

DEPARTMENT OF REVENUE

Lottery Commission

1 CCR 206-1 RULES AND REGULATIONS

AMENDED RULE 14.C COLORADO LOTTERY MULTI-STATE JACKPOT GAME, "MEGA MILLIONS GAME®"

BASIS AND PURPOSE FOR AMENDED RULE 14.C

The purpose of Amended Rule 14.C is to provide specific game details and requirements for the Colorado Lottery Multi-State Jackpot Game "MEGA MILLIONS GAME®" such as type of play, prizes, method of selecting winning numbers, drawings, and the allocation of revenues. The statutory basis for Amended Rule 14.C is found in C.R.S. 24-35-201, 24-35-208 (1) (a) and (2), and 24-35-212 and 24-35-212.5.

14.C.1 General Provisions

A Colorado Lottery multi-state Jackpot game to be known as "MEGA MILLIONS GAME®" is authorized to be conducted by the Colorado Lottery Director (Director) under the following Rules and Regulations and under such further instructions and directives as the Director may issue in furtherance thereof. If a conflict arises between Rule 14 and this Rule 14.C, Rule 14.C shall apply.

The MEGA MILLIONS GROUP consists of 12 party lotteries and the Multi-State Lottery Association (MUSL) as representation for participating MUSL party lotteries.

At any time the Director determines that any provisions of MEGA MILLIONS GROUP or MUSL MEGA MILLIONS PRODUCT GROUP's Specific Game Playing Rules do not sufficiently provide for the security and integrity necessary to protect the Colorado Lottery, the Director shall recommend to the Lottery Commission that the Lottery end its association with MEGA MILLIONS GROUP and with the MUSL MEGA MILLIONS PRODUCT GROUP. Upon concurrence by the Lottery Commission, association with the MEGA MILLIONS GROUP will be terminated upon six (6) months prior written notice to the MUSL MEGA MILLION PRODUCT GROUP.

14.C.2 Definitions

In addition to the definitions provided in Paragraph 1.2 of Rule 1 and Rule 14, and unless the context in this Rule 14.C otherwise requires:

- A. "Advance Play" means the ability to purchase tickets for more than one drawing beginning with the current open draw.
- B. "Breakage" means the results of rounding prize amounts down to the nearest whole dollar.
- C. "Drawing" means formal process of selecting winning numbers which determine the number of winners for each prize level of the game
- D. "Game Board(s)" or "Board(s)" means that area of the play slip, also known as a "panel", which contains two sets of numbered squares to be marked by the player, the first set containing seventy-five (75) squares, number one (1) through seventy-five (75) and the second set containing fifteen (15) squares , number one (1) through fifteen (15).

- E. "Grand Prize" or "Jackpot" means the top prize of the MEGA MILLIONS GAME®. The annuity Grand Prize is an amount that would be paid in twenty-six (26) annual installments.
- F. "Grid" means the area of a play slip that contains a set of numbered squares to be marked by the player.
- G. "Matching Combinations" means the numbers on a play that coincide with the numbers randomly selected at a drawing for which that play was purchased.
- H. "MEGA MILLIONS GROUP" means those lotteries which have joined under the MEGA MILLIONS Lottery Agreement; the group of lotteries that has reached a Cross-Selling Agreement with the MUSL for the selling of the MEGA MILLIONS GAME®.
- I. "MUSL MEGA MILLIONS PRODUCT GROUP" or "PRODUCT GROUP" means the Party Lotteries participating in the MEGA MILLIONS GAME®
- J. "MUSL MEGA MILLIONS GROUP BOARD" means the governing body of the MUSL MEGA MILLIONS PRODUCT GROUP, which is comprised of the chief executive officer of each Party Lottery.
- K. "Number" means any play integer from one (1) through seventy-five (75) inclusive.
- L. "Party Lottery" means a state lottery or lottery of a political subdivision or entity which has joined the and, in the context of the specific PRODUCT GROUP Rules, has joined in selling the game offered by the MUSL MEGA MILLIONS PRODUCT GROUP.
- M. "Play" means the six (6) numbers selected on each Board and printed on the ticket.
- N. "Play slip" means a mark-sense game card used by players of "MEGA MILLIONS GAME®" to select plays. A play slip has no pecuniary value and shall not constitute evidence of ticket purchase or of numbers
- O. "Prize Pool" means a defined percentage of sales as specified in this rule.
- P. "Quick Pick" or "Partial Quick Pick" means the random selection of numbers by the computer system, which appears on a ticket and are played by a player in a the game.
- Q. "Roll-over" means the amount from the direct prize category contribution from previous drawing(s) in the Grand Prize category, that is not won, that is carried forward to the Grand Prize category for the next drawing.
- R. "Set Prize" means all other prizes except the Grand Prize that are advertised to be paid by a single cash payment and, except in instances outlined in these rules, will be equal to the prize amount established within the Specific Game Playing Rules.
- S. "Set Prize Payout Variance" means an account held by the MUSL that holds the temporary balances, transferred to the MUSL from party lotteries, which results from having fewer-than-expected winners in the set prize categories. This money is paid out to party lotteries in subsequent drawings that have more winners than are statistically expected in the set prize categories.
- T. "Share(s)" means the total number of matching combinations within each prize category as determined for each drawing.

