



M E M O R A N D U M

Date: June 25, 2010

To: California State Lottery Commission

From: Joan M. Borucki
Director

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Subject: Item 9(a) – Termination of Lottery Contract with 3Ball Productions LLC/Milestone Entertainment and Applicable Amendments to Game Regulations

ISSUE

Should the California State Lottery Commission (Commission) approve the termination of Lottery contract with 3Ball Productions LLC/Milestone Entertainment (3Ball) and adopt applicable amendments to California State Lottery Regulations (Regulations)?

RECOMMENDATION

Staff recommends that the Commission approve the termination of the California State Lottery (Lottery) contract with 3Ball Productions LLC/Milestone Entertainment and adopt applicable amendments to Regulations to become effective on July 1, 2010. Staff also recommends that the Commission authorize the Director to award TV show prizes to players who become eligible to win these prizes after the effective date of the amendments to Regulations.

BACKGROUND

On June 25, 2008, the Commission approved the award of a four-year contract with 3Ball for the production of a new Lottery television show. The contract commenced on August 1, 2008 and the new game show, Make Me a Millionaire (MMaM), began airing on January 17, 2009. On February 25, 2010 staff completed an in-depth assessment of the return on investment (ROI) from the MMaM TV show and recommended that the Lottery should stop producing the show at the end of the current Fiscal Year (FY) and redirect administrative and prize expense savings to generate a more robust ROI. On April 30,

2010 the Lottery notified 3Ball that, contingent upon Commission approval, the Lottery intends to terminate its contract (#12892) effective August 15, 2010.

Current Regulations contain provisions related to conducting TV show drawings, contestant eligibility requirements, etc. as well as provisions related to the Fantasy 5 Coupon game feature which will no longer be relevant or necessary with the cancellation of the MMaM Show. Staff is requesting that the Commission approve both the termination of the 3Ball contract as well as applicable changes to Regulations to remove references to a TV show and the Fantasy 5 Coupon Feature. The proposed amendments to the Regulations are attached in their entirety.

Finally, staff recommends that the Commission authorize the Director to award TV show prizes to those claimants who become eligible to win these prizes during the 180 day claim period from the end of the MMaM Scratchers game and the end of the Fantasy 5 Coupon Feature. The Lottery will end the MMaM Scratchers game on June 25, 2010 and it will end the Fantasy 5 Coupon Feature on July 4, 2010. Players will have 180 days from these dates to claim TV Show prizes. The Director must have the authority to award these prizes after the July 1, 2010 effective date of the proposed amendments to Regulations.

DISCUSSION

The Lottery is always looking for ways to maximize revenues for public education by operating as efficiently as possible. This effort has become even more important with the passage of Assembly Bill 142 that reduced the Lottery's administrative budget from 16 percent of revenues to 13 percent. A recent cost benefit analysis of the TV show revealed that the show's ROI is not sufficient to justify its continuation because the benefits the Lottery receives are significantly less than the costs associated with producing the show. The Lottery's analysis found that:

- The incremental benefit of the TV show on Scratchers sales range from \$18 to \$20 million per year for a gross profit of \$10 to \$11 million.
- The incremental benefit of the TV show on Fantasy 5 sales range from \$2.6 million to \$16 million per year for a gross profit of \$1.3 to \$8 million.
- The TV show's commercial value is estimated to be around \$1.15 million per year.
- The TV show costs around \$22.7 million per year and yields between \$12 and \$20 million in tangible benefits. A standard benchmark for a minimum ROI at the Lottery is at least 2.5 to 1 or, for every \$1 it invests, it must generate \$2.50 in benefits. Using this benchmark, an investment of \$22.71 million should generate a return of \$56.75 million.

Additionally, while the MMaM TV Show appears to enjoy decent ratings when compared to other shows in its time slot, viewership has been steadily declining and it is currently at just over 100,000 per episode in a state with a population of over 27 million adults. It is therefore not surprising that the show does not appear to have much of a direct impact on sales of the MMaM game or Fantasy 5. Case in point, since the second quarter of FY 08-09, there are two Designated Market Areas (DMA's) that went dark with the TV show – Chico/Redding and Eureka. These two DMA's represent about 1.36 percent of the Scratchers market share. A comparison of market share before and after the TV show went dark reveals almost no change whatsoever in the market share for either the MMaM game or Fantasy 5.

Most of the expenses associated with the MMaM TV show are the \$19 million allocated to pay the prizes awarded on the show. Direct costs associated with producing the TV show are just over \$3.2 million plus around \$57,000 for auditors & staff overtime and travel, and just over \$400,000 in advertising guarantees. Given the current environment where prize money and administrative funds are at a premium, it appears that the funds used for the show could generate more sales and profit to education if applied to other purposes.

Staff has been coordinating the many tasks associated with ending the MMaM show to ensure a minimal impact on both 3Ball and our TV show contestants. All of the shows for broadcast have already been produced and the last show is scheduled to air on July 3, 2010.

