

## DEPARTMENT OF REVENUE

### Colorado Lottery

## LOTTERY RULES AND REGULATIONS

### 1 CCR 206-1

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## RULE 14.A MULTI-STATE JACKPOT GAME, “POWERBALL®”

### BASIS AND PURPOSE OF RULE 14.A

The purpose of Rule 14.A is to provide details and requirements for the Colorado Lottery Multi-State Jackpot Game “Powerball®” such as sale of Tickets, payment of Prizes, and method for selecting and validating winning Tickets. The statutory bases for Rule 14.A are C.R.S. 44-40-101, 44-40-109 (1)(a) and (2), 44-40-113, and 44-40-114.

#### 14.A.1 General Provisions

The Multi-State Jackpot Game known as “Powerball®” shall be conducted pursuant to the following Rules and Regulations and such further instructions and directives as the Colorado Lottery Director and Colorado Lottery Commission may issue. If a conflict arises between Rule 14 Multi-State Jackpot Lottery Games and this Rule 14.A, Rule 14.A shall apply. If a conflict arises between this Rule 14.A and the “Powerball®” Official Game Rule provided by the Multi-State Lottery Association, the “Powerball®” Official Game Rule shall apply.

#### 14.A.2 Definitions

In addition to the definitions provided in section 1.2 of Rule 1 General Rules, Regulations, and Definitions and section 14.2 of Rule 14 Multi-State Jackpot Lottery Games:

- A. “Game Board” means that area of the Play Slip that contains a set of two (2) grids. The first grid contains sixty-nine (69) squares, numbered one (1) through sixty-nine (69), and the second grid contains twenty-six (26) squares, numbered one (1) through twenty-six (26).
- B. “Grand Prize” means a pari-mutuel Prize that is advertised to be paid with per-winner annuities or as a lump sum cash payment, unless otherwise specified by the Lottery.
- C. “MUSL Board” means the governing body of MUSL, which is comprised of the chief executive officer of each Party Lottery.
- D. “Number” means any Play integer from one (1) through sixty-nine (69) inclusive.
- E. “Play” means the six (6) numbers selected on each Game Board and printed on the Ticket.
- F. “Prize Pool” means a defined percentage of sales as specified in this rule.
- G. “Set Prize Pool” means an account held by MUSL that holds the temporary balances, transferred to MUSL from Party Lotteries, which results from having fewer-than-expected Prize Winners in the Set Prize Categories. This money is paid out to Party Lotteries in subsequent Drawings that have more Prize Winners than are statistically expected in the Set Prize Categories.

#### 14.A.3 Price of “Powerball®” Ticket

The price of each “Powerball®” Play shall be Two Dollars (\$2.00).

#### 14.A.4 Play for “Powerball®”

- A. A “Powerball®” player must select six (6) numbers per Play; five (5) numbers out of sixty-nine (69) plus one (1) out of twenty-six (26). A winning Play is achieved only when the following combinations of numbers selected match, in any order, the five (5) plus one (1) Winning Numbers drawn. Those combinations are 5+1, 5+0, 4+1, 4+0, 3+1, 3+0, 2+1, 1+1, and 0+1.
- B. The player can use Play Slips, as described in section 14.A.8, to make number selections. The Jackpot Gaming Terminal reads the Play Slip and issues a Ticket with corresponding Play(s). If a Play Slip is not available, the Licensee may enter the selected numbers via the keyboard. If offered by the Lottery, a player may leave all or a portion of his/her Play selections to a random number generator operated by the Jackpot Gaming Terminal, commonly referred to as a Quick Pick or partial Quick Pick.

#### 14.A.5 Prizes for “Powerball®”

- A. Odds of winning a Prize are displayed in the table below:

WINNING COMBINATIONS	PRIZE CATEGORY	ODDS OF WINNING (ONE PLAY)
All five (5) of first set plus one (1) of second set	Grand Prize	1:292,201,338.0000
All five (5) of first set plus none of second set	Second Prize	1:11,668,053.5200
Any four (4) of first set, but not five, plus one (1) of second set	Third Prize	1:913,129.1813
Any four (4) of first set, but not five, plus none of second set	Fourth Prize	1:36,525.1673
Any three (3) of first set, but not four or five, plus one (1) of second set	Fifth Prize	1:14,494.1140
Any three (3) of first set, but not four or five, plus none of second set	Sixth Prize	1:579.7646
Any two (2) of first set, but not three, four, or five, plus one (1) of second set	Seventh Prize	1:701.3281
Any one (1) of first set, but not two, three, four, or five, plus one (1) of second set	Eighth Prize	1:91.9775
None of first set plus one (1) of second set	Ninth Prize	1:38.3239
Overall odds of winning any prize		1:24.8671