- U. "Winning Numbers" means the six (6) numbers, the first five (5) from a field of seventy-five (75) numbers and the last one (1) from a separate field of fifteen (15) numbers, randomly selected at each drawing, which shall be used to determine winning plays contained on a multi-state Jackpot Game ticket.

14.C.3 Price of "MEGA MILLIONS GAME®" Play/Board

The price of each "MEGA MILLIONS GAME®" play/board shall be set by the MEGA MILLIONS GROUP. A Jackpot Game licensee may be permitted to make gifts of "MEGA MILLIONS GAME®" tickets as a means of promoting the sale of goods or services to the public upon receipt of prior approval by the Party Lottery Director and notice to the PRODUCT GROUP members.

14.C.4 Ticket Purchases

- A. "MEGA MILLIONS GAME®" tickets may be purchased only from a Party Lottery licensee authorized by the Director to sell multi-state Jackpot Game tickets.
- B. "MEGA MILLIONS GAME®" tickets shall show, at a minimum, the player's selection of numbers, the boards played, drawing date and validation and reference numbers.
- C. The Party Lottery shall not directly and knowingly sell a combination of tickets to any person or entity that would guarantee such purchaser a winning ticket.
- D. Plays may be entered manually using the Jackpot Game terminal keypad or by means of a play slip provided by the Colorado Lottery. Facsimiles of play slips, copies of play slips, or other materials which are inserted into the terminal's play slip reader and which are not printed or approved by the Lottery shall not be used to enter a play. No device shall be connected to a Jackpot Game terminal to enter plays, except as may be approved by the Colorado Lottery. Unapproved play slips or other devices may be seized by the Colorado Lottery.
- E. All plays made in the game shall be marked on the play slip by hand. No machine-printed play slips shall be used to enter plays. Machine-printed play slips may be seized by the Party Lottery. Nothing in this regulation shall be deemed to prevent a person with a physical handicap who would otherwise be unable to mark a play slip manually from using any device intended to permit such person to make such a mark (for his/her sole personal use or benefit).

14.C.5 Play for "MEGA MILLIONS GAME®"

- A. Type of play:

A "MEGA MILLIONS GAME®" player must select six numbers in each play, five (5) numbers out of seventy-five (75) plus one (1) out of fifteen (15). A winning play is achieved only when the following combinations of numbers selected by the player match, in any order, the five plus one winning numbers drawn by the MEGA MILLIONS GROUP. Those combinations are 5+1, 5+0, 4+1, 4+0, 3+1, 3+0, 2+1, 1+1 and 0+1.

- B. Method of play:

1. Manual Plays include player use of play slips, as provided in Paragraph 14.C.4 of this Rule 14.C, to make number selections. The Jackpot Game terminal will read the play slip and issue a ticket with corresponding play(s). The Jackpot Game licensee may also enter the selected numbers via the keyboard.
2. Computer Generated Plays include Quick Pick and Partial Quick Pick. Quick Picks and Partial Quick Pick can be generated using a play slip or by the Jackpot Game licensee.