Staff has also developed a replacement for the Fantasy 5 Coupon feature. On July 5, 2010, the Lottery is prepared to introduce a new Fantasy 5 promotion. This new promotion will offer players a second chance "entry" number for each purchase of five dollars or more on a single ticket. Players will then have the opportunity to enter these numbers on the Lottery's website for a chance to win twelve \$1,000 prizes and three \$10,000 prizes each week.

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Employee Recognition

PROPOSED AMENDMENTS

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I. GENERAL REGULATIONS

A. DEFINITIONS¹²

“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.

¹ “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.

² 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 top 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 180-day 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 ~~entry coupon~~ to participate in a Lottery game or promotion. “Player” as used in ~~and throughout~~ 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 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 – G

were 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) 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 day 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.~~
 - eb. 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 – L

were 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 M (Public Disclosure of Winner's Name)

M. PUBLIC DISCLOSURE OF WINNER'S NAME

1. The California State Lottery Commission finds that a winner's name, the name and location of the retailer who sold the winning ticket and the amount of prize (including gross amount and net payment, if applicable) may be public records under the California Public Records Act and therefore subject to public disclosure. The Lottery will not disclose personal information (e.g., age, home address, employer, phone number, etc.) without consent of the winner unless required by law.
2. The Lottery may announce the public information identified above in any manner determined by the Director, including via the news media.
- ~~3. The California Lottery television show may be audio and/or video-recorded and televised for public release, in whole or in part, as determined by the Director.~~

PROPOSED AMENDMENTS

I. General Regulations section N (Disputes)

N. DISPUTES

1. If a dispute arises between the Lottery and the ticket bearer or claimant concerning whether the ticket is a winning ticket and the ticket prize or promotional award has not been paid or the replay ticket has not been issued, as applicable, the Director may, at his/her sole discretion, replace the disputed ticket with a ticket of equivalent sales price or reimburse the claimant for the cost of the disputed ticket. This shall be the claimant's sole and exclusive remedy except as otherwise provided by these regulations.
2. Any dispute which a ticket claimant may have regarding denial of a claim for a prize or promotional award or refusal to issue a replay ticket shall be decided by the Director of the Lottery after the claimant has submitted his/her dispute in writing. The Director's decision shall be final.
3. Mega Millions® players agree by purchasing a Mega Millions® ticket that any dispute or claim arising out of Mega Millions® can only be pursued against the Party Lottery that sold the ticket, and that litigation, if any, may only be maintained against the selling Party Lottery and within the selling Party Lottery's state.
- ~~4. If a dispute arises between a claimant and a third party concerning eligibility to participate in any of the draws related to or conducted on the California Lottery television show as provided in the California Lottery television show regulations, the Director may, exclusively at his/her determination, allow the claimant to participate in the draw applicable to the ticket in dispute.~~

I. General Regulations section O

was approved by the Commission on May 20, 2010.

No changes to this section are being requested under this action item.

PROPOSED AMENDMENTS

II. Game Specific Regulations section A (California Lottery Television Show Regulations)

II. GAME SPECIFIC REGULATIONS

A. ~~CALIFORNIA LOTTERY TELEVISION SHOW REGULATIONS~~

1. ~~Purpose~~

~~The Lottery will conduct prize draws on the California Lottery television show in accordance with these regulations. These regulations will apply to all draws conducted and/or televised on the television show as provided in the prize structures for individual Scratchers® games or in the applicable draw game regulations. The Lottery may also conduct and/or televise promotional draws on the television show in accordance with these regulations if the official rules for the promotions so provide.~~

2. ~~California Lottery Television Show Draws~~

a. ~~Application~~

~~This section applies to all California Lottery television show draws resulting from any Scratchers® game approved by the Commission or other authorized entry method.~~

b. ~~Determination of Contestants~~

~~Contestants on the California Lottery television show may be selected from the following eligible participants:~~

(1) ~~A player who:~~

~~(a) Submits a Scratchers® ticket containing three specified matching "TV SHOW" prize symbols and a completed claim form to the Lottery;~~

~~(i) Said items are received or postmarked no later than 180 days from the end of the game date announced by the Director;~~

~~(ii) The ticket is validated in accordance with the Scratchers® regulations; and~~

~~(iii) The player meets all eligibility requirements.~~

~~(iv) If the player has complied with the draw entry requirements and the ticket is validated in accordance with the Scratchers® regulations, the Lottery will notify the player of his/her eligibility as a contestant and provide additional information concerning participation in the draw; or~~

~~(b) A winner of a Fantasy 5 second chance coupon draw who was selected according to Fantasy 5 regulations; or~~

~~(c) Any other authorized method.~~

~~c. Participation in the Draws~~

~~(1) Each television show contestant and each proxy, if applicable, will be notified in accordance with these regulations and will participate in the California Lottery television show draw and all draw related activities, including but not limited to attendance at the television show briefing and compliance with all security procedures established by the Lottery.~~

