



## M E M O R A N D U M

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**Date:** November 29, 2012

**To:** California State Lottery Commission

**From:** Robert T. O'Neill  
Director

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**Subject:** Item 8(a) – Regulations to Implement Powerball® Game

### **ISSUE**

Should the California State Lottery Commission (Commission) adopt the attached regulations to enable the sale of Powerball lottery tickets in California?

### **RECOMMENDATION**

Staff recommends that the Commission adopt the attached regulations, which would become effective upon the launch of Powerball ticket sales in California in 2013.

### **BACKGROUND**

In 2005 the California State Lottery (Lottery) launched the sale of MEGA Millions®, referred to as a “multi-state lottery game” because it is jointly offered by numerous state lotteries pursuant to agreements between the states. Powerball is also a multi-state lottery game. It is facilitated by the Multistate Lottery Association (MUSL), a non-profit, government-benefit association owned and operated by its member lotteries. MEGA Millions and Powerball tickets are currently sold in 42 states, Washington D.C., and the U.S. Virgin Islands.

In January of 2010 a cross-sell licensing agreement was negotiated between MEGA Millions and MUSL members to allow states that sold MEGA Millions to offer Powerball, and states that sold Powerball to offer MEGA Millions. The California State Lottery, then selling MEGA Millions, did not enter into the agreement at that time and instead opted to conduct further research about the potential effect of Powerball sales in California.

In September 2012 the Lottery became a party to the cross-sell agreement through an amendment signed by the Lottery, the MEGA Millions member states, and MUSL on behalf of the MUSL member states. California is now licensed to offer Powerball tickets in California. At the Lottery's request, MUSL is in the process of adapting its rules to facilitate the sale of Powerball tickets in California should the Commission approve.

## **DISCUSSION**

As part of a continuing effort to offer new and exciting products to players and increase sales, Lottery staff conducted research and ultimately determined that adding the Powerball game to its existing mix of games would support the Lottery's mission to maximize supplemental funding for public education in California.

Powerball's starting jackpot is \$40 million, much larger than those offered by the Lottery's existing SuperLotto® Plus (\$7 million) and MEGA Millions (\$12 million) games. The Powerball jackpot also grows faster, increasing by at least \$10 million per "roll." These jackpot levels rapidly build excitement among players. Based on research that was done prior to the actual launch of \$2 Powerball, we estimated that the NET Incremental sales to our Jackpot Games portfolio would be between \$90 million and \$120 million per year if we add the \$2 Powerball game. Actual sales of Powerball would be higher than this, but decreases in sales of SuperLotto Plus and MEGA Millions would result in a net annual increase of \$90 - \$120 million.

The California State Lottery Act (beginning at California Government Code section 8880) requires Commission approval of new Lottery games through the promulgation of regulations. The proposed Powerball regulations, attached, address in detail the manner by which the Powerball game would be offered in California. They specify the rules that will apply to the Powerball game in California, including rules that relate to the method of play, the determination of winners, the compensation paid to retailers, and the number, value, and payment of prizes. They also include the designation of prize pool allocations for different prize levels and the odds of winning.

California would contribute a percentage of its Powerball sales revenues toward the Powerball grand/jackpot prize, but it would be entirely independent with respect to all other prize levels. Payment of those prize levels would be based solely on California sales and the number of winners in California.

All profits from the sale of Powerball tickets in California would be retained by California and used to supplement the Lottery's support of public education.

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Employee Recognition

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### **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>1</sup> “Advance Play®”, “Bulls-Eye®”, “California Lottery®”, “Daily Derby®”, “Hot Spot®”, “Mega Millions®”, “Quick Pick®”, “Scratchers®” and “SuperLOTTO Plus®” are registered trademarks of the California Lottery.

<sup>2</sup> All odds, except for Hot Spot®, 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.