The Jackpot Game licensee may select Quick Pick via the keyboard at the beginning of the transaction for full Quick Pick or the Jackpot Game licensee may enter the player selected numbers via the keyboard then select the Quick Pick function to complete the number selection.

14.C.6 Prizes For "MEGA MILLIONS GAME®"

A. Odds of winning

MATCHING COMBINATIONS	PRIZE CATEGORY	ODDS OF WINNING (ONE PLAY)
All five (5) of first set plus one (1) of second set	Grand Prize	1:258,890,850
All five (5) of first set plus none of second set	Second Prize	1:18,492,204
Any four (4) of first set, but not five, plus one (1) of second set	Third Prize	1:739,688
Any four (4) of first set, but not five, plus none of second set	Fourth Prize	1:52,835
Any three (3) of first set, but not four or five, plus one (1) of second set	Fifth Prize	1:10,720
Any three (3) of first set, but not four or five, plus none of second set	Sixth Prize	1:766
Any two (2) of first set, but not three, four or five, plus one (1) of second set	Seventh Prize	1:473
Any one (1) of first set, but not two, three, four or five, plus one (1) of second set	Eighth Prize	1:56
None of first set plus one (1) of second set	Ninth Prize	1:21
Overall odds of winning any prize		1:14.7

B. The prize pool contribution for all prize categories shall consist of up to fifty-five percent (55%) of each drawing period's sales. An amount up to five percent (5%) of sales may be held from the

Grand Prize category, as described in Paragraph 14.C.7 of this Rule 14.C if the prize reserve accounts are not funded at the balances set by the PRODUCT GROUP. Any amount remaining in the prize pool at the end of this game shall be carried forward to a replacement game or expended in a manner as directed by the PRODUCT GROUP in accordance with state law.

PRIZE POOL

Prize Category	Prize Amounts	Allocation of Prize Pool	Prize Pool Percentage of Sales
Grand Prize	Announced Jackpot	63.60%	32.577%
Second Prize	\$1,000,000	12.80%	5.408%
Third Prize	\$5,000	2.90%	0.676%
Fourth Prize	\$500	1.96%	0.946%
Fifth Prize	\$50	2.18%	0.466%
Sixth Prize	\$5	4.58%	0.653%
Seventh Prize	\$5	2.38%	1.057%
Eighth Prize	\$2	4.26%	3.542%
Ninth Prize	\$1	5.34%	4.675%
TOTAL		100.00%	50.00%

- C. Prize Categories - The Grand Prize shall be determined on a pari-mutuel basis. All other prizes awarded shall be paid as set prizes with the foregoing expected prize payout percentages:
1. The prize money allocated to the Grand Prize category shall be divided equally by the number of game boards matching all five (5) of the first set plus one (1) of the second set.
 2. A liability cap of three hundred percent (300%) of draw sales or fifty percent (50%) of draw sales plus fifty million dollars (\$50,000,000), whichever is less, shall apply to total prize payout of all levels. If the liability cap is met the second through fifth (2-5) prize levels will become pari-mutuel.
 - a. Prize level two (2) shall be an amount equal to 64.53% of the Liability Cap Balance divided by the number of winners in Prize level two (2),
 - b. Prize level three (3) shall be an amount equal to 14.63% of the Liability Cap Balance divided by the number of winners in Prize level three (3),

- c. Prize level four (4) and five (5) shall be an amount equal to 20.84% of the Liability Cap Balance divided by the number of combined winners in Prize levels four (4) and five (5).