~~(2) A contestant who is unable or unwilling to participate on the California Lottery television show or in a draw on the date and time assigned by the Lottery, must designate a proxy to appear and participate on behalf of him/her at the applicable draw and all draw activities. The contestant and the designated proxy must notify the Lottery as soon as the contestant is aware that he/she is unable or unwilling to participate in the applicable draw. The contestant and the designated proxy must comply with all of the Lottery's established procedures. The designated proxy will have full discretion to make decisions that may be required for participation in a game or draw. The resulting prize will be the prize awarded to the contestant. A contestant's decision to designate a proxy is irrevocable.~~

~~(3) If a contestant is unwilling or unavailable to participate in a draw, and refuses or is unable to designate a proxy, the Lottery will designate a proxy to appear and participate on the contestant's behalf. Once a proxy is designated by the Lottery, that decision is final. The Lottery-designated proxy must comply with all of the Lottery's established procedures. The Lottery-designated proxy will have full discretion to make decisions that may be required for participation in a game or draw. The resulting prize will be the prize awarded to the contestant.~~

~~(4) If there are not enough contestants to participate in a draw, stand-ins will be selected by the Lottery to enable the draw to be conducted pursuant to these regulations and applicable draw procedures. A stand-in is not eligible to win any prize resulting from participation and will not receive compensation of any kind. Each stand-in must sign a waiver indicating knowledge of and consent to a waiver of~~

~~any and all prizes and/or compensation resulting from his/her participation in a draw.~~

~~(5) A contestant who requires translation from English to any other language must designate his or her own translator unless other arrangements are made with the Lottery. The translator must be 18 years of age or older. The contestant and translator must comply with all established Lottery procedures and regulations.~~

~~(6) A contestant who is disabled within the meaning of the Americans with Disabilities Act must notify the Lottery if he or she will need special accommodations in order to participate in a draw and/or draw activities. The Lottery will make every practicable effort to accommodate disabled individuals. The disabled contestant and, in appropriate cases, his or her aide, assistant or interpreter must comply with all established Lottery procedures. Any aide, assistant or interpreter must be 18 years of age or older.~~

~~d. Conduct of the Draws~~

~~(1) The draws will be conducted pursuant to these regulations, the applicable draw procedures, and the game profile, and will be conducted on a date and at a time and location established by the Director.~~

~~(2) Prior to each California Lottery television show, the Lottery and independent auditor will conduct an examination of the draw devices and complete all required documentation and certification required by law and procedures established by the Lottery and approved by the Director.~~

~~(3) All draw devices must comply with the specifications approved by the Director to ensure security and randomness.~~

~~(4) For a draw, the role of the California Lottery television show host/hostess is to move the show along in an entertaining manner. The host/hostess is not authorized to and may not: (1) determine the validity or invalidity of a draw; (2) determine, validate, or award any prize whatsoever.~~

~~e. Determination of a Valid Draw and Prize Amount~~

~~(1) The determination of the validity or invalidity of a draw is solely within the discretion of the draw coordinator at the time of the draw.~~

- ~~(2) A draw will be deemed invalid if: (i) it does not comply with all of the requirements set forth in these regulations and applicable draw procedures; (ii) any person or object interferes with the operation of the draw device either before, during or after the contestant's participation at the draw device; (iii) any aspect of the draw's outcome is revealed prior to completion of the draw; or (iv) any person interferes with a prop or set piece prior to completion of the draw.~~
- ~~(3) If a draw is declared invalid, the draw coordinator will determine the appropriate course of action including, but not limited to, re-conducting the draw.~~
- ~~(4) Prize structure and the method for determining winners for the various game show draw segments will be approved by the Director.~~
- ~~(5) Draw prizes will be paid in accordance with these regulations and policies and procedures of the Lottery.~~

~~3. CALIFORNIA LOTTERY TELEVISION SHOW PROMOTIONAL DRAWS~~

- ~~a. Lottery game promotions approved by the Director may include a feature resulting in the winner's participation in any of the draws conducted and/or televised on the California Lottery television show as authorized in these regulations.~~
- ~~b. For each promotion including a draw conducted and/or broadcast on the California Lottery television show, the Director must approve official rules which must provide, at a minimum:~~
 - ~~(1) Purpose of the promotion;~~
 - ~~(2) Identification of the Lottery game for which the promotion will be conducted;~~
 - ~~(3) Instructions on how to play or participate in the promotion;~~
 - ~~(4) Eligibility requirements;~~
 - ~~(5) Participation or entry requirements;~~
 - ~~(6) Alternate method of participation or entry, if any;~~
 - ~~(7) Prizes and odds, if applicable;~~
 - ~~(8) date of drawing(s), if any;~~

- ~~(9) Term of promotion;~~
- ~~(10) Disclaimer statements, if applicable;~~
- ~~(11) Retailer responsibilities and compensation specific to the promotion, if any;~~
- ~~(12) Notification of participants or winners, if applicable;~~
- ~~(13) Information about obtaining a copy of the winner's list, if applicable;~~
- ~~(14) a statement, if applicable, that promotion participants agree to participate in publicity and to allow the Lottery's use of their name and/or likeness for advertising and publicity purposes without compensation; and~~
- ~~(15) Additional information necessary and pertinent to the promotion.~~