"Cancellation authorization receipt" means the paper stock issued by the Lottery terminal indicating that a ticket is canceled. Mega Millions® [and Powerball](#) 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 an 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 designated 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.

“Core game profile template” means a written document pre-approved by the Commission that authorizes the number and value of prizes and the price point for each Scratchers® game.

“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.

“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.

“Draw Test Game” means a lottery game of limited duration implemented to test player reaction to proposed lottery games and lottery game features.

“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.

“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 the number and value of prizes and the price point for each game. A game profile may be in the form of a core game profile template, an individual game profile, or a game profile approved by the Director that is materially similar to a game profile approved by the Commission.

“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 [value of the annuity prizes in SuperLOTTO Plus®, Mega Millions® and Powerball.](#) ~~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 [the “grand prize”](#), “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.

“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.

“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 entry to participate in a Lottery game or promotion. “Player” as used in these regulations includes the plural form.

“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 number, value, and odds of winning prizes in each game.

“Prize symbol,” is the printed data on the front of a Scratchers® ticket as provided in the individual working papers for each game.

“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.

“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.

[“Reserve prize fund” – See “Special prize fund.”](#)

“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.

"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 and four percent of the Powerball 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® and Powerball. 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 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 working papers 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 amount means the prize amount, in Hot Spot®, paid to winners as specified in these regulations.

“Typical prize pool” means the money, in Hot Spot®, that is allocated to certain prize levels that is shared among winners.

“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 monies allocated for payment of each Hot Spot® draw, which includes any Hot Spot® prize monies carried over from previous draws. The wagered prize fund shall be continuously funded by an ongoing contribution of 63% of all Hot Spot® sales.

“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 and executed, shall constitute the Lottery’s order for tickets for an individual game.

**I. General Regulations sections B – C**

**were approved by the Commission on September 27, 2012.**

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

## **PROPOSED AMENDMENTS**

### **I. General Regulations section D (Canceling a Ticket)**

#### D. CANCELING A TICKET

This subsection does not apply to replay tickets.

A ticket for a single draw or a ticket using the Advance Play® or consecutive draw feature may be canceled by returning the ticket to the original selling retailer on the same day it is purchased, prior to pool closure. Canceling a ticket voids the ticket and removes it from the pool for that draw. If an authorized Lottery retailer cancels a ticket, the Lottery shall not be obligated to pay any prize or promotional award to the holder of that ticket whether or not the ticket was canceled in error. The original selling retailer is prohibited from canceling a ticket unless the player returns the original ticket.

If a ticket is canceled in accordance with the provisions of this section, the terminal will issue a cancellation authorization receipt, and the player is entitled to a refund from the retailer equal to the purchase price of the ticket.

Mega Millions® [and Powerball](#) tickets may not be cancelled. [All](#) Mega Millions® [and Powerball](#) sales are final.

**I. General Regulations sections E – F**

**were approved by the Commission on September 27, 2012.**

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



## **PROPOSED AMENDMENTS**

### **I. General Regulations section G**

**(Ticket Validation and Authentication Requirements)**

## G. TICKET VALIDATION AND AUTHENTICATION REQUIREMENTS

### 1. FOR DRAW TICKETS

In addition to other requirements specified herein, the following requirements apply to validating and authenticating draw tickets.