14.C.7 Prize Reserve Accounts

- A. An amount up to five percent (5%) of a Party Lottery's Mega Millions sales and an amount up to five percent (5%) of Megaplier sales may be collected by the PRODUCT GROUP and held in trust in one or more prize reserve accounts until the prize reserve accounts reach the amounts designated by the PRODUCT GROUP.
- B. At the Party Lottery Directors' or Director's designee's request, the PRODUCT GROUP may determine to expend all or a portion of the funds in the accounts for the payment of prizes or special prizes in the game.
- C. The shares of a Party Lottery may be adjusted with refunds to the Party Lottery from the prize reserve account(s) as may be needed to maintain the approved maximum balance and shares of the Party Lotteries.
- D. Any amount remaining in a prize reserve account at the end of this game shall be carried forward to a replacement prize reserve account or expended in a manner as directed by the PRODUCT GROUP on behalf of the Lottery Director, or the Director's designee, in accordance with jurisdiction law.

14.C.8 Prize Payment

- A. Grand Prizes
 - 1. Grand Prizes shall be paid, at the election of the ticket bearer by a single cash payment or in a series of annuity payments. The ticket bearer becomes entitled to the prize at the time the prize is validated as a winner. The election to take the cash payment or annuity payments may be made at the time the prize is validated or within 60 days after the ticket bearer becomes entitled to the prize. If no election is made within 60 days after the ticket bearer becomes entitled to the prize, the prize shall be paid as an annuity prize. The election is final and cannot be revoked, withdrawn or otherwise changed.
 - 2. Shares of the Grand Prize shall be determined by dividing the cash available in the Grand Prize pool equally among all boards matching all five (5) of the first set plus one (1) of the second set of drawn numbers. Winner(s) who elect a cash payment shall be paid their share(s) in a single cash payment.
 - a. The starting guaranteed annuity Grand Prize value is fifteen million dollars (\$15,000,000).
 - b. The Grand Prize will grow at a minimum of five million dollars (\$5,000,000) with each successive drawing without a winning jackpot winner.
 - c. The cash option prize shall be determined by dividing the Grand Prize amount that would be paid over thirty (30) annual installments by a rate established by the Mega Millions Finance Committee prior to each drawing divided by the number of total jackpot winners.
 - 3. Where there is only one (1) winning MEGA MILLIONS GAME Grand Prize ticket, no Grand Prize paid in thirty (30) annual installments shall be less than fifteen millions dollars (\$15,000,000).

4. All annuitized prizes shall be paid annually in thirty (30) graduated payments with the initial payment being made in cash, to be followed by twenty-nine (29) payments funded by the annuity.
5. Funds for the initial payment of an annuitized prize or the lump sum cash prize shall be made available to the Party Lottery within 15 calendar days following the date of the winning draw. If funds are unavailable to cover the full lump sum cash amount, payment may be delayed.
6. In the event of the death of a lottery winner during the annuity payment period, the MUSL Finance & Audit Committee, in its sole discretion, upon the petition of the estate of the lottery winner (the "Estate") to the Party Lottery, and subject to federal, state, or district applicable laws, may accelerate the payment of all of the remaining lottery proceeds to the Estate. If such a determination is made, then securities and/or cash held to fund the deceased lottery winner's annuitized prize may be distributed to the Estate. The identification of the securities to fund the annuitized prize shall be at the sole discretion of the Finance & Audit Committee or PRODUCT GROUP.

B. Set Prizes

1. The Director's decision with respect to the validation and payment of set prizes, whether during a "MEGA MILLIONS GAME®" game or any drawing related thereto, shall be final and binding upon all participants in the Party Lottery.
2. All set prizes (all prizes except the Grand Prize) shall be paid by the Party Lottery which sold the winning ticket. The Party Lottery may begin paying set prizes after receiving authorization to pay from the MUSL central office.

C. Prizes Rounded

1. Annuitized payments of the Grand Prize or a share of the Grand Prize may be rounded to facilitate the purchase of an appropriate funding mechanism. Breakage on an annuitized Grand Prize win shall be added to the first cash payment to the winner or winners.
2. Set Prizes, which under these rules may become pari-mutuel prizes, may be rounded down so that prizes can be paid in multiples of whole dollars. Breakage resulting from rounding these prizes shall be carried forward to the prize pool for the next drawing.

D. Roll-over

If the Grand Prize is not won in a drawing, the prize money allocated for the Grand Prize shall rollover and be added to the Grand Prize pool for the following drawing.