- B. The Prize Pool contribution for all Prize Categories shall consist of fifty percent (50%) of each Drawing period sales, unless as described in section 14.A.10.D of this Rule 14.A, the Prize reserve and pool accounts are not funded at the balances set by the “Powerball®” Product Group. All prize payouts are made with the following expected Prize payout percentages, although the Prize payout percentage per drawing may vary.

**PRIZE POOL**

PRIZE CATEGORY	PRIZE AMOUNTS	ALLOCATION OF PRIZE POOL	PRIZE POOL PERCENTAGE OF SALES
Grand Prize	Announced Jackpot	68.0131%	34.0066%
Second Prize	\$1,000,000	8.5558%	4.2279%
Third Prize	\$50,000	5.4757%	2.7378%
Fourth Prize	\$100	0.2738%	0.1369%
Fifth Prize	\$100	0.6899%	0.3450%
Sixth Prize	\$7	1.2074%	0.6037%
Seventh Prize	\$7	0.9982%	0.4990%
Eighth Prize	\$4	4.3489%	2.1744%
Ninth Prize	\$4	10.4373%	5.2187%
TOTAL PAYOUT		100.00%	50.00%

- C. Prize Categories - The Grand Prize shall be determined on a pari-mutuel basis. The Grand Prize shall be divided equally by the number of Game Plays matching all five (5) of the first set plus one (1) of the second set. Except as provided in 14.A.9.E.4. below, all other Prizes Amounts awarded shall be paid as Set Prizes with the foregoing expected Prize payout percentages.

**14.A.6 Payment of Prizes**

- A. Grand Prizes shall be paid at the election of the Ticket Holder either by a single cash payment or in a series of annuity payments. The Ticket Holder becomes entitled to the Prize at the time the Prize is validated as a Prize Winner. However, the Grand Prize is paid by the Lottery upon receipt of funds from MUSL no earlier than fifteen (15) calendar days of Validation of the Grand Prize Ticket and when the player makes their final selection of cash or annuity, no later than sixty (60) days after Validation of the Grand Prize Ticket. An election made after the Ticket Holder becomes entitled to the Prize is final and cannot be revoked, withdrawn or otherwise changed. The Validation record will be kept secured and on file at the Lottery until the Ticket Holder makes a payment election. If the Ticket Holder does not make a payment election within sixty (60) days after Validation, then the Prize shall be paid as an annuity Prize.
1. Shares of the Grand Prize shall be determined by dividing the cash available in the Grand Prize Pool equally among all plays 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. The annuitized option Prize shall be determined by multiplying a Prize Winner's Share of the Grand Prize Pool by the MUSL annuity factor. Neither MUSL nor the Party Lotteries shall be responsible or liable for changes in the advertised or estimated annuity Prize Amount and the actual amount purchased after the Prize payment method is actually known to MUSL. In certain instances announced by the "Powerball®" Product Group, the Grand Prize shall be a guaranteed amount and shall be determined pursuant to section 14.A.6.E. of this Rule 14.A. If individual Shares of the cash held to fund an annuity are less than Two Hundred and Fifty Thousand Dollars (\$250,000), the "Powerball®" Product Group, in its sole discretion, may elect to pay the Prize Winners Share of the cash held in the Grand Prize Pool.
  2. 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.
  3. Funds for the initial payment of an annuitized Prize or the lump sum cash Prize shall be made available by MUSL for payment by the Lottery no earlier than the fifteenth calendar day (or the next banking day if the fifteenth day is a holiday) following the Drawing. If necessary, when the due date for the payment of a Prize occurs before the receipt of

funds in the Prize Pool trust sufficient to pay the Prize, the transfer of funds for the payment of the full lump sum cash amount may be delayed pending receipt of funds from the Party Lotteries. The Lottery may elect to make the initial payment from its own funds after Validation, with notice to MUSL.