- ~~c. The entry method for submitting entries to the applicable winners draw must comply with these regulations, draw procedures and the applicable regulations, rules, or game profile. The time period for submitting entries may vary.~~
- ~~d. If reserve prize funds are used to fund prizes won in a promotion which includes a player's participation on the California Lottery television show, the official rules for the promotion must also comply with the Lottery's reserve prize fund regulations.~~

~~4. PAYMENT OF PRIZES WON ON THE CALIFORNIA LOTTERY TELEVISION SHOW~~

- ~~a. All prize payments will be made in accordance with the established regulations, policies and procedures established by the Lottery, as approved by the Director.~~
- ~~b. Payment of all prizes won on the California Lottery television show will be made as soon as possible following the date that the prize is won and after the Lottery has determined that the contestant has complied with all applicable laws and regulations. A proxy or stand-in will not receive a prize payment. All deductions required by law, including any applicable taxes and offsets, will be deducted prior to remitting payment. Notice of the type of deduction and the amount thereof will be provided.~~
- ~~c. Investment of prize funds for installment prizes won on the California Lottery television show will be made on the first business day following the draw that resulted in the prize award or~~

~~as soon as feasible. Investment will be made pursuant to Lottery established policies and procedures.~~

~~d. Prizes of \$1,000,000 or more will be paid in annuity payments. All payments will be made in accordance with these regulations until the total prize amount has been paid.~~

~~e. When a designated group representative participates on the California Lottery television show, payment of any prize won will be as follows:~~

~~(1) Annuity prizes will be paid as provided for in these regulations. Where there are multiple claimants, the initial and annual payments will be made to each claimant as provided on the multiple ownership claim form.~~

~~(2) Individual prize payment warrants will be issued to no more than 100 claimants on an original multiple ownership claim, which may be completed after participating in the California Lottery television show draw. If more than 100 claimants are listed on a multiple ownership claim, the Lottery reserves the right to make payment to the designated group representative and such payment will discharge the Lottery from all liability for the payment of the prize to the other claimants. The designated group representative is responsible for the distribution of the prize to the other claimants.~~

~~(3) Lump sum cash or merchandise prizes not paid in installments will be paid as provided for in these regulations. Where there are multiple claimants, these cash or merchandise prizes will be paid to the designated group representative and such payment will discharge the Lottery from all liability for the payment of the prize to the other claimants. The designated group representative is responsible for the distribution of the prize to the other claimants.~~

~~5. SEARCH PROCEDURES FOR DRAW CONTESTANTS~~

~~a. If a mailed notice to a contestant in a draw (excluding promotional draws) is returned unclaimed or undeliverable, then the Lottery's security/law enforcement division will have 365 days to conduct a search for the contestant. The search period will commence on the date that the Lottery becomes aware that the contestant cannot be notified by a mailed notice to his/her last known address. If the contestant has not been located by the end of the 365 day period, that contestant's eligibility to participate will terminate.~~

~~b. In the event the contestant is located, all information as to the location and telephone number(s) of the contestant will be forwarded to the draw management section which will contact the contestant to schedule participation in the draw.~~

~~6. TERMINATION OF DRAWS~~

~~At any time, the Director may determine that any or all draws governed by these regulations will no longer be conducted and/or televised on the California Lottery television show.~~

II. Game Specific Regulations sections B – D

(Daily Derby®, Daily 4, and Daily 3)

were approved by the Commission on May 20, 2010.

With the exception of renumbering the sections as follows:

- BA. Daily Derby**
- CB. Daily 4**
- DC. Daily 3**

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

PROPOSED AMENDMENTS

II. Game Specific Regulations section E (Fantasy 5)

ED. FANTASY 5 REGULATIONS

1. PURPOSE

The Lottery shall conduct Fantasy 5, a number-match draw game. The Lottery will draw five numbers from a field of one to 39, inclusive.

2. METHOD OF PLAY

The following subsections specify how a player makes Fantasy 5 selections.

a. Selection Cost

Each Fantasy 5 selection will sell for \$1. The Commission may, after public announcement, authorize a discount to permit the sale of a selection for an amount less than \$1. Each player may make up to five separate selections on each playslip.

b. Making a Selection

- (1) A player must make selection(s) and choose features (e.g. Quick Pick® or Advance Play®) on a Fantasy 5 playslip or self-service terminal, or communicate his or her selection(s) to a retailer for input into a Lottery clerk-activated terminal.
- (2) To use the Advance Play® feature for Fantasy 5, a player may play his/her selection(s) for up to twelve consecutive draws.
- (3) A valid original Fantasy 5 ticket receipt will be the only proof of a player's selection and will be the only valid instrument for claiming a prize or promotional award. A playslip will have no pecuniary or prize value and will not constitute evidence of purchase of the selection or the particular numbers in the selection.