- a. The ticket must have been issued by an authorized California retailer in an authorized manner for an applicable draw period.
- b. The ticket must have been legally obtained, be intact, and not be mutilated, altered, unreadable, reconstituted, misregistered, defective, incomplete or tampered with in any manner.
- c. The ticket data must have been recorded in the Lottery's central computer system prior to the draw and the information appearing on the ticket must correspond with the computer record, in which case the ticket will be deemed issued. A ticket will not be paid if apparent play selections on the ticket disagree with official winning numbers or objects or items on file at the Lottery's central computer for that ticket or if the ticket is not recorded in the Lottery's central computer system.
- d. Each play selection appearing on the ticket must be separately numbered, lettered, listed, and/or labeled.
- e. The serial number or validation number must appear in its entirety on the ticket and must correspond to the play selection(s) printed on the ticket for the date printed on the ticket.
- f. Every number printed on the ticket, whether selection, serial or validation number, date, or other entry, must be fully legible.
- g. The ticket must not be defectively printed or produced in error to an extent that it cannot be processed by the Lottery.
- h. The ticket must not be counterfeit, altered, stolen, canceled or voided.
- i. The ticket must not appear on any list of canceled, voided or forfeited tickets on file at the Lottery.
- j. All information appearing on the apparent winning ticket must appear in the Lottery's official file of winning tickets. Another ticket with identical data must not have been paid.
- k. The ticket must pass all additional confidential validation and authentication tests and security criteria established by the Lottery.

- i. The ticket must be validated in accordance with procedures described in the “Claiming a Prize” and “Governing Law” sections of these regulations.
- m. If the ticket fails to pass all the criteria set forth in this section, the ticket will be deemed void and ineligible for any prize. However, the Director may, solely at his/her option, replace a voided ticket with a ticket of equivalent sales price from any subsequent draw period. If an erroneous or defective ticket is issued and purchased, the bearer or claimant’s recourse is limited to the replacement, by the Lottery, of the defective or erroneous ticket with another ticket of equivalent sales price or reimburse the claimant for the cost of the disputed ticket. Replacement of the ticket is the bearer’s or claimant’s sole and exclusive remedy.
- n. The ticket must be validated on a Lottery terminal at a retailer location or at the Lottery, as applicable, prior to payment of a prize.
- o. If a player fails to submit a winning original ticket but does submit a claim form which is received by the Lottery within the claim filing period and passes all validation requirements for a prize or promotional award, the Lottery may make payment if the player’s claim is timely, based on substantial proof and otherwise eligible. Substantial proof consists of relevant evidence submitted by a claimant that a reasonable person would accept as adequate to support the conclusion that a valid winning ticket exists or once existed and that the claimant is the owner of such valid winning ticket. Such proof must be reasonable in nature, credible and trustworthy. The evidence will be evaluated in accordance with the Lottery’s established validation procedures to validate the claim. If the evidence submitted by the player provides substantial proof, the Lottery may make payment after the applicable claim period has expired. However, in no case may the top prize or the second level prize in Mega Millions® [or any prize in Powerball](#) be awarded without submission of a winning original ticket.

## 2. FOR SCRATCHERS®

- a. Each Scratchers® ticket shall be validated prior to payment of a prize.
- b. A Scratchers® ticket shall comply with all of the following:
  - (1) The ticket shall not be stolen or appear on any list of omitted tickets on file at the Lottery.
  - (2) The ticket shall not be counterfeit or forged, in whole or in part.
  - (3) The ticket shall not be mutilated, altered, unreadable, reconstituted, or tampered with in any manner.
  - (4) The ticket shall not be fraudulent and shall have been legally obtained.
  - (5) The ticket shall have been issued by the Lottery in an authorized manner.
  - (6) The ticket shall not be blank, partially blank, misregistered, defective, or printed or produced in error.
  - (7) The ticket shall be readable.
  - (8) The ticket must be active in the Scratchers® automation system.
  - (9) The ticket shall have been received or recorded by the Lottery by applicable deadlines.
  - (10) The ticket shall not be lacking ticket symbol captions that confirm and agree with the ticket symbols required for the applicable individual Scratchers® game.
  - (11) The ticket shall pass the confidential validation and security tests appropriate to the applicable playstyle.
  - (12) The display printing on the ticket shall correspond precisely with the artwork on file at the Lottery.
  - (13) The validation number of an apparent winning ticket shall appear on the Lottery's official list of validation numbers of winning tickets. A ticket with that validation number shall not have been paid previously.

