future date.

The only exception to the process described above involves the first jackpot following a MEGA Millions jackpot win. Under MEGA Millions rules, \$12 million is the starting annuity jackpot level after a win. This starting annuity jackpot amount will remain guaranteed. Under this scenario, if a California player wins the \$12 million grand prize, the process of purchasing the U.S. Treasury bonds following a winning draw and awaiting the prize winner's selection of the payment option will continue.

The regulations are also proposed to clarify the prize claiming period, reflecting the fact that grand prize winners of multistate lottery games have up to one year to claim prize money.

The proposed amendments will harmonize California Lottery regulations with multistate rules for the MEGA Millions game. Adopting these regulations does not change the basic prize structure or odds of winning prizes in the current MEGA Millions game.

The proposed amendments to the regulations described above are attached.

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<sup>\*</sup> Page numbers not included as they will be updated to conform with amendments, if approved.

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**Employee Recognition** 

# PROPOSED AMENDMENTS

I. General Regulations section A (Definitions)

#### I. GENERAL REGULATIONS

#### A. DEFINITIONS<sup>12</sup>

"Advance Play®" means the feature of California Lottery games which allows a player to play the same numbers for consecutive future draws. The player is issued one ticket which is valid for the period containing the consecutive draws played.

"Affiliates" means business concerns, organizations, or individuals if, directly or indirectly: (i) either one controls or has the power to control the other; or (ii) a third party controls or has the power to control both. Indicia of control include, but are not limited to, interlocking management or ownership, identity of interests among family members, shared facilities and equipment, common use of employees, or a business entity organized following the debarment or proposed debarment of a bidder or contractor which has the same or similar management, ownership, or principal employees as the bidder or contractor that was debarred or proposed for debarment.

"Apparent successful bidder" means a bidder whom the Lottery has selected for a Lottery contract award of \$250,000 or more that is awaiting review and approval by the Commission.

"Appeal" means the process initiated by a retailer, applicant, or representative whereby he or she submits a written document to the Lottery appealing the Lottery's decision to disapprove an applicant or to terminate a Lottery retailer contract.

"Applicant" means a person, organization, or business entity applying for authorization to contract with the Lottery as a Lottery game retailer. The term shall include, but is not limited to: an owner, proprietor, partner, shareholder, franchisee, board member, managing and/or controlling officer or designee approved by the Lottery of an existing commercial establishment, corporation, franchise, public entity, trust association, partnership, joint venture, or a civic or fraternal organization, regardless of whether the individual is compensated or uncompensated.

"Artwork" means the ticket graphics (front and back) and the game ticket symbols contained in individual game working papers for Scratchers®.

"Best value" means the lowest and best proposal that represents the best overall value to the Lottery because it will likely result in a contract that fulfills the Lottery Director's mandate set forth in Government Code section 8880.56.

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<sup>&</sup>lt;sup>1</sup> "Advance Play®", "Big Spin®", "The Big Spin®", "Bulls-Eye®", "California Lottery®", "Daily Derby®", "Hot Spot®", "Mega Millions®", "Quick Pick®", "Scratchers®" and "SuperLOTTO Plus®" are registered trademarks of the California Lottery.

<sup>&</sup>lt;sup>2</sup> All odds are rounded to the nearest whole number.

"Bidder" means a party responding to all required elements of a Lottery-issued RFP, IFB, or other solicitation.

"Book" means a series of fan folded tickets for an individual game attached together by perforations.

"Book-ticket number" means a unique multiple digit numbering or alpha coding printed on each ticket.

"California Lottery television show contestant" or "contestant" is an eligible individual or group representative who attains eligibility to participate in the California Lottery television show through other authorized means. Subject to these regulations and the applicable prize structure, contestants may participate on the California Lottery television show.

"California Lottery television show draw" is the process of determining prizes on the California Lottery television show.

"Cancellation authorization receipt" means the paper stock issued by the Lottery terminal indicating that a ticket is canceled. Mega Millions® tickets cannot be canceled.

"Cash authorization receipt" means the paper stock issued by the Lottery terminal indicating that a ticket for a low-tier prize or promotional award of \$599 or less is validated and authorized for payment.

"Cash option" means the player's option to receive the cash value of the top prize in lieu of annual payments. Cash option is not available for all games.

"Cash value" means the discounted present value of the annuitized topan annuity prize.

"Claim" or "claiming a prize" means submitting a valid winning ticket and/or properly completed claim form to the Lottery or Lottery game retailer, as applicable, within the required claiming period.

"Claimant" means a player who has submitted a valid claim for payment within the required time period. "Multiple claimants" means more than one individual claiming co-ownership of a ticket and any prize resulting from that ticket. All references to "claimant" throughout these regulations include the plural.

"Claim authorization receipt" means the paper stock issued by a Lottery terminal indicating that a ticket for a high-tier prize or promotional award of \$600 or more is validated and authorized for payment.

"Claim form" means the printed form, authorized by the Lottery, which a player must complete and submit to the Lottery with a winning ticket and a claim authorization receipt to be eligible to collect a prize or award pursuant to these regulations.

"Claiming period" means the <u>180-daydesignated</u> time period after a drawing or after the announced end-of-game date during which players may claim a prize for payment.

"Commission" means the California State Lottery Commission.

"Consecutive draws" means the feature of Hot Spot® which allows a customer to play the same spot and number selection in successive draws up to a maximum of 100 draws. A player is issued one ticket, which is valid for all of the consecutive draws played.

"Contract" means the written agreement entered into by and between the Lottery and the retailer as authorized in and pursuant to these regulations.

"Debarment" means exclusion from doing business with the Lottery for a defined period.

"Designated group representative" means the ticket co-owner named on the multiple ownership claim form vested with the exclusive authority to represent, act on behalf of, and receive payment of cash and merchandise prizes for ticket co-owners and to decide any applicable draw options.

"Director" means Director/Chief Executive Officer of the Lottery or his/her designee. It may also refer to the chief executive of another state's lottery which is a party to a joint powers agreement to operate a multi-state game.

"Disclosures" means all of that information requested by the Lottery pursuant to the authority of Government Code § 8880.57 and all information submitted by bidders and contractors in response.

"Documented criminal act" means a violation of federal or state law or regulation as investigated and substantiated by the Lottery. The Lottery may rely upon evidence developed by federal, state, or local government law enforcement officers, including law enforcement officers of a federal or state agency.

"Draw" or "drawing" is the process used to randomly select the winning selections as specified for each game or promotion.