3. DETERMINATION OF PRIZE WINNERS

a. Draws

Fantasy 5 draws will be held seven days a week pursuant to methods, policies, and procedures prescribed in writing by the Director prior to the draws. The time, place, and day of such draws may be changed at the discretion of the Director. Draws will be open to the public.

The objective of a draw is to randomly select, via computerized or mechanical draw equipment, the five winning Fantasy 5 numbers from the field.

Players holding a ticket for a given drawing that bears the winning numbers drawn, in whole or in part and irrespective of order, may be entitled to a prize or promotional award in accordance with these regulations.

b. More than One Winner in a Fantasy 5 Prize Category: Pari-mutuel

If more than one player matches the winning numbers in any category of a Fantasy 5 draw, each player will share equally the respective Fantasy 5 prize pool for the category at issue, with the exception of the two of five category which has a free replay ticket prize.

c. 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 or promotional award for each winning selection. For example, a five of five winner will receive the five of five prize only but will not receive a four of five, three of five, and/or two of five prize. The Lottery will not be responsible for tickets claimed by a player in error at a Lottery retailer for a prize or promotional award lower than the highest category prize or promotional award for the selection.

d. Replay Ticket for a Match Two Ticket

A player whose ticket receipt matches two of the numbers drawn in an applicable Fantasy 5 draw is eligible to receive a replay ticket. All replay tickets will be Quick Pick® selections and will be issued automatically by a Lottery terminal at the time the original match two ticket is validated by a retailer. Replay tickets are valid for the draw occurring at the conclusion of the game period in which they are issued, and are not cancelable.

e. Determination of Valid Claims

(1) In all cases, the determination of prize or promotional award winners will be subject to the California State Lottery Act, these regulations, official promotion rules and any requirements set forth on the playslip or in play brochures.

(2) A ticket is a bearer instrument until signed on the back by the ticket holder.

4. NUMBER, VALUE AND PAYMENT OF PRIZES

a. Odds for Fantasy Five Draw Game

The following odds apply to the Fantasy 5 draw game

Match	Odds	Pari-mutuel share
All 5 of 5	1:575,757	30%
Any 4	1:3,387	27%
Any 3	1:103	35%
Any 2	1:10	0% ³
Reserve Prize Fund		8%

~~b. Odds of Being Selected in a Fantasy 5 Coupon Draw~~

~~The odds of being selected in a Fantasy 5 coupon draw depends on sales and the number of valid coupons properly submitted and received prior to the conduct of each draw.~~

~~eb.~~ Pool Amount for Prize Categories for Fantasy 5 Draw Game

The prizes in the Fantasy 5 five of five, four of five, and three of five prize categories will be paid to the winner(s) in a single cash payment on a pari-mutuel basis. The available Fantasy 5 prize pool will be approximately 46 percent of total sales for the Fantasy 5 draw game period immediately preceding pool closure including sales for Advance Play® tickets for the draw pool plus such augmentations as may be authorized.

~~ec.~~ Value of Shares

Notwithstanding the allocations contained herein, shares in each prize category will be rounded down to the nearest dollar from the calculated amount, and each winning selection in each prize category, except the two of five category, will be considered to be a single unit equal to one share of that prize category. All money which is left over after paying out the rounded prizes will be transferred into the prize payment fund for the subsequent drawing and added to the five of five category prize pool amount for that drawing, after the category apportionments specified in these regulations have been made.

³ Players matching 2 of 5 numbers drawn and tickets claimed pursuant to these regulations are eligible to receive a free replay ticket (Quick Pick® only) for the very next scheduled Fantasy 5 game drawing after validation of the match two ticket.

ed. Rollover in Absence of Winner

If it is determined that there is no valid winning ticket for any one of the Fantasy 5 five of five, four of five, or three of five prize categories in any given drawing, all monies allocated for that prize category will be carried forward or "rolled over" to the subsequent drawing and added to the five of five category prize pool amount for that drawing, after the category apportionment specified in these regulations have been made.

~~5. FANTASY 5 SECOND CHANCE COUPON WINNER PARTICIPATION ON THE CALIFORNIA LOTTERY TELEVISION SHOW~~

- ~~a. Fantasy 5 coupon winners may be able to participate on the California Lottery television show in accordance with these regulations and pursuant to the California Lottery television show regulations and draw procedures applicable to that draw.~~
- ~~b. Players who purchase a single ticket for Fantasy 5 worth \$5 or more are eligible to receive one coupon which will be issued automatically from the Lottery terminal. Only one coupon will be issued for each single ticket worth \$5 or more regardless of the total dollar value (of more than \$5) of the wagers indicated on the ticket. For example, if a player wagers \$20 for 20 separate plays for one drawing, the player will receive four game tickets (there are a maximum of five play boards on each game ticket) and four coupons because each single ticket is worth \$5 or more. If the player elects to use the Advance Play® feature and wagers \$20 for five separate plays for four different draws, only one ticket worth \$20 is issued and only one coupon is issued. Players are responsible for ensuring the coupon is issued and given to them by the retailer. Prior to leaving the retailer location, players are also responsible for ensuring that the coupon is intact, legible, complete, registered and not mutilated, defective or misregistered.~~
- ~~c. The player's coupon must meet the requirements in the California Lottery television show regulations. Completed coupons complying with these entry requirements and the California Lottery television show regulations will be included in one draw for potential selection as a participant on the California Lottery television show. Duplicate, facsimile or photocopies of the coupon are ineligible and will be disqualified. Internet entries are allowed when applicable.~~
- ~~d. Cancellation of the original Fantasy 5 game ticket which produced the coupon will result in cancellation of the coupon and if drawn, it will be disqualified.~~