- (14) All of the ticket symbols shall have a ticket symbol caption underneath and each ticket symbol caption shall agree with its ticket symbol.
  - (15) Each of the ticket symbols shall have a ticket symbol caption underneath and each ticket symbol shall correspond to those shown in the working papers.
  - (16) Each ticket symbol, ticket symbol caption, ticket validation number and retailer validation code shall be printed in black or colored ink.
  - (17) Each of the ticket symbols, ticket symbol captions, ticket validation number, retailer validation code, game number, book-ticket number and split ticket code shall be right side up and not reversed in any manner.
  - (18) All ticket symbols, book-ticket numbers, ticket validation numbers, split ticket codes, and retailer validation codes shall be present in their entirety, be fully legible, and correspond precisely to the artwork on file at the Lottery as part of the game working papers.
  - (19) If a player fails to submit a winning original ticket, the Lottery may make payment if the player's claim is based upon substantial proof. Substantial proof consists of relevant evidence, submitted by a claimant, that a reasonable person would accept as adequate to support the conclusion that a valid winning ticket exists or once existed and that the claimant is the owner of such valid winning ticket. Such proof must be reasonable, credible and trustworthy. The evidence will be evaluated in accordance with the Lottery's established validation procedures to validate the claim.
- c. Any ticket not passing all the validation tests and requirements is void and ineligible for any prize and shall not be paid. The Director may, at his/her exclusive determination, reimburse the player for the cost of the void ticket.
  - d. If a defective ticket is purchased, the Lottery's only liability shall be reimbursement for the cost of the void ticket.

## **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 and Draw Test Games

- (1) Except for the Mega Millions® or Powerball jackpots which must be claimed within one year after the draw in which the prize was won, 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 designated 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.
- (6) Tickets for Draw Test Games, as defined in section I.A., may only be validated and prizes may only be claimed at test locations for a limited time. Thereafter, they must be submitted directly to the Lottery for validation and payment.

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 working papers.
  - b. Unless otherwise specified in the game's prize structure, 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 September 27, 2012.**

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

**II. Game Specific Regulations sections A – I**

**were approved by the Commission on September 27, 2012.**

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

## **PROPOSED AMENDMENTS**

### **II. Game Specific Regulations section J (Powerball)**

## II. GAME SPECIFIC REGULATIONS<sup>3</sup>

### J. POWERBALL REGULATIONS

#### 1. PURPOSE

The California Lottery (Lottery) will conduct a Lotto game known as Powerball in accordance with these regulations. Powerball is a multi-state game operated pursuant to a cross-sell license agreement between the Multi-State Lottery Association (MUSL) and the members of the Mega Millions consortium. Powerball is a Draw game in which a total of six numbers are drawn and eligible Players matching some or all of the numbers become entitled to Claim a Prize.

#### 2. GAME-SPECIFIC DEFINITIONS

In addition to the definitions set forth above in the General Regulations, the following definitions apply to Powerball:

“Multi-State Lottery Association” or “MUSL” is a non-profit, government-benefit association owned and operated by its member lotteries for the purpose of offering multi-state games, including Powerball.

“Powerball Group Rules” means the set of rules that govern the administration and operation of the Powerball game. These rules are applicable to all lotteries that participate in the selling of Powerball, except where such lotteries are exempted by rule, comment, or operation of law.

“Powerball Number” means the single number selected from a Field of 1 to 35 in the Powerball game.

“Powerball Product Group” or “Product Group” means the group of lotteries that are members of MUSL and participate in the sale of Powerball.