"Draw coordinator" means the Lottery employee acting as the lead person for a specific draw who is responsible for, among other things, verifying the identity of a contestant, conducting the various draws, and verifying, validating and awarding all prizes on the California Lottery television show.

"Draw device" is a device approved by the Director to be used for a draw.

"Draw entry" means an eligible ticket for entry into a particular Lottery drawing.

"Draw management section" means the section within the Lottery which is responsible for managing and conducting all draws, and assuring the integrity, security, honesty and fairness of each of the draws conducted by the Lottery.

"Draw manager" means the Lottery employee, designated by the Director, who has overall responsibility for managing and evaluating draw management section staff, implementing policies and procedures pertaining to draws (except for promotional draws not conducted by the draw management section), and obtaining the Director's approval. The draw manager is ultimately responsible for the security and integrity of the draws conducted by the draw management section.

"Draw period," "drawing period," or "game period" means the period of time between pool opening and pool closure in which wagers are accumulated for a drawing conducted at the end of the designated period.

"Draw procedures" means the written documents, approved by the Director, governing all draws conducted by the draw management section. The draw procedures are confidential to preserve the security, integrity, honesty, and fairness of the draws.

"Election" means the irrevocable decision that a Lotto top prize claimant must make within 60 days of becoming entitled to the prize to receive the cash value of that prize instead of annual payments.

"Exception procedure" means any procedure utilized to obtain goods or services pursuant to the authority granted to the Director by these regulations.

"Exchange ticket" means the ticket issued by the Lottery terminal when consecutive draw or an Advance Play® ticket is redeemed for a prize but the ticket has remaining eligibility for one or more future drawings. An exchange ticket is issued to replace either an original or previous exchange ticket which has been validated for payment or claim before the end of the last draw on the original or exchange ticket.

"Fantasy 5 entry," "Fantasy 5 coupon," or "Fantasy 5 second chance" is issued from a Lottery terminal after a player has purchased a Fantasy 5 draw ticket of appropriate value.

"Fantasy 5 second chance draw" is the selection process to determine which Fantasy 5 second chance coupons from a pool are winners who may be eligible for prizes including, but not limited to, participation on the California Lottery television show.

"Field," "fields," or "playfield" means the range of numbers, times and/or names specific to each Lottery game from which the winning numbers, times and/or names are drawn.

"Free ticket receipt" means the paper stock issued by a Lottery terminal indicating that a Scratchers® ticket has been validated and stating the number of free tickets of that particular game to be issued.

"Game number" means the numeric character printed on the back of each ticket which identifies an individual Scratchers® game.

"Game profile" means a written document approved by the Commission or Director that authorizes, among other things, the prize structure of a game, prize eligibility, playstyle, price point, and special features of a game.

"Goods or services" means goods, services, or both goods and services.

"Grand prize" is the annuity prize awarded to the winner of a Lottery game.

"High-tier Prize" means a prize of \$600 or more which a player shall claim with the Lottery and which is paid by the Lottery.

"Independent Designated Drawer" means an individual, at least 18 years of age, who is designated by the draw manager to assist in the selection of contestants. The independent designated drawer cannot be: (i) a member of the Commission; (ii) an officer or employee of the Lottery; (iii) an officer or employee of the state controller's office who is designated in writing by the controller as having possible access to confidential Lottery information, programs, or systems; or (iv) a contractor or subcontractor excluded by the terms of its Lottery contract from playing Lottery games. Nor can the independent designated drawer be a spouse, child, brother, sister, or parent of a disqualified person who resides within the same household as that disqualified person.

"Inquiry receipt" means the paper stock issued by a Lottery terminal indicating if a ticket is a winner. An inquiry receipt does not validate a ticket.

"Instant Ticket Vending Machine" or "ITVM" means a vending machine placed at Lottery retail locations for the purpose of dispensing Scratchers® tickets.

"Invitation for bids" or "IFB" means a Lottery solicitation to potential bidders for the procurement of goods or services that can be described with specificity where contractor selection is based on price and price-related factors only.

"Jackpot" means the top Lotto prize, payable in annual payments, the sum total of which equals the gross future value of the top prize pool as determined in accordance with these regulations. In point-of-sale and other materials, the jackpot may be referred to as "grand/jackpot prize" or "annual payments."

"Lotto" or "lotto" is the generic name for a draw Lottery game in which a total of six numbers are drawn and the players matching some or all of the numbers become entitled to a prize. "Lottery" means the California State Lottery.

"Lottery game" means any procedure authorized by the Commission where prizes are distributed among persons who have paid or have unconditionally agreed to pay for tickets or shares providing the opportunity to win prizes.

"Lottery game retailer" or "retailer" means a person or organization with whom the Lottery has contracted and who is authorized to sell Lottery tickets or shares.

"Lottery Information Display System (LIDS)" or "Lottery monitor" means the television monitor which is used to transmit messages about Lottery games and game results to players.

"Low-tier Prize" means a prize of \$599 or less which a player may claim either through the Lottery or through a Lottery game retailer.

"Match two ticket" refers to a valid Fantasy 5 ticket that matches two of the winning numbers drawn by the Lottery at the draw for which the tickets was purchased. A player with a Fantasy 5 match two ticket is eligible to receive a free "replay ticket" subject to these regulations.

"Mega" number means the single number selected from a field of one to 27 in the SuperLOTTO Plus® game and the single number selected from a field of one to 46 in the Mega Millions game.

"Minimum prize fund" means the prize fund for each prize level as specified in these regulations which will be shared by winning Hot Spot® players when the wagered prize fund is less than the minimum prize fund.

"Multiple ownership claim form" means the printed form authorized by the Lottery which multiple claimants shall complete and submit to the Lottery, along with the applicable winning ticket, to be eligible to collect a prize as tenants in common. Multiple ownership is not available for all games.

"Notice" means a request, demand, consent, waiver, and/or other item required or permitted under these regulations or under contract or applicable law which must be made in writing and delivered to the party to be noticed.

"Offense" means conduct to which a disciplinary action has been taken against an applicant by a federal or state administrative agency.

"Oral presentations" means presentations by potential bidders to the Lottery addressing pertinent issues as requested by the Lottery. Oral presentations may include videotaped presentations in the Lottery's discretion.

"Pari-mutuel prize breakage" means any money remaining in the prize fund after paying prize amounts rounded to the closest lower whole dollar amount.