- e. ~~Coupons are void if stolen, not issued, mutilated, altered, unreadable, counterfeit in whole or in part, misregistered, defective, or printed or produced in error. The Lottery is not responsible for late, lost, damaged, misdirected, incorrectly addressed, incomplete, illegible or postage due mail.~~
- f. ~~Prizes won as a result of participating in the California Lottery television show will be paid according to the Lottery's established policies and procedures.~~

~~6. SELECTION OF FANTASY 5 SECOND CHANCE COUPON CONTESTANTS~~

- a. ~~A player's Fantasy 5 second chance coupon will be eligible for inclusion in a Fantasy 5 second chance draw along with other eligible Fantasy 5 entries if: (i) the completed coupon is mailed in a standard size envelope via U.S. mail to the address on the entry form coupon or entered using the internet if applicable; (ii) only one coupon is submitted per envelope; and (iii) the coupon is postmarked no later than 180 days from the purchase date of the Fantasy 5 game ticket which produced the coupon.~~
- b. ~~A player may enter more than one coupon per draw. Each entry must be an original coupon and either mailed in separate envelopes or entered via the internet, if applicable. Entries are only eligible for one draw. Entries not drawn will be destroyed. The Lottery will not verify if or when Fantasy 5 coupons are received or destroyed.~~
- c. ~~Eligible Fantasy 5 coupons will be placed in a pool for a draw for prizes including, but not limited to, participation on the California Lottery television show. The Director will determine the number and size of the pool based upon sales and the number of Fantasy 5 coupons actually received by the Lottery prior to conducting the draw. An independent designated drawer will select the designated number of winning entries from the pool.~~
- d. ~~Fantasy 5 coupon draws will be conducted pursuant to draw procedures, on dates and at times and locations authorized by the Director.~~
- e. ~~After selection at a Fantasy 5 coupon draw, the Lottery will notify players selected and provide additional information concerning how to claim the prize won.~~

II. Game Specific Regulations sections F – H

(Hot Spot®, Lotto, and Raffle)

were approved by the Commission on May 20, 2010.

With the exception of renumbering the sections as follows:

FE. Hot Spot®
GF. Lotto
HG. Raffle

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

PROPOSED AMENDMENTS

II. Game Specific Regulations section I (Scratchers®)

H. SCRATCHERS® REGULATIONS

1. PURPOSE

The California Lottery (Lottery) shall conduct instant ticket Lottery games known as Scratchers® games. Scratchers® games shall consist of individual games developed and offered to the public for sale in accordance with these regulations. Scratchers® tickets shall be played by removing the covering from a ticket to expose, among other things, the ticket symbols. Each Scratchers® ticket shall sell for the retail sales price of \$1.00 per ticket unless otherwise authorized by the Lottery Commission. Each Scratchers® ticket shall state the overall estimated odds of winning a prize.

2. SALE OF SCRATCHERS® TICKETS

- a. Only retailers who have contracted with the Lottery are authorized to sell Scratchers® tickets.
- b. Lottery game retailers shall comply with these regulations, the California State Lottery Act, the Lottery's game and retailer regulations, the standard terms and conditions, and any regulations, directives, procedures, and/or instructions of the Lottery or the Director.
- c. The Lottery may utilize instant ticket vending machines to dispense Scratchers® at retailer locations selected by staff as appropriate for utilizing such machines. The Lottery shall select the machines, and unless otherwise specified, all machines shall be the exclusive responsibility of the Lottery. No retailer may select or utilize a machine of its own without written authorization from the Lottery.

3. GAME PROFILE

- a. Before a game is ordered from a ticket vendor its game profile must be approved by the Commission, unless a materially similar game profile has previously been approved by the Commission, in which case the game profile may be approved by the Director.
- b. At a minimum, the game profile for each game shall contain the following information:
 - (1) Prize structure;
 - (2) Playstyle;
 - (3) Special features, if any;

- (4) Ticket order or quantity;
- (5) Retail sales price (if other than \$1);
- (6) Dollar amount of mid-tier and low-tier prizes that may be paid by Lottery game retailers; and
- (7) Prize draw eligibility requirements (if applicable) including filing period for eligibility in a winner's draw.