#### 3. METHOD OF PLAY

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

##### a. Selection Cost

Each Powerball selection will sell for \$2. However, the Lottery may authorize temporary discounts, rebates, or promotions permitting the sale of a selection for an amount less than \$2 in

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<sup>3</sup> In any conflict between General Regulations and Game Specific Regulations, Game Specific Regulations control.

accordance with Powerball Group Rules. Powerball tickets may be purchased only through Lottery-authorized Retailers.

b. Making a Selection

(1) To play Powerball, a Player selects five unique numbers from a Field of 1 through 59 and one Powerball Number from a Field of 1 through 35. The Powerball Number may be the same as one of the first five numbers selected by the Player. The Player may select specific numbers or select Quick Pick, either by using a Lottery Playslip or by asking a Retailer to enter the selections directly into the Lottery Terminal. The Player may also choose other options at that time, 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 by the Player. A ticket may contain multiple selections, each separately labeled. The Retailer will give the Player the ticket to keep as the sole proof of purchase and of the selection(s) for that game period.

(2) If the Retailer has a self-serve terminal (SST), the Player may either make his/her selection(s) by inserting a Playslip marked with the selection(s) into the SST or by touching the Powerball icon (pad) on the SST and then selecting the number of Draws, selection(s), and options desired. The SST will issue a ticket that the Player must keep as proof of purchase and selection(s) for the specified game period(s).

(3) The Advance Play feature of Powerball allows a Player to pay for and play the same selection(s) for up to ten consecutive Draws.

(4) A Powerball ticket is the only proof of a Player's selection(s) or play(s) and the only valid receipt for Claiming any Powerball Prize.

c. No Cancellations

Powerball tickets, including tickets that were printed in error, may not be voided or cancelled. All Powerball sales are final.

d. Restrictions on Powerball Play

Powerball tickets may not be purchased, nor may Powerball Prizes be Claimed, by anyone designated in the General Regulations or by the Powerball Group as an ineligible person.



#### 4. DETERMINATION OF POWERBALL PRIZE WINNERS

##### a. Draws

Powerball Draws are held on Wednesday and Saturday each week in Orlando, Florida, at 7:59 p.m. Pacific Time. Entries for the Wednesday and Saturday drawings end at 7:00 p.m. Pacific Time on the evening of the draw. The day, time, or location of Powerball Draws are subject to change. All Draws are 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 Powerball Number Field. Players with valid tickets for a given Draw bearing the selection(s) drawn in that Draw may be entitled to a Prize in accordance with these regulations.

##### c. Pari-Mutuel Prizes

Winners for each Prize level in a particular Draw will share equally in the Prize Pool for that Prize level.

##### d. Only One Prize for Each Winning Selection

Players are eligible to receive, subject to the validation requirements specified in these regulations, only the highest category Prize for each winning selection. For example, a Jackpot Prize Winner (matching all five numbers from the main Field and the Powerball Number) will receive only the Jackpot Prize for that selection, and will not also receive a share of any lower level Prize category. The Lottery is not responsible for Prizes redeemed by Players in error for less than the highest Prize category won for the selection.

##### e. Determination of Valid Claims

(1) In all cases, the determination of Prize winners is subject to: the general ticket validation requirements set forth in these regulations; Lottery rules, policies and procedures; the requirements specified on the Playslip or in play brochures; and any other validation requirements established by the California Lottery.

(2) A ticket is the only proof of a game play or plays, and submission of a winning ticket is the sole method of Claiming a Prize or Prizes. In no case will any Powerball

Prize be awarded without submission of a winning original ticket.

f. Claim Period

A Powerball Jackpot Prize Claim must be submitted within one year from the date of Draw in which the Prize was won. All other Powerball Prizes must be Claimed no later than 180 calendar days from the winning Draw date.

5. NUMBER, VALUE, AND PAYMENT OF PRIZES

a. The matrix for Powerball is composed of five numbers drawn from a main Field of 59 and one Powerball Number drawn from a Field of 35.

b. The entire Powerball Prize Pool will consist of 50% of each Draw Period's Powerball sales. The Prize Pool will then be allocated by Prize level in the percentages set forth below. Four percent of the Powerball Prize Pool will be placed in the Lottery's Reserve Prize Fund.

c. The following matrix applies to all Powerball Prizes won in California.