"Participate" or "participation" in the California Lottery television show means agreeing to appear (personally or through a proxy), to complete activities associated with a specific draw, and to be taped for potential broadcast as determined exclusively by the Lottery and in accordance with these regulations and the applicable draw procedures.

"Party Lottery" means each state which has entered into and executed a joint powers agreement for purposes of offering a multi-state game.

"Play area" means the portion(s) of the ticket containing ticket symbols.

"Player" is someone who legally acquires a ticket or second chance coupon to participate in a Lottery game or promotion and throughout these regulations includes the plural.

"Play selection" for Daily Derby® means a set of three horse names and corresponding identification numbers (i.e. "4-Hot Shot", "7-Gorgeous George", and "12-Money Bags") chosen from the field, one each of which is designated as finishing in first place, second place, and third place; and a set of three numbers (i.e., 2, 7, 6) comprising the race time, each unique number chosen from a field of zero through nine, inclusive. The selection appears on a ticket as two sets of items, one set of horse names/numbers for first, second, and third place and one set of numbers for race time to be played for one drawing.

"Playslip" means a slip used for marking a player's selection(s) and designating game features such as Quick Pick®, Advance Play® or consecutive draw(s). The player selection(s) made on the playslip will be recorded on a ticket issued by a Lottery terminal.

"Playstyle" means the method of play that determines winners for individual games.

"Play symbol" means the printed data on the front of the ticket, as provided in the game specifics and working papers, used to determine eligibility for prizes or prize draw eligibility.

"Play symbol caption" means the data printed on a ticket directly below each play symbol which repeats or explains the play symbols printed on that ticket.

"Pool" means all of the wagers or eligible entries made by all players for any game draw or promotional draw held at the conclusion of the draw period(s).

"Pre-solicitation conference" means any discussion sponsored by the Lottery and attended by bidders, individually or in groups, electronically or in person, for the purpose of obtaining information about products, services, and business practices including, but not limited to, alternative business solutions, research and development projects, and alternative service delivery methods.

"Pre-solicitation notice" means a notice from the Lottery providing a general description of an anticipated solicitation's scope that invites bidders to submit relevant information to the Lottery. Pre-solicitation notices include, but are not limited to, RFIs and requests by the Lottery that vendors participate in pre-solicitation conferences, site visits, and/or oral presentations.

"Pre-solicitation process" means any process used to assist the Lottery in developing a procurement methodology and solicitation that is expected to result in a contract for goods or services. Pre-solicitation processes include, but are not limited to, bidder presentations, product trials, site visits and/or pre-solicitation notices.

"Prize" means the compensation, either cash or merchandise, provided to a claimant for a winning selection or winning ticket as authorized in an individual game profile.

"Prize category" means the categories of play in Daily Derby® which can result in the award of a prize. Players must match the horse names/identification numbers, selected for first place, second place and third place to the horse names/numbers drawn by the Lottery for each place. If a player's first place horse selection matches the first place horse drawn by the Lottery that is called a "Win." If a player's first and second place horse selections match the first and second place horses drawn by the Lottery that is called an "Exacta." If the first, second and third place horse selections by the player matches the first, second and third place horses drawn by the Lottery that is called a "Trifecta." Players may win the race time prize category by matching exactly the three numbers drawn by the Lottery for that prize category. Players win the grand prize by matching the Trifecta and race time.

"Prize levels" used in the Daily 3 draw means the three categories: (i) matching three numbers to the numbers drawn by the Lottery and in the same order, known as a straight; (ii) matching three numbers to the numbers drawn by the Lottery in any order, known as a box; (iii) a combination of both straight and box play known as straight/box.

"Prize payment option" means a top prize winner's choice of either "26 annual payments" or "cash value." If no choice is made within required timelines for a particular Lotto game, the top prize will be paid in annuity payments.

"Prize structure" means the estimated number, value, and odds of winning prizes, as approved by the Commission.

"Prize symbol," is the printed data on the front of a Scratchers® ticket as provided in the individual game profile.

"Prize symbol caption" is the data printed on a Scratchers® ticket directly below each prize symbol which repeats or explains the prize symbols.

"Probation" means a period of time, set by the Director, during which a retailer is authorized to sell Lottery products subject to complying with specific terms and conditions. Failure to comply with the terms and/or conditions can result in additional action against the retailer's contract, including termination.

"Promotional award" means the compensation provided for a valid winning promotional ticket.

"Proxy" is an individual, at least 18 years of age, who is designated and authorized by a contestant or the Lottery, in accordance with these regulations and the draw procedures, to appear and participate on behalf of the contestant at the California Lottery television show. A proxy designated by the Lottery may be a member of production staff or an audience member. A proxy is not eligible to win a prize or receive any compensation from the Lottery (monetary or otherwise) for his/her participation.

"Quick Pick®" means a function that allows a terminal to automatically and randomly select numbers and/or names and/or finishing positions for the player.

"Race time" is the time taken by the first place horse to complete the race. The race time will range from 1:40.00 (one minute, forty seconds) to 1:49.99 (one minute, 49.99 seconds). Players select the final three digits, representing seconds and hundredths of seconds.

"Replay authorization receipt" means the paper stock issued by the Lottery terminal containing printed data indicating that a Fantasy 5 match two ticket has been validated and stating the number of replay tickets to be issued.

"Replay ticket" means the Quick Pick® selection issued by a Lottery terminal to a player who has matched two of the numbers drawn in the Fantasy 5 game.

"Request for information" or "RFI" means a written description of information the Lottery seeks from interested bidders for planning purposes in advance of issuing a solicitation. The information requested may include, but is not limited to: price, delivery, other market and customer information, or capabilities. An RFI requires no mandatory format, is not a solicitation and responses to an RFI are not offers and cannot be accepted by the Lottery to form a binding contract.

"Request for proposals" or "RFP" means a request to potential bidders for the procurement of goods or services where the potential bidder is asked to propose a solution, method, or goods to meet the procurement need identified by the Lottery, and where the award will be made on price and non-price related factors.

"Retailer" or "retailer location" means a person, organization or business entity with whom the Lottery has entered into a retailer contract and who is authorized to sell Lottery products to the public. The term shall also include, but is not limited to: an owner, partner, shareholder, franchisee, board member, managing and/or controlling officer or designee approved by the Lottery, of an

existing commercial establishment, corporation, franchise, public entity, trust, association, partnership, joint venture or a civic or fraternal organization, regardless of whether the individual is compensated or uncompensated.