4. WORKING PAPERS

- a. Working papers shall be developed for each individual game.
- b. The Director shall execute the working papers on behalf of the Lottery after the game profile has been approved.
- c. The working papers shall contain a detailed description of, among other things: the artwork; ticket symbols; prize structure; playstyle; other game details; dollar amount of high and low-tier prizes; prizes other than dollar amount, if any; security features; order quantity; packing instructions; and delivery schedule in order to enable the ticket vendor to print the ticket pursuant to an approved game profile.

5. DETERMINATION OF A PRIZE WINNER

- a. The ticket symbols shall be used to determine eligibility for prizes. Valid ticket symbols are set forth in the working papers.
- b. The following are not ticket symbols and shall not be used to determine eligibility for a prize: ticket symbol caption; validation number; retailer validation code; book ticket number; split ticket code; any portion of the ticket graphics; the pattern on any overprint; and any other extraneous data on a ticket.
- c. The player's eligibility to win a prize is subject to the ticket validation requirements provided in these regulations.
- d. For each individual game, the player shall remove the covering on the front of the ticket to find the playstyle and/or ticket symbols. Eligibility to win a prize is based on compliance with the approved playstyle as set forth in the game profile and working papers.

~~6. ELIGIBILITY FOR DRAWS ON THE CALIFORNIA LOTTERY TELEVISION SHOW~~

~~The California Lottery television show regulations shall provide the eligibility requirements for prize draws that are a feature of individual Scratchers® games.~~

~~76. PROMOTIONAL PROGRAMS AND DRAWS~~

In addition to the methods of play and prizes authorized elsewhere in these regulations, the Director may, at his/her discretion, authorize promotional programs and prize draws.

~~87. MULTIPLE PAYEES OF PRIZES~~

- a. Annuity prizes shall be paid as provided for in these regulations. Where there are multiple claimants, the annuity payments 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 claimants on an original multiple ownership claim. In the event that more than 100 claimants are listed on a multiple ownership claim, the Lottery reserves the right to make payment to the designated group representative and such payment shall discharge the Lottery from all liability for the payment of the prize to the other claimants. The designated group representative is responsible for the distribution of the prize to the other claimants.
- c. Lump sum cash or merchandise prizes shall be paid as provided for in these regulations. Where there are multiple claimants, cash or merchandise prizes shall be paid to the designated group representative and 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.

~~98. TICKET RESPONSIBILITY~~

- a. A ticket is a bearer instrument until signed on the back by the ticket holder.
- b. The Lottery shall not be responsible for lost or stolen tickets.
- c. The Lottery shall not be responsible for a prize indicated on a ticket when a player accepted in error a lower prize from a Lottery game retailer.

- d. The Lottery shall not be responsible for tickets mailed or delivered to any address other than that designated by the Lottery for such purpose or which are delivered late, lost, damaged, incomplete, misaddressed or illegible.

~~409.~~ PUBLIC DISCLOSURE

In keeping with the spirit and letter of Business and Professions Code sections 17500 et seq., the Lottery shall take reasonable steps to assure players are aware that at the time of a particular purchase, prizes available when the game was initially released to the public may have already been won.

**III. Operational Regulations sections A – C
(Reserve Prize Fund, Prize Assignment Regulations,
and Retailer Regulations)**

were approved by the Commission on May 20, 2010.

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

PROPOSED AMENDMENTS

III. Operational Regulations section D

(Retailer Compensation and Incentive Bonus Regulations)

D. RETAILER COMPENSATION AND INCENTIVE BONUS REGULATIONS

1. PURPOSE

These regulations are promulgated by the California State Lottery (Lottery) Commission to establish the compensation to be paid to game retailers.

2. COMPENSATION

a. Draw Games

- (1) The Lottery will compensate retailers for selling draw game tickets or shares as follows:
 - (a) 4½% of the retail sales price for each ticket issued from a self-service ticket dispensing machine.
 - (b) 6% of the retail sales price for each ticket issued from a retailer clerk terminal (RCT).
- (2) The retailer handling fee for issuing Fantasy 5 replay tickets will be \$.06 for each replay ticket issued from the retailer's draw game terminal, regardless of the type of terminal.

b. Scratchers®

- (1) Retailer compensation for selling Scratchers® tickets is 6% of the retail sales price for each ticket sold by the retailer at his/her authorized Lottery game retailer location.
- (2) The retailer handling fee for issuing free Scratchers® tickets is 6% of the retail sales price for each free Scratchers® ticket issued by the retailer in response to the redemption of a valid Scratchers® ticket with a "free ticket" prize.

3. INCENTIVE BONUS

- a. The Lottery may pay an incentive bonus to retailers based on attainment of sales volume or other objectives as approved by the Lottery Director for any of the Lottery's games. Retailers who participate in and meet the objectives and requirements of an authorized incentive bonus program will receive a bonus payment according to these regulations and the terms and conditions of the program.

b. Retailers will be paid an incentive bonus of .5% on prizes as specified below.