E. Funding of Guaranteed Prizes

1. The PRODUCT GROUP may offer guaranteed minimum Grand Prize amounts or minimum increases in the Grand Prize amount between drawings or make other changes in the allocation of prize money where the PRODUCT GROUP finds that it would be in the best interest of the game. If a minimum Grand Prize amount, or a minimum increase in the Grand Prize amount between drawings, is offered by the PRODUCT GROUP, then the Grand Prize shares shall be determined as follows:
 - a. If there are multiple Grand Prize winners during a single drawing, each selecting the annuitized option prize, then a winner's share of the guaranteed annuitized

Grand Prize shall be determined by dividing the guaranteed annuitized Grand Prize by the number of winners.

- b. If there are multiple Grand Prize winners during a single drawing and at least one of the Grand Prize winners has elected the annuitized option prize, then the best bid submitted by MEGA MILLIONS GROUP's pre-approved qualified brokers shall determine the cash pool needed to fund the guaranteed annuitized Grand Prize.
 - c. If no winner of the Grand Prize during a single drawing has elected the annuitized option prize, then the amount of cash in the Grand Prize pool shall be an amount equal to the guaranteed annuitized amount divided by the average annuity factor of the most recent three best quotes provided by MEGA MILLIONS GROUP's pre-approved qualified brokers submitting quotes.
2. In no case shall quotes be used which are more than two weeks old and if less than three quotes are submitted, then MEGA MILLIONS GROUP shall use the average of all quotes submitted. Changes in the allocation of prize money shall be designed to retain approximately the same prize allocation percentages, over a year's time, set out in these rules. Minimum guaranteed prizes or increases may be waived if the alternate funding mechanism set out in Paragraph 14.C.6.B. of this Rule 14.C becomes necessary.

14.C.9 Grand Prize Account

- A. The draw reports determine whether the member lotteries owe funds to the MUSL or the MUSL needs to transfer money to the member lotteries. The Party Lottery shall transfer to the MUSL in trust an amount as determined to be its total proportionate share of the prize account less actual set prize liability. If this results in a negative amount, the MUSL central office shall transfer funds to the Party Lottery.
- B. All funds to pay a grand prize that go unclaimed shall be returned to the Lottery by the MUSL in proportion to sales by the Lottery for the grand prize in question after the claiming period set by the Lottery selling the winning ticket expires.

14.C.10 Funds Transfer

- A. Draw Receivables from Member Lotteries

Funds shall be collected by the MUSL from each MUSL Party Lottery weekly by wire transfer or other means acceptable to the MUSL. The MUSL shall determine collection days. The amount to be transferred shall be calculated in accordance with the "MEGA MILLIONS GAME®" rules.

- B. Initial Grand Prize Funds Transferred to Party Lottery

The Grand Prize amount held by MEGA MILLIONS GROUP shall be transferred to the MUSL within fifteen (15) calendar days of a winning draw by a Party Lottery.

- C. Subsequent Grand Prize Payments from the PRODUCT GROUP to Party Lotteries.

The Grand Prize amount held by the PRODUCT GROUP for subsequent payment to annuity winners shall be transferred to the Party Lottery seven days preceding the first working day preceding the anniversary of the awarded grand prize. The Party Lottery will then make payment to the annuity winner.

14.C.11 Drawings

- A. The "MEGA MILLIONS GAME®" drawings shall be held twice each week on Tuesday and Friday evenings, except that the drawing schedule may be changed by the MEGA MILLIONS GROUP Board. In the event of an act of Force Majeure the drawing shall be rescheduled at the discretion of the MEGA MILLIONS GROUP and the MUSL MEGA MILLIONS GROUP BOARD.
- B. Each drawing shall determine, at random, six winning numbers in accordance with drawing guidelines. The Lottery Commission shall review and approve drawing guidelines. Any numbers drawn are not declared winning numbers until the drawing is certified by MEGA MILLIONS GROUP in accordance with the "MEGA MILLIONS GAME®" drawing guidelines. The winning numbers shall be used in determining all "MEGA MILLIONS GAME®" winners for that drawing. If a drawing is not certified, another drawing will be conducted to determine actual winners.
- C. Each drawing shall be witnessed by an auditor as required in C.R.S. 24-35-208 (2)(d). All drawing equipment used shall be examined by the auditor immediately prior to, but no sooner than thirty (30) minutes before, a drawing and immediately after, but no later than thirty (30) minutes following the drawing. All drawings, inspections and tests shall be recorded on videotape.
- D. The drawing shall not be invalidated based on the liability of the Lottery.
- E. The drawing procedures shall provide that a minimum of fifty-nine (59) minutes elapse between the close of the game ticket sales and the time of the drawing for those tickets sold. All drawings shall be open to the public.