"Retail validation code," when applicable, means the three small letters printed adjacent to the ticket symbols in the play area on the front of a ticket which the retailer uses to validate winning tickets.

"Sales Period" means the period of time between initial raffle game ticket sales and the termination of play.

"Scratchers®" or "Scratchers® game" means the instant winner Lottery game which is played by removing the covering from a ticket to reveal the ticket symbols. Also sometimes referred to as instant games or instant tickets.

"Selection" means the set of unique numbers and/or names and/or finish places chosen by a player or via the Quick Pick® feature from the numbers in the field for each specific Lottery game.

"Self Serve Terminal" or "Game Point Terminal" means a Lottery terminal that allows the player to process a playslip.

"Serial Number" means a unique multiple digit number which is assigned to a game ticket by the central system and is printed on the ticket and used to identify subsequent transactions related to that ticket.

"Set device" means any instrument used to randomly select a prize amount for a draw participant.

"Site visit" means a visit by Lottery staff to a site where a bidder's work can be viewed, or a visit by a bidder to a Lottery-designated site.

"Solicitation" means an RFP, IFB, or any other request for the submission of an offer for the goods or services the Lottery seeks to acquire.

"Special prize fund" or "reserve prize fund" is that fund which accumulates three percent of the SuperLOTTO Plus® prize pool allocation, any SuperLOTTO Plus® top prize fund allocation which accrues when the cost of the announced jackpot is less than the top prize pool for that draw, residual Mega Millions® prize funds remaining after a grand/jackpot annuity purchase, eight percent of the Fantasy 5 prize pool allocation, and all pari-mutuel prize breakage from SuperLOTTO Plus®, Daily 4, Daily 3 and Mega Millions®. The special prize fund may be used to fund a jackpot when the cost exceeds the monies available to fund the jackpot prize. The special prize fund may also be used to fund other Lotto prizes, or prizes for any other Lottery game, game feature or promotion.

"Spot" or "spots" means the number of number(s) a player attempts to match from the 20 numbers selected by the Lottery in a Hot Spot® draw. For

example, the five spot refers to the player's selection of five unique numbers from the field of 80; the player is said to be playing the five spot. Each of the two through five or eight spots has a unique set of odds and prizes associated with it as provided in these regulations.

"Stand-in" means an individual chosen by the Lottery when there are not enough eligible contestants for a final multi-contestant draw. Stand-ins are not eligible to win prizes or receive any compensation (monetary or otherwise) for their participation. A stand-in must be at least 18 years of age, and must, upon being selected as a stand-in, sign a written waiver indicating knowledge of and consent to participation without any possibility of winning or of compensation.

"Stub" means the portion of a Scratchers® ticket that can be separated from the ticket and may contain ticket symbols that indicate the player's eligibility for a prize.

"Successful bidder" means a bidder whose Lottery contract award has been approved by the Director or the Commission, as applicable.

"Terminal," "Lottery terminal," "draw terminal," or "validation device" means a device authorized by the Lottery to function in an interactive mode with the Lottery's computer system for issuing Lottery tickets and entering, receiving and processing the full range of normal Lottery transactions, including but not limited to: selection(s) and purchases, voiding or canceling purchases, validating draw and Scratchers® tickets, issuing cash and claim authorization receipts, transmitting reports and verifying the winning status of a ticket.

"Termination" means an action taken by the Director or a retailer which has canceled the contract entered into by the Lottery and the retailer.

"Ticket," "original ticket," "ticket receipt," or "receipt" means the paper stock issued by the Lottery terminal which contains the playing area(s) and game play data for an individual game. The data may indicate the selection(s) made by a player or by the Quick Pick® feature. The ticket is given to the player upon payment for the selection(s) and is verification of the player's numbers. The ticket may include a stub. "Original ticket" or "ticket" may refer to an "exchange ticket" if Advance Play® was previously selected. "Tickets" or "Lottery products" means Scratchers® game tickets and/or computerized Lottery game ticket(s) or share(s), collectively, unless stated otherwise.

"Ticket symbol" means the printed data in the play area on the front of the ticket which is used to determine eligibility for prizes or promotional awards pursuant to the prize structure or game specifics, as appropriate.

"Ticket symbol captions" means the data printed on a ticket directly below each play symbol which repeats or explains the play symbols printed on that ticket.

"Ticket vendor(s)" means the company (ies) with which the Lottery contracts to produce tickets.

"Top Prize" means the highest level prize in both Lotto and Scratchers® games. In the SuperLOTTO Plus® game it is the jackpot prize. In the Mega Millions® game it is the grand/jackpot prize.

"Tradestyle" means a retailer category, conducting a similar operation, organization, or business, as determined by the Director.

"Typical prize allocation for 8 Spot match 8 of 8" means the money, in Hot Spot® that is allocated to pay 8 Spot match 8 of 8 winners.

"Typical prize amount" means the prize amount, in Hot Spot®, paid to winners for all spots except the 8 Spot match 8 of 8 as specified in these regulations.

"Validation number" or "ticket validation number" means a unique multiple digit number which is printed on a cash authorization receipt or a claim authorization receipt (a file-a-claim receipt).

"Wagered prize fund" means the fund for each Hot Spot® draw pool and any Hot Spot® prize fund money carried over from previous draws. The wagered prize fund shall be comprised of an initial contribution of \$1,000,000 and a continuing contribution of 56% of Hot Spot® sales less typical prize amounts and allocations won.

"Warning letter" means a written notice from the Director to a retailer advising of a violation of the provisions of the California Lottery Act, these regulations, the retailer contract, and/or Lottery policies, directives and/or instructions and informing the retailer that the Director may take action against the retailer's contract if an additional violation occurs.

"Winning horses" or "winning horse names" means the three horse names and corresponding identification numbers randomly drawn by the Lottery for a particular Daily Derby® draw to be in first place, second place and third place, from a field of 12 horse names and identification numbers. Winning horses are used to determine a winning selection contained on a Daily Derby® ticket, as prescribed herein.

"Winning numbers" means the numbers randomly selected by the Lottery, which entitle the legitimate ticket holder to a prize.

"Winning race time" means the three numbers randomly drawn by the Lottery for the Daily Derby® which represents the seconds and hundredths of a second in a 1.4\_.\_\_ race time (i.e., 1.43.21), each number selected from a field of zero through nine, inclusive. Winning race time numbers are used to determine a winning selection contained on a Daily Derby® ticket, as prescribed herein.