4. The Grand Prize Amount held by MUSL for subsequent payment to an annuity Prize Winner shall be transferred to the Lottery and the Lottery shall have payment to the annuity Prize Winner on the anniversary date, or if such date falls on a non-business day the first day following the anniversary date, of the Drawing.
  5. In the event of the death of a Lottery Prize Winner during the annuity payment period, the "Powerball®" Product Group, in its sole discretion, upon the petition of the estate of the Lottery Prize Winner (the "Estate") to the 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 the "Powerball®" Product Group makes such a determination, then securities and/or cash held to fund the deceased Lottery Prize 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 "Powerball®" Product Group.
- B. The Director's decision with respect to the Validation and payment of Set Prizes, whether during a "Powerball®" game or any Drawing related thereto, shall be final and binding upon all participants in the Lottery.
  - C. All Set Prizes (excluding the Grand Prize) shall be paid by the Lottery. The Lottery may begin paying Set Prizes after receiving authorization to pay from the MUSL Central Office.
  - D. 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 Prize Winner(s).
  - E. 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.
  - F. If the Grand Prize is not won in a Drawing, the Prize money allocated for the Grand Prize shall Roll-Over and be added to the Grand Prize Pool for the following Drawing.
  - G. The "Powerball®" 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 "Powerball®" 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 "Powerball®" Product Group, then the Grand Prize Shares shall be determined as follows:
    1. If there are multiple Grand Prize winners during a single Drawing, each selecting the annuitized option Prize, then a Prize Winner's Share of the guaranteed annuitized Grand Prize shall be determined by dividing the guaranteed annuitized Grand Prize by the number of Prize Winners.
    2. 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 MUSL's pre-approved qualified brokers shall determine the cash pool needed to fund the guaranteed annuitized Grand Prize.
    3. If no Prize 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 MUSL's pre-approved qualified brokers submitting quotes.

4. In no case shall quotes be used which are more than two (2) weeks old and if less than three (3) quotes are submitted, then MUSL 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.

#### **14.A.7 Drawings**

- A. The "Powerball®" Drawings shall be held each week on Monday, Wednesday and Saturday evenings, unless the Drawing schedule is changed by the MUSL Board. In the event of an act of Force Majeure, the Drawing shall be rescheduled at the discretion of the MUSL Board.
- B. Each Drawing shall determine, at random, six (6) winning Numbers in accordance with Drawing Procedures. Any Numbers drawn are not declared the Winning Combination until the Drawing is certified by MUSL in accordance with the "Powerball®" Drawing Procedure. The Winning Combination shall be used in determining all "Powerball®" Prize Winners for that Drawing. If a Drawing is not certified, another Drawing will be conducted to determine certified Prize Winners.
- C. Each Drawing shall be witnessed by an independent auditor as required in C.R.S. 44-40-109(2)(d). All Drawing equipment used shall be examined prior to and immediately after a Drawing. All Drawings, inspections, and tests shall be recorded on videotape.
- D. The Drawing shall not be invalidated because the Numbers drawn creating an excessive Prize liability for 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.
- F. All Drawings shall be open to the public.

#### **14.A.8 Sale of Tickets**

- A. "Powerball®" Tickets may be purchased from a Licensee authorized to sell Multi-State Jackpot Tickets.
- B. "Powerball®" Tickets shall show, at a minimum, the player's selection of Numbers, the number of Plays, the Drawing date, and Validation Numbers.
- C. Plays may be entered manually using the Jackpot Gaming Terminal keypad or by means of a Play Slip provided by the Lottery. Facsimiles of Play Slips, copies of Play Slips, or other materials which are inserted into the Jackpot Gaming 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 Gaming Terminal to enter Plays, except as may be approved by the Lottery. Unapproved Play Slips or other devices may be seized by the Lottery.
  1. All Plays 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 Lottery.
- D. "Powerball®" Tickets may not be cancelled.
  1. If the "Powerball®" Game is cancelled by the "Powerball®" Product Group prior to the occurrence of all Drawings for which Plays have been sold, the Lottery may provide a refund mechanism for such Plays to the Players, and the Lottery shall not be required to remit its Prize Pool contributions for any such refunded Plays.