<u>Prize Category</u>	<u>Matching Numbers</u>	<u>Odds</u>	<u>Percentage of Prize Pool</u>
<u>Jackpot Prize</u>	<u>All of 5 of 5 + Powerball</u>	<u>1:175,223,510</u>	<u>59.9511%</u>
<u>Level Two</u>	<u>All of 5 of 5</u>	<u>1:5,153,633</u>	<u>19.4037%</u>
<u>Level Three</u>	<u>Any 4 of 5 + Powerball</u>	<u>1:648,976</u>	<u>1.5409%</u>
<u>Level Four</u>	<u>Any 4 of 5</u>	<u>1:19,088</u>	<u>0.5239%</u>
<u>Level Five</u>	<u>Any 3 of 5 + Powerball</u>	<u>1:12,245</u>	<u>0.8167%</u>
<u>Level Six</u>	<u>Any 3 of 5</u>	<u>1:360</u>	<u>1.9437%</u>
<u>Level Seven</u>	<u>Any 2 of 5 + Powerball</u>	<u>1:706</u>	<u>0.9909%</u>
<u>Level Eight</u>	<u>Any 1 of 5 + Powerball</u>	<u>1:111</u>	<u>3.6097%</u>
<u>Level Nine</u>	<u>Powerball only</u>	<u>1:55</u>	<u>7.2194%</u>
<u>Reserve Prize Fund</u>	<u>n/a</u>	<u>n/a</u>	<u>4%</u>
	<u>Totals</u>	<u>1:31.85</u>	<u>100%</u>

d. Except for the Jackpot Prize allocation, the Prize Pool allocation matrix may be changed at the Director's discretion for promotional purposes.

e. Value and Payment of Powerball Jackpot Prize

(1) Value of the Jackpot Prize

- (a) Before each Draw, the Powerball Product Group will determine an estimated Jackpot Prize amount for the upcoming Draw. The actual Jackpot Prize amount will be determined by the cash available in the Jackpot Prize Pool. In certain instances the Jackpot Prize will be a guaranteed amount, as set forth in Powerball Group Rules.
- (b) The minimum annuitized Jackpot Prize amount is \$40 million. Where the Jackpot Prize has not been won in the previous Draw, the minimum increase between Draws for the annuitized Jackpot Prize is \$10 million. However, minimum guaranteed Prizes or increases may be waived under certain conditions set forth in the Powerball Group Rules. The Powerball Product Group may change the minimum annuitized Jackpot Prize amount for future Draws at any time.
- (c) If in any Powerball Draw no selections qualify for the Jackpot Prize category, the portion of the Prize fund allocated to the Jackpot Prize Pool will remain in the Jackpot Prize Pool and be added to the amount allocated for the Jackpot Prize category in the next consecutive Powerball Draw.

(2) Payment of the Jackpot Prize

- (a) Where the Jackpot Prize is a guaranteed amount, shares of the Jackpot Prize Pool will be determined by dividing the guaranteed annuitized Prize amount by the number of Jackpot Prize winners. Where the Jackpot Prize is not a guaranteed amount, shares of the Jackpot Prize Pool will be determined by dividing the cash available in the Jackpot Prize Pool equally among all winners of the Jackpot Prize.
- (b) Unless the Jackpot Prize winner elects the cash option, the Jackpot Prize will be paid as an annuitized Prize, and Prize funds will be invested in order to pay the Powerball Jackpot Prize. Investments will be made pursuant to Lottery established policies and procedures. In no case will the sum of the annuity payments be less than each Winner's share of the Jackpot Prize.

(c) The annuitized Prize will be paid in 30 annual installments. The initial payment will be made upon successful validation. Subsequent annual payments will be made pursuant to established Lottery policies and procedures.