"Winning Raffle Numbers" means the numbers randomly selected by the Lottery at a draw which entitle the legitimate ticket holder to a prize.

"Working papers" means a written document developed for each individual Scratchers® game which, when signed by the ticket vendor and executed by the Director, shall constitute the Lottery's order for tickets for an individual game.

# I. General Regulations sections B – Gwere approved by the Commission on May 20, 2010.

No changes to these sections are being requested under this action item.

# **PROPOSED AMENDMENTS**

I. General Regulations section H(Claiming a Prize or Award)

#### H. CLAIMING A PRIZE OR AWARD

- 1. General Regulations (Draw and Scratchers®)
  - a. Individuals under 18 years of age and those named in Government Code section 8880.321(g) are ineligible to receive a prize. If an ineligible individual makes a claim for a prize either individually or as part of a group of claimants, that portion of the prize attributable to the ineligible claimant shall remain in the prize fund.
  - b. All prize payments or promotional awards are subject to deductions and offsets, including taxes, as provided by law.
  - c. Prize winnings shall be paid to a natural person. Natural person includes, when applicable, multiple persons as denoted on the multiple ownership claim form.
    - (1) Under unique conditions, the Director may allow prize winnings to be paid to someone other than a natural person. These other entities are:
      - (a) A non-profit 501-C corporation; or
      - (b) A revocable trust where the grantor is the winner and the trust is linked to the grantor's social security number.
  - d. Prizes of \$600 or more shall be paid by the Lottery when the Lottery receives a valid claim.

#### 2. Claim Period

- a. Draw Games
  - (1) Except for the Mega Millions® jackpot which must be claimed within one year after the draw in which the prize was won, No no later than 180-calendar days from the winning draw date, prizes may be: (1) claimed at a retailer location if the total amount of the prize for a single play ticket is low tier of \$599 or less; or (2) claimed at the Lottery. The claim must be postmarked or received by the Lottery within the 180 daydesignated claiming period. Claim periods for promotional awards may be less than 180-calendar days from the end of the promotion period. Promotional claim periods must be published or broadcast by the Lottery in advance of the promotional draw. Any prize or promotional award not claimed within the period

and in the manner specified herein as well as on the playslip or in the play brochure, if any, will be forfeited.

#### b. Scratchers®

- (1) Prizes shall be claimed no later than 180 days after the announced end-of-game date for the individual game.
- (2) Any prize directly payable by the Lottery and not claimed within the period and in the manner specified shall be transferred to the public benefit as set forth in the California State Lottery Act.

#### 3. Prizes or Promotional Awards of \$599 or Less

- a. Claiming at a Lottery Retailer
  - (1) To claim an individual prize or promotional award of \$599 or less per play at a Lottery retailer, including Advance Play®, the claimant must have the winning ticket validated on a terminal at an authorized retailer.
  - (2) In presenting the ticket to a Lottery retailer for payment, the claimant must complete the information requested on the back of the ticket. Subject to subsection (5) below, and regardless of whether or not it sold the winning ticket, the retailer must pay the claimant on the presented ticket for an individual prize or promotional award provided that all of the ticket validation criteria as set forth in these regulations have been satisfied, the Lottery terminal indicates an authorization to pay by issuing a cash authorization receipt, and all other procedures required for a retailer by the Lottery have been performed.
  - (3) The Lottery terminal payment authorization process is a preliminary procedure which the retailer can rely upon to pay a prize of \$599 or less. This payment authorization does not in itself establish entitlement to a prize. The game ticket remains subject to the rules of the game and validation directly by the Lottery under these regulations.
  - (4) If the claimant used the consecutive draw or Advance Play® feature and the ticket has remaining eligibility for a future draw, and an authorized retailer has validated the ticket and the prize or promotional award has been paid, the retailer must give the claimant the exchange ticket to retain for any remaining draws.

(5) Retailers are required to pay prizes on winning tickets as provided for in these regulations unless the Lottery has authorized an exception to this requirement for one of the following reasons: (1) established corporate policy does not allow a retailer to cash tickets with prizes up to and including \$599; (2) operation of the retail location demonstrates a security risk; or (3) the retailer has received permission from the Lottery to establish hours in the day for the payment of prizes.

#### b. Claiming at the Lottery

- (1) Claims, including those made on Advance Play® or consecutive draw tickets, may be submitted to the Lottery headquarters or Lottery district office for processing. The claimant must complete the information required on the back of the ticket and should retain a copy of the ticket.
- (2) If the claimant has used the Advance Play® or consecutive draw feature, the Lottery will: (1) receive and retain the ticket for cashing; (2) process and authorize payment of the prize or promotional award if a Lottery terminal indicates an authorization to pay; (3) issue and keep the exchange ticket and monitor it for additional prizes, if any, won on the remaining draw(s); and (4) send the claimant a copy of the exchange ticket.
- (3) If the Lottery has received all of the required items, the Lottery will process the claim and authorize payment provided that all of the ticket validation criteria as set forth in these regulations have been satisfied and a proper validation authorization appears on the Lottery's computer. The claimant will subsequently receive a State Controller's Office warrant in the prize amount due less withholding and offsets, if any. If the Lottery determines the claim is not valid, it will deny the claim.

#### 4. Prizes or Promotional Awards of \$600 or More

- a. All valid winning tickets with at least one prize or promotional award of \$600 or more must be claimed pursuant to this section.
- b. To claim a prize or promotional award of \$600 or more, the claimant must complete the information required on the back of the ticket and may present the winning ticket to an authorized retailer for validation on a Lottery terminal or present the winning ticket directly to the Lottery for claim processing. If the claimant presents the ticket to the retailer and the validation has been completed, the retailer must return the original ticket and provide a

winner's claim form to the claimant. The retailer may also give a claim authorization receipt to the claimant. If the claimant has used the consecutive draw or Advance Play® feature, the retailer must also provide an exchange ticket to the claimant which the claimant should retain for the remaining plays on the ticket. The claimant must complete the claim form and submit it together with the original ticket directly to the Lottery. The claim authorization receipt may also be submitted with the claim form and original ticket. The claimant should retain copies of all items submitted.