14.C.12 Advance Play

Advance play provides the opportunity to purchase "MEGA MILLIONS GAME®" tickets for more than one drawing. Advance play tickets shall be available for purchase in variable increments. The Advance Play feature shall be available at the discretion of the Director.

14.C.13 MUSL MEGA MILLIONS PRODUCT GROUP Accounting and Finance

- A. Prize Reserve and Set Prize Reserve contributions from Party Lotteries shall be one percent (1%) of sales. The PRODUCT GROUP may establish a maximum balance for the prize reserve account(s). The shares of a Party Lottery may be adjusted with refunds to the Party Lottery from the prize reserve accounts(s) as may be needed to maintain the approved maximum balance and shares of the Party Lotteries. Any amount remaining at the end of this game shall be carried forward to a replacement prize reserve account or expended in a manner as directed by the PRODUCT GROUP in accordance with jurisdictional law.

- B. Draw receivables from Party Lotteries

The draw reports determine whether the Party Lottery owes and needs to transfer funds to the MUSL, or the MUSL owes and needs to transfer funds to the Party Lottery. (The procedures and corresponding time lines documenting the timely and effective transfer of funds between the Party Lottery and the MUSL can be found in the Party Lottery's financial procedures.) Four different transfers are made on a continual basis:

1. Draw receivables transferred from the Party Lottery to the MUSL,
2. Set prize payments transferred from the MUSL to the Party Lottery,
3. Grand Prize payments from the Party Lottery to the MUSL; and
4. Subsequent Grand Prize annuity payments from the MUSL to the Party Lottery.

14.C.14 Jackpot Game Licensee Commission, Cashing Bonus, Selling Bonus, and Marketing Performance Bonus

- A. In addition to the Six Percent (6%) Commission set forth in Rule 14.19, retailers can earn a Cashing Bonus, Selling Bonus and Marketing Performance Bonus.
1. Each retailer will receive a cashing bonus of one percent (1%) of each prize paid by the licensee up to and including \$599.
 2. In order to receive a Selling Bonus, the following criteria must be met:
 - a. A licensee must have sold a Grand Prize or a Second Prize Category winning multi-state Jackpot game ticket.
 - b. Payment of the jackpot-selling bonus will occur once Lottery security has confirmed the selling licensee.
 - c. A licensee must be selling multi-state Jackpot Game tickets up to and including the day that the ticket is validated by the Lottery and must be the same licensed licensee who sold the winning ticket.
 - d. The Director or designee shall determine the amount of the jackpot-selling bonus for each qualified-prize-winning ticket sold.
 3. In order to receive a five-tenths of one percent (.5%) Marketing Performance Bonus the following criteria must be met:
 - a. A licensee must be licensed on the date the marketing performance bonus is declared;
 - b. A licensee must sell Scratch tickets up to and including the final sales day in which the marketing performance bonus is declared;
 - c. A licensee must meet or exceed the requirements of the marketing performance bonus plan for the period for which the marketing performance bonus is declared.
- B. In the event there is a residual resulting from the accrual of the one percent (1%) cashing bonus (14.C(13)(1)1) and/or the five-tenths of one percent (.5%) marketing bonus (14.C.13(3)) have been expensed, the Director may provide additional compensation to licensees as described in 14.C.13(2)(d) or may revert the excess amount thereby decreasing the bonus expense.