(d) In the event that multiple Powerball selections qualify for the Jackpot Prize category and the individual shares of the cash held to fund an annuity are less than \$250,000, the Powerball Product Group may elect to pay the Winners an amount equal to the Cash Value of the Jackpot Prize divided equally by the number of Jackpot Prize Winners. Rather than payment through an annuity, each such Jackpot Prize Winner would be paid in a single cash payment.

(3) Cash Option

(a) Powerball Jackpot Prize 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 instead of annuity payments. A Claimant becomes entitled to a Prize when the Lottery has completed its procedures for validation of the winning ticket and has authorized payment.

(b) If Claimants elect to receive the Cash Value, they will be paid their share of the Jackpot Prize Pool in a single cash payment.

(c) No payment will be processed under the 60-day Cash Option election until the Claimant submits a form irrevocably electing the Cash Option.

f. Powerball Prize Levels Two through Nine in California

(1) California will pay Powerball Prize levels two through nine according to a pari-mutuel distribution of the Prize fund aggregated in California. No other lottery will bear any expense for Prize levels two through nine for official Powerball tickets sold in California, and California will not participate in the reconciliation of Prize liabilities for Prize levels two through nine for tickets sold in any other state.

(2) Prize levels two through nine for all Powerball lotteries other than California will be fixed Prizes, as specified in the Powerball Group Rules agreed to by all other participating lotteries.

g. Value and Payment of Prize Levels Two through Nine

(1) Powerball Prizes in all pari-mutuel categories except the Jackpot Prize will consist of the Winner's share of the cash amount contained in the Prize Pool for that particular Prize category at the time of the Draw. Payment of such Prizes will be made to the winner(s) in a single cash payment. The minimum Prize will be \$2.

(2) Notwithstanding the allocations provided herein, shares in each Powerball Prize category other than the Jackpot Prize, will be rounded down to the nearest dollar from the calculated amount, and each winning selection in each Prize category will be considered a single unit equal to one share of that Prize category.

6. MISCELLANEOUS

a. Rollover in Absence of Winner

If it is determined that there is no valid winning ticket for a Powerball Prize category in any given Draw, all monies allocated for that Prize category will be carried forward to the subsequent Draw and will remain in the Pool for that Prize category.

b. Claimants

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 may require that a business entity Claimant provide the identity of a natural person to whom the Prize winnings may be paid.

c. Multiple Prize Claimants

1. Jackpot Prizes, whether payable as annuity payments or as Cash Value, may be split and paid to more than one Claimant provided the Lottery receives a valid Multiple Ownership Claim Form directing such payment. Payment will be made to each Claimant as provided on the Multiple Ownership Claim Form, to a maximum of 100 Claimants.

2. For multiple ownership Claims on a single winning Jackpot Prize selection, 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.

3. If there are more than 100 Jackpot Prize Claimants listed on a Multiple Ownership Claim Form, the Lottery reserves the right to make payment to a Designated Group Representative, and such payment discharges the Lottery from all liability for payment of the Prize to the other Claimants.

4. Where there are multiple Claimants for a Prize other than the Jackpot Prize, the Prize will be paid to a Designated Group Representative. Such payment discharges 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.

d. Withholdings and Offsets

All Prizes are subject to federal tax withholding and offsets as provided by state and federal law.

e. Prize Breakage

Breakage on an annuitized Jackpot Prize will be added to the first cash payment to the winner(s). All breakage for Prize levels two through nine will be transferred into the Reserve Prize Fund.

f. Retailer Incentive Bonus

A Retailer who sells a valid winning Powerball Jackpot Prize ticket will receive a bonus payment equal to .5% of the annuitized Jackpot Prize value of the Player's winnings, up to a maximum of \$1 million.

g. Disputes

Powerball Players agree by purchasing a Powerball ticket in California that any dispute or claim arising out of their purchase or the Powerball game can only be pursued against the California Lottery and that Powerball-related litigation, if any, may only be maintained in California.

**III. Operational Regulations sections A – F**

**were approved by the Commission on September 27, 2012.**

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