- c. Upon receipt of all of the required items, the Lottery will process the claim and authorize payment provided that all of the ticket validation criteria as set forth in these regulations have been satisfied and that a proper validation authorizing payment appears on the Lottery's computer. The claimant will subsequently receive a State Controller's Office warrant in the prize amount due, less any withholding and offsets. If the Lottery determines the claim is not valid, it will deny the claim and notify the claimant.
- d. If the claimant has used the consecutive draw or Advance Play® feature and the claimant's winning ticket has eligibility remaining, the Lottery will: (1) receive and retain the ticket for cashing; (2) process and authorize payment of the prize or promotional award if a Lottery terminal indicates an authorization to pay; (3) determine if an exchange ticket has previously been issued to the player. If an exchange ticket has not been issued, the Lottery will issue and keep the exchange ticket and monitor it for prizes, if any, won on the remaining play(s); and (4) send the claimant a copy of the exchange ticket for his/her records.
- e. Claims submitted to the Lottery pursuant to this section may be submitted to the Lottery headquarters or to a Lottery district office.

#### 5. Regulations Specific to Scratchers®

- a. Only one designated prize on a ticket shall be paid to a claimant unless otherwise specified in the applicable game profile.
- b. Payment to a contestant participating in a draw on the California Lottery television show will be made by the Lottery as soon as possible following the date that the prize is won and after the Lottery has determined that the contestant complied with all applicable laws and regulations.
- c. Unless otherwise provided in the game profile, prize payments of \$1,000,000 or more will be annuity payments. The first payment shall be made as soon as possible following the date that the prize was won and the Lottery has determined that the contestant complied with all applicable laws and regulations.

# I. General Regulations sections I – O

were approved by the Commission on May 20, 2010.

No changes to these sections are being requested under this action item.

II. Game Specific Regulations sections A – F

(California Lottery Television Show, Daily Derby®,

Daily 4, Daily 3, Fantasy 5 and Hot Spot®)

were approved by the Commission on May 20, 2010.

No changes to these sections are being requested under this action item.

# PROPOSED AMENDMENTS

II. Game Specific Regulations section G (Lotto)

#### G. CALIFORNIA LOTTO REGULATIONS

#### 1. PURPOSE

The California State Lottery (Lottery) shall conduct a Lotto game or games pursuant to these regulations. Lotto is the generic name for a draw Lottery game in which a total of six numbers are drawn and players matching some or all of the numbers become entitled to a prize. Lotto includes, but is not limited to, a match five of 47 plus match one of 27 games known as SuperLOTTO Plus®. It may also include a multi-state game known as Mega Millions®, operated pursuant to a Joint Powers Agreement executed with other states.

#### METHOD OF PLAY

The following subsections specify how a player may make his/her Lotto selection(s):

#### a. Selection Cost

Each Lotto selection shall sell for one dollar. The Commission may authorize a discount to permit the sale of a selection for an amount less than one dollar. Lotto tickets may be purchased only through Lottery-authorized retailers.

# b. Making a Selection

- To play Lotto, a player makes a selection of unique (1) numbers from the fields of numbers offered in the game for input into a Lottery terminal. The player may individually select his/her numbers, or may select QUICK PICK®. The player may complete a Lottery playslip, or may instruct a retailer to enter his/her selections directly into the Lottery The player may also choose other options, including Advance Play®. After the player's selections are entered into the terminal, the terminal issues a ticket corresponding to the selection(s) made and options chosen A ticket may contain multiple Lotto by the player. selections, each separately labeled. The retailer will give the player the ticket to keep as proof of purchase and of the selection(s) for that game period.
- (2) If the retailer has a self-serve terminal (SST), the player shall make his/her selection(s) by either inserting a playslip marked with his/her selection(s) into the SST or by touching the appropriate Lotto icon (pad) on the SST and then selecting the number of draws, selection(s) and/or options desired. The SST will issue a ticket which the

- player shall keep as proof of purchase and of his/her selection(s) for the specified game period(s).
- (3) To use the Advance Play® feature of Lotto, a player may pay for and play his/her selection(s) for up to 20 consecutive draws.
- (4) A Lotto ticket shall be the only proof of a player's Lotto selection(s) or play(s) and the only valid receipt for claiming a prize. A playslip or claim or cash authorization receipt has no pecuniary or prize value and does not constitute evidence of ticket purchase or of numbers selected.

#### 3. DETERMINATION OF LOTTO PRIZE WINNERS

The following subsections specify the determination of a Lotto winner.

#### a. Draw Procedures

- (1) Draws for SuperLOTTO Plus® shall be held on Wednesday and Saturday of each week. The time, place, and manner of such draws may be changed at the Director's discretion. All draws shall be open to the public.
- (2) Draws for Mega Millions® shall be held on Tuesday and Friday of each week in Atlanta, Georgia under the auspices of the Georgia State Lottery. The time, place and manner of such draws shall be established by procedures approved by all party Lotteries pursuant to agreement of all party Lottery Directors, and in accordance with such security, auditing and other safeguards as the Directors deem appropriate. Any change to the location and time of the draw shall be announced to the public in advance. All draws shall be open to the public.

#### b. Draw of the Winning Selection

The objective of a draw is to randomly select the winning numbers, five from the main field and one from the Mega number field, with the aid of draw equipment.

Holders and co-owners of valid winning tickets for a given draw bearing the selection(s) drawn in that draw, in whole or in part and irrespective of the order of the numbers drawn, may be entitled to a prize in accordance with these regulations.

#### c. More than One Winner for Prize Categories

If more than one selection is successful in matching the winning numbers for a Lotto game in a single draw, each selection with the same winning numbers shall share equally in the respective prize pools for that prize category.

#### d. More than One Prize for a Single Winning Selection

Players are eligible to receive, subject to the validation requirements of these regulations, only the highest category prize for each winning selection. For example, a top prize winner will receive the top prize only, but will not receive any of the prizes in the other prize categories. The Lottery shall not be responsible for tickets claimed by a player in error for a prize lower than the highest prize category won for the selection.

#### e. Determination of Valid Claims

- (1) In all cases, the determination of prize winners shall be subject to the general ticket validation and authentication requirements set forth in these regulations, Lottery rules, regulations, policies and procedures, and the requirements set out on the playslip or in play brochures, if any.
- (2) A ticket is a bearer instrument until signed on the back by the ticket holder or co-owner.

#### 4. NUMBER, VALUE, AND PAYMENT OF PRIZES

#### a. SuperLOTTO Plus®

(1) The matrix for SuperLOTTO Plus® shall be composed of five numbers drawn from a main field of 47 and one Mega number drawn from a field of 27.