#### **14.A.9 Advance Play**

Advance Play provides the opportunity to purchase "Powerball®" Tickets for more than one (1) consecutive 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.A.10 Prize Reserve and Prize Pool Accounts

- A. The MUSL Board manages two (2) Prize reserve accounts associated with the "Powerball®" Product Group. The MUSL Board holds the reserves in trust on behalf of the Party Lottery, and interest is earned by the Party Lottery. When a Party Lottery becomes a member of the "Powerball®" Product Group, the MUSL Board determines an initial contribution to be made by the Party Lottery to the reserves. In accordance with the payment plan established between the Party Lottery and MUSL, the Party Lottery must deposit with the MUSL Board the specified amounts. All deposits are reported on Party Lottery records as "Cash Held by MUSL" or "Pre-Paid Prize Expense with MUSL".
1. Prize Reserve Account (PRA) is used to guarantee payment of valid, but unanticipated, Grand Prize claims that may result from a system error or for any other reason the normal contributions from sales are not adequate.
  2. Set Prize Reserve Account (SPRA) is used to fund deficiencies in the payment of the Set Prizes.
- B. The MUSL Board manages multiple Prize Pool accounts associated with the "Powerball®" Product Group. The "Powerball®" Product Group sets the contribution rates for the following Prize Pool accounts.
1. Grand Prize Pool is used to fund the current Grand Prize.
  2. Set Prize Pool is used to fund the Set Prizes and holds the temporary balances that may result from having fewer than expected Prize Winners in the Set Prize Categories.
  3. Set-aside pool is used to fund the payment of the awarded minimum starting annuity Grand Prizes and minimum annuity Grand Prize increase, if necessary as may be set by the "Powerball®" Product Group.
  4. Grand Prize Carry Forward Pool is used to fully fund the starting minimum annuity Grand Prize, as may be set by the "Powerball®" Product Group, if such funds are available.
- C. The above Prize reserve accounts and the set-aside pool shall have maximum balance amounts that are set by the "Powerball®" Product Group, which are subject to review by the MUSL Board Finance and Audit Committee.
- D. The maximum contribution rate to the Grand Prize Pool shall be 68.0131% of the Prize Pool (34.0066% of sales). An amount up to five percent (5%) of a Party Lottery's sales may be deducted from a Party Lottery's Grand Prize Pool contribution and placed in trust in one or more Prize Pool accounts and prize reserve accounts held by the "Powerball®" Product Group at any time that the Prize Pool accounts and Party Lottery's share of the Prize reserve accounts(s) is below the amounts designated by the "Powerball®" Product Group. An additional amount up to twenty percent (20%) of a Party Lottery's sales may be deducted from a Party Lottery's Grand Prize Pool contribution and placed in trust in the Grand Prize Carry Forward Pool (CFP) to be held by the "Powerball®" Product Group at a time as determined by the "Powerball®" Product Group.
- E. The set Prize Pool shall be carried forward to subsequent draws if all or a portion of it is not needed to pay the Set Prizes awarded in the current draw. If the total of all Party Lotteries' Set Prizes (as multiplied by the respective Power Play multiplier if applicable) awarded in a Drawing exceeds the percentage of the Prize Pool allocated to the Set Prizes, then the amount needed to fund the Set Prizes awarded shall be drawn from the following sources, in the following order:
1. The amount allocated to the "Powerball®" Set Prizes and carried forward from previous draws, if any;
  2. If the Set Prize Pool is not sufficient to pay the Set Prizes awarded, an amount from the

Set Prize reserve account is used, if available, not to exceed an amount established by MUSL;