(1) Draw Games

- (a) A retailer who sells a valid winning Fantasy 5 five of five ticket or a valid winning Daily Derby grand prize ticket will receive a bonus payment equal to .5% of the value of the player's winnings.
- (b) A retailer who sells a valid winning SuperLOTTO Plus® jackpot prize ticket will receive a bonus payment equal to .5% of the annuitized jackpot value of the player's winnings, regardless of the payment option indicated on the winning ticket.
- (c) A retailer who sells a valid winning Mega Millions® grand/jackpot prize ticket will receive a bonus payment equal to .5%, up to a maximum of \$1 million, of the annuitized grand/jackpot value of the player's winnings.
- (d) A retailer who sells a valid \$1 million winning Raffle grand prize ticket will receive a bonus payment equal to .5% which is \$5,000 per winning ticket.
- (e) The determination of what constitutes a valid winning ticket will be made solely by the Lottery in accordance with applicable law and Lottery regulations and procedures.

(2) Scratchers®

- ~~(a) A retailer who sells a valid Scratchers® ticket resulting in a player's spinning the Big Spin® prize wheel will receive a bonus payment equal to .5% of the value of the prize won at the wheel.~~
- (ba) A retailer who sells a valid Scratchers® ticket resulting in the payment of an instant prize of \$1 million or more will receive a bonus payment equal to .5% of the value of that prize.
- (eb) The determination of what constitutes a valid winning ticket will be made solely by the Lottery in accordance with applicable law and Lottery regulations and procedures.

(3) Promotions

(a) This section applies to promotions for any Lottery game ~~or games and/or the California Lottery television show.~~

(b) A retailer who sells a Lottery game ticket in connection with an authorized Lottery promotion that results in a participant winning a promotional prize of \$1 million or more will receive a bonus payment of .5% of the value of the promotional prize.

~~(c) A retailer who sells a Lottery game ticket in connection with an authorized Lottery promotion that results in a participant's eligibility to spin the prize wheel on the Big Spin® TV show will receive a bonus payment of .5% of the value of the resulting prize.~~

(ec) Bonus payments provided in this section are subject to the Director's approval of each promotion, and are subject to official promotion rules.

c. Payment of Incentive Bonus

Any incentive bonus payment is contingent upon and subject to the following:

(1) The prize winner must have complied with all rules and regulations for the applicable game or promotion, and his/her ticket or entry must be determined a valid winning ticket or a valid winning promotion entry by the Lottery.

(2) The retailer must be current (i.e., not delinquent) in any payments(s) that he/she owes to the Lottery. If a retailer is delinquent in payments to the Lottery, the Lottery may deduct the total amount of the delinquency from any bonus payment.

4. CASHING BONUS

a. For Scratchers®, retailers will be paid a cashing bonus of 2% of the value of the prizes the retailer pays to players for cashing valid winning tickets with prize amounts of \$1 to \$599 on a single ticket.

b. For draw games, retailers will be paid a cashing bonus of 3% of the value of each prize paid to players for cashing valid winning tickets with aggregate prize amounts from \$99 to \$599.

- c. The determination of what constitutes a valid winning ticket will be made solely by the Lottery in accordance with applicable law and Lottery regulations and procedures.

5. PAYMENT WHEN A GAME OR INCENTIVE BONUS PROGRAM IS TERMINATED

a. Termination of a Game or Promotion

- (1) The Director may, at any time, announce a termination date for a Lottery game, games, or promotion after which date no further tickets or shares may be sold.
- (2) If the Lottery terminates a game, games, or promotion, retailers will be paid compensation and/or bonuses earned up to and including the last day of sale for the terminated game, games, or promotion.

b. Termination of an Incentive Bonus Program

- (1) The Director may, at his or her discretion, terminate an incentive bonus program at any time.
- (2) If the Director terminates an incentive program, retailers will receive any bonus payment owing, as provided in these regulations and in the terms and conditions for the incentive bonus program, through the termination date.

6. PILOT ALTERNATIVE COMPENSATION AGREEMENTS

The Director may enter into alternative compensation agreements with Lottery retailers to accommodate pilot testing new business models aimed at the retention and recruitment of existing and new chain accounts and trade styles. The Director shall notify the Chair of the Commission prior to entering into such pilot alternative compensation agreements. Such pilot alternative compensation agreements can be used to pay retailers different sales commissions, incentive bonuses and cashing bonuses than those specified in Sections 2, 3, 4 and 5 of the Retailer Compensation section of these regulations.

7. ALTERNATIVE COMPENSATION AGREEMENTS

The Commission finds there is a need to develop alternative business models to engage in partnerships with certain retailers.

If the model results in an overall compensation plan to the retailer that is less than 5% of tickets or shares sold, then the Lottery Director is delegated discretionary authority under California Government Code §8880.51 to negotiate and enter into such business compensation structures, upon consent of the Commission Chairperson.

8. GOVERNING LAW

These regulations are governed by the California State Lottery Act (Gov. Code sec. 8880.00, et seq.), state and federal law, Lottery regulations, procedures, directives, decisions, and instructions and the terms and conditions of the Lottery game retailer contract.

III. Operational Regulations sections E – F

(Competitive Bidding Procedures and Employee Recognition)

were approved by the Commission on May 20, 2010.

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