# (2) Odds

<b>Vatediling du on bana</b> ing	<b>Q.dds</b>
All 5 of 5 + Mega (Top Prize)	1:41,416,353
All 5 of 5	1:1,592,937
Any 4 of 5 + Mega	1:197,221
Any 4 of 5	1:7,585
Any 3 of 5 + Mega	1:4,810
Any 3 of 5	1:185
Any 2 of 5 + Mega	1:361
Any 1 of 5 + Mega	1:74
None of 5, only Mega	1:49

(3) Unless augmented, the available SuperLOTTO Plus® prize pool will be approximately 48.5% of total sales for the draw period immediately preceding the draw at which the prize winners are determined, including sales for Advance Play® tickets purchased in prior draw periods for this draw period. SuperLOTTO Plus® prize pool allocations for the separate categories shall be apportioned on the following basis:

Matching Numbers	Percentage of Prize Fund <sup>3</sup>
All 5 of 5 + Mega (Top Prize)	60.50% <sup>4</sup>
All 5 of 5	3.00%
Any 4 of 5 + Mega	1.50%
Any 4 of 5	2.50%
Any 3 of 5 + Mega	2.25%
Any 3 of 5	11.00%
Any 2 of 5 + Mega	6.00%
Any 1 of 5 + Mega	5.75%
None of 5, only Mega	4.50%
Reserve Prize Fund	3.00%

- (4) Value and Payment of SuperLOTTO Plus® Top Prizes
  - (a) Value of the SuperLOTTO Plus® Jackpot

The value of the SuperLOTTO Plus® jackpot shall be the last amount announced by the Lottery as the jackpot for that particular draw.

(b) Payment of Jackpot Prizes

Investment of prize funds in order to pay the SuperLOTTO Plus® jackpot shall be made on the first business day following the draw or as soon as feasible. Investments shall be made pursuant to Lottery established policies and procedures. Annuities shall be competitively bid but in no case shall the sum of the annuity payments be less than each winner's share of the jackpot.

Jackpots shall be paid in accordance with these regulations and the graduated payment schedule set

<sup>&</sup>lt;sup>3</sup> The Director has the discretion to augment any of the prizes for promotional purposes as long as the listed percentage of the prize pool is allocated to each category.

The preliminary top prize pool shall be allocated at 60.50 percent of the prize fund. The final top prize pool allocation may vary as a result of augmentation.

forth below. The initial payment will be made upon completion of internal validation procedures. The second and each subsequent payment shall be made on or about the anniversary of the date when the prize was won until the total jackpot is paid out:

Year	Annuity Payment as a % of Announced Jackpot	Year	Annuity Payment as a % of Announced		
			Jackpot		
1	2.50%	14	3.90%		
2	2.70%	15	4.00%		
3	2.80%	16	4.10%		
4	2.90%	17	4.20%		
5	3.00%	18	4.30%		
6	3.10%	19	4.40%		
7	3.20%	20	4.50%		
8	3.30%	21	4.60%		
9	3.40%	22	4.70%		
10	3.50%	23	4.80%		
11	3.60%	24	4.90%		
12	3.70%	25	5.00%		
13	3.80%	26	5.10%		
Total Percentage for All Years: 100%					

#### (c) Cash Value of Top Prize

- (i) SuperLOTTO Plus® jackpot claimants will have up to 60 days after the date they become entitled to the jackpot prize to irrevocably elect to receive the cash value of the prize instead of annuity payments. A claimant becomes entitled to a prize when the Lottery has completed its procedures for authentication and validation of the winning ticket and has authorized payment.
- (ii) If a claimant elects to receive the cash value during the 60 day election period, the claimant will receive a single payment equal to the first annuity payment plus the proceeds of the sale of bonds purchased to fund the remainder of the winner's annuity payments, including any market gain or loss based on the original purchase price of the bonds, less brokerage fees, federal tax, and any applicable offsets.

- (iii) No payment will be processed under the 60 day cash option election until the claimant submits a form irrevocably electing the cash option. If a claimant does not elect to receive the cash option within 60 days of entitlement, the claimant will receive annuity payments.
- (iv) For multiple ownership claims, election of the cash option must be unanimous. If group claimants are unable to unanimously elect the cash option, the prize winners will receive annuity payments.
- (d) Value and Payment of SuperLOTTO Plus® "Mega Only" Prize

SuperLOTTO® Plus players who successfully match only the Mega number shall receive a pari-mutuel prize for which the minimum amount shall be one dollar, notwithstanding the estimated pool allocation for that draw.

#### b. Mega Millions®

- (1) The matrix for Mega Millions® shall be composed of five numbers drawn from a main field of 56 and one Mega number drawn from a field of 46.
- (2) The following matrix applies to all Mega Millions® prizes won in California, and to all other Mega Millions® party Lotteries for the grand/jackpot prize only.

Matching Numbers	Odds	Percentage of Prize Fund
All of 5 of 5 + Mega (Top Prize)	1:175,711,536	63.60%
All of 5 of 5	1:3,904,701	11.00%
Any 4 of 5 + Mega	1:689,065	3.00%
Any 4 of 5	1:15,313	2.00%
Any 3 of 5 + Mega	1:13,781	2.28%
Any 3 of 5	1:306	4.88%
Any 2 of 5 + Mega	1:844	2.44%
Any 1 of 5 + Mega	1:141	4.80%
None of 5, only Mega	1:75	6.00%
Totals	1:39.89	100%

(3) The Mega Millions® prize fund is expected to be 50% of gross sales, but may be higher or lower based upon the funding required to meet the estimated grand/jackpot prize.

- (4) The number of prize categories and the allocation of the prize fund among the prize categories may be changed, at the Director's discretion, for promotional purposes.
- (5) Value and Payment of Mega Millions® Top Prizes
  - (a) Value of the Grand/Jackpot Prize
    - (i) Before each draw, the Party Lottery Directors will determine the estimated grand/jackpot prize amount for the upcoming draw. Except as otherwise provided in section 14.1.1 of the Mega Millions® Finance and Operations Procedures, the advertised grand/jackpot prize amount will be the basis for determining the amount to be awarded for each Mega Millions® selection matching all five of five winning numbers drawn from the main field of numbers and the single Mega number. For any Mega Millions® annuitized grand/jackpot prize, the prize amount will be the highest affordable multiple of \$1 million, based upon market rates at the time of the annuity purchasefully funded multiple of \$1 million based solely on the cash value of the grand/jackpot prize as determined in this section. No grand/jackpot prize, when there is only one winning official Mega Millions® ticket, will be less than \$12 million.
    - (ii) If in any Mega Millions® draw no Mega Millions® selections qualify for the grand/jackpot prize category, the portion of the prize fund allocated to the grand/jackpot prize category will remain in the grand/jackpot prize category and be added to the amount allocated for the grand/jackpot prize category in the next consecutive Mega Millions® draw.
  - (b) Payment of the Grand/Jackpot Prize
    - (i) Except for a \$12 million (annuity value) jackpot drawing for which the annuity prize is guaranteed, any grand/jackpot prize winning ticket(s) will be the cash equivalent of the estimated annuity jackpot. If the grand/jackpot prize winner elects the annuity option, the investment Investment of prize funds in order to pay the Mega Millions®

jackpot shall be made on the first business day following the drawwill occur. Investments shall be made pursuant to Lottery established policies and procedures. Annuities shall be competitively bid for annual payments, but in no case shall the sum of the annuities be less than each winner's share of the jackpot.

- (ii) The grand/jackpot is an annuity prize will be paid in 26 annual installments. The initial payment will be made upon completion of internal validation procedures. Subsequent annuity payments will be made pursuant to established Lottery policies and procedures.
- (iii) In the event multiple Mega Millions® selections qualify for the grand/jackpot prize category and the annuitized grand/jackpot prize divided by the number of winning game selections is less than \$1 million, each Mega Millions® grand/jackpot prize winner will be paid an amount equal to the cash value of the grand/jackpot prize divided equally by the number of grand/jackpot prize winners. Each such grand/jackpot prize winner will be paid in a single cash payment.
- (c) Cash Value of the Top-Grand/Jackpot Prize
  - (i) Mega Millions® grand/jackpot prize claimants will have up to 60 days after the date they become entitled to the grand/jackpot prize to irrevocably elect to receive the cash value of the prize instead of annuity payments. A claimant becomes entitled to a prize when the Lottery has completed its procedures for authentication and validation of the winning ticket and has authorized payment.
  - (ii) If a claimant elects to receive the cash value, the claimant will receive a single payment equal to the first annuity payment plus the proceeds of the sale of bonds purchased to fund the remainder of the winner's annuity payments, including any market gain or loss based on the original purchase price of the bonds, less brokerage fees, federal tax, and any applicable offsets. the cash equivalent of the estimated annuity jackpot.

- (iii) No payment will be processed under the 60day cash option election until the claimant submits a form irrevocably electing the cash option. If a claimant does not elect to receive the cash option, the claimant will receive annuity payments.
- (iv) For multiple ownership claims, election of the cash option must be unanimous. If group claimants are unable to unanimously elect the cash option, the prize will be paid in annuity payments.
- (6) Mega Millions Second through Ninth Level Prizes in California Pari-Mutuel
  - (a) California will pay second through ninth level Mega Millions® prizes according to a pari-mutuel distribution of the prize fund aggregated in California for second through ninth prize levels. No other Party Lottery will bear any expense for second through ninth level prizes for official Mega Millions® tickets sold in California, nor will California participate with the other Party Lotteries in the reconciliation of prize liabilities for the second through ninth prize levels as provided in the Mega Millions® Finance and Operations Procedures.
  - (b) The second through ninth prize levels for all other Mega Millions® Party Lotteries will be fixed prizes, as specified in the Amended and Restated Mega Millions® Official Game Rules agreed to by all Mega Millions® Party Lotteries.

#### c. All Lotto Games

(1) Minimum Prize

All Lotto prize categories shall be paid on a pari-mutuel basis, with a minimum prize of one dollar notwithstanding the estimated pool allotment or number of winners.

- (2) Value and Payment of Prizes other than Top Prizes
  - (a) Lotto prizes in all pari-mutuel categories except the top prize shall consist of the cash amounts contained in the prize pool for each prize category at

the time of the draw. Payment of such prizes shall be made to the winner(s) in a single cash payment.

(b) Notwithstanding the allocations provided herein, shares in each Lotto prize category shall be rounded down to the nearest dollar from the calculated amount, and each winning selection in each prize category shall be considered to be a single unit equal to one share of that prize category.

#### (3) Rollover in Absence of Winner

- (a) If it is determined that there is no valid winning ticket for a SuperLOTTO Plus® prize category in any given draw, all monies allocated for that prize category shall be carried forward to the subsequent draw and added to the top prize pool amount for that draw, after the category allocations specified in these regulations have been made.
- (b) If it is determined that there is no valid winning ticket for a Mega Millions® prize category in any given draw, all monies allocated for that prize category shall be carried forward to the subsequent draw and shall remain in the pool for that prize category.

# (4) Augmentation

At the Director's discretion, any prize pool may be increased by an amount specified by the Director upon written notice for any current or subsequent draw period. The Director may use any appropriate funds to augment a prize pool. The amount of the increase may be a variable amount sufficient to guarantee a specified prize.

#### (5) Claimant Status

Prize winnings may be paid to natural persons or to business entities, including for profit or non-profit corporations and charitable organizations, subject to Lottery rules and regulations. The Director shall have the discretion to require a business entity prize claimant to provide the name of a natural person to whom the prize winnings may be paid.

# (6) Multiple Prize Claimants

- (a) Top prizes, whether payable as annuity payments or as a cash value payment, may be split and paid to more than one claimant provided the Lottery receives a valid multiple ownership claim form directing such payment. Payment shall be made to each claimant as provided on the multiple ownership claim form.
- (b) The Lottery shall issue individual prize payment warrants to no more than 100 top prize claimants on an original multiple ownership claim. If there are more than 100 claimants listed on a multiple ownership claim, the Lottery reserves the right to make payment to a designated group representative, and such payment shall discharge the Lottery from all liability for the payment of the prize to the other claimants.
- (c) Except for the top prize, cash or merchandise prizes shall be paid as follows: Where there are multiple claimants, prizes shall be paid to a designated group representative. Such payment shall discharge the Lottery from all liability for payment of the prize to the other claimants. The designated group representative is responsible for distribution of the prize to the other claimants.

# (7) Withholdings and Offsets

All prizes shall be subject to federal tax withholding and offsets as provided by state and federal law.

(8) Pari-Mutuel Prize Breakage

All pari-mutuel prize breakage shall be transferred into the special prize fund

# II. Game Specific Regulations sections H – I

(Raffle and Scratchers®)

were approved by the Commission on May 20, 2010.

No changes to these sections are being requested under this action item.

# III. Operational Regulations sections A – Fwere approved by the Commission on May 20, 2010.

No changes to these sections are being requested under this action item.