3. Other amounts as agreed to by the "Powerball®" Product Group in their sole discretion; and
  4. If after these sources are depleted, sufficient funds do not exist to pay the Set Prizes awarded, then the highest Set Prize shall become a pari-mutuel Prize. If the amount of the highest Set Prize, when paid on a pari-mutuel basis, drops to or below the next highest Set Prize and there are still not sufficient funds to pay the remaining Set Prizes awarded, then the next highest Set Prize shall become a pari-mutuel Prize. This procedure shall continue down through all Set Prize levels, if necessary, until all Set Prize levels become pari-mutuel Prize levels.
- F. The "Powerball®" Product Group may determine to expend all or a portion of the funds in the "Powerball®" Prize Pool accounts (except the Grand Prize pool account and the Grand Prize Carry Forward Pool) and the Prize reserve accounts, (1) for the purpose of indemnifying the Party Lotteries and licensee lotteries in the payment of Prizes to be made by the selling Lotteries; and (2) for the payment of Prizes or special Prizes in the game, limited to Prize Pool and Prize reserve contributions from Lotteries participating in the special Prize promotion, subject to the approval of the Board's Finance & Audit Committee. The Grand Prize carry forward pool may only be expended to pay "Powerball®" Prizes.
- G. Any amount remaining in the Prize Pool accounts or Prize reserve accounts at the end of this "Powerball®" Game shall be returned to the Party Lotteries participating in the accounts after the end of all claim periods of all selling Party Lotteries, carried forward to a replacement game, or otherwise expended in a manner at the election of the individual members of the "Powerball®" Product Group in accordance with jurisdiction statute.
- H. All liabilities for a "Powerball®" Prize are discharged upon payment of a Prize. A Prize claimant agrees, as its sole and exclusive remedy that claims arising out of a "Powerball®" Play can only be pursued against the selling Party Lottery which issued the Play. Litigation, if any, shall only be maintained within the jurisdiction in which the "Powerball®" Play was purchased and only against the selling Party Lottery that issued the Play. No claim shall be made against any other Participating Lottery or against the MUSL.

Nothing in these Rules shall be construed as a waiver of any defense or claim the selling Party Lottery which issued the Play, any other participating Lottery or MUSL may have in any litigation, including in the event a player or Prize claimant pursues litigation against the selling Party Lottery, any other participating Lottery or MUSL, or their respective officers, Directors, or employees.

All decisions made by a selling Party Lottery, including the declaration of Prizes and the payment thereof and the interpretation of "Powerball®" Rules, shall be final and binding on all Play purchasers and on every person making a Prize claim in respect thereof, but only in the jurisdiction where the "Powerball®" Play was issued.

Unless the laws, rules, regulations, procedures, and decisions of the Party Lottery which issued the Play provide otherwise, no Prize shall be paid upon a Play purchased, claimed, or sold in violation of these Rules or the laws, rules, regulations, procedures, and decisions of that selling Party Lottery; any such Prize claimed but unpaid shall constitute an unclaimed Prize under these Rules and the laws, rules, regulations, procedures, and decisions of that selling Party Lottery.

#### **14.A.11 Prize Accounts**

- A. The 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 Lottery.
- B. Grand Prize Amounts held by MUSL shall be transferred to the Lottery immediately after the

Lottery validates the Grand Prize claim and after MUSL has collected the Prize Pool Shares from all Party Lotteries.

- C. All funds to pay a Grand Prize that go unclaimed shall be returned to the Lottery by 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.A.12 Funds Transfer**

- A. Funds shall be collected by MUSL from each Party Lottery weekly by wire transfer or other means acceptable to the "Powerball®" Product Group. The "Powerball®" Product Group shall determine collection days. The amount to be transferred shall be calculated in accordance with game rules. The draw reports determine whether the member Lotteries owe funds to MUSL or MUSL needs to transfer money to the member Lotteries. Each Party Lottery shall transfer to MUSL an amount as determined by MUSL and the "Powerball®" Product Group 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. The Grand Prize Amount held by MUSL shall be transferred to the Lottery after the Lottery validates the Grand Prize claim and after MUSL has collected the Prize Pool Shares from all member Lotteries.
- C. The Grand Prize Amount held by MUSL for subsequent payment to annuity Prize Winners shall be transferred to the Lottery within seven (7) days preceding the anniversary date of the selection of the Winning Combination. The Lottery will then make payment to the annuity Prize Winner.

#### **14.A.13 MUSL Accounting and Finance**

- A. At the time a lottery joins the "Powerball®" Product Group, MUSL revises the existing budget and assesses the lottery for the additional costs. Each July, thereafter, MUSL sets the budget for the impending year and assesses each Party Lottery their proportionate share. The Party Lottery receives a copy of these costs and an election form.
- B. Each September and March, MUSL re-evaluates the amounts that each Party Lottery must contribute to any Prize reserves. Any additional contributions to the Prize reserves are funded by reducing the contribution from sales to the Grand Prize as referred to in 14.A.9.
- C. The draw reports determine whether the Lottery owes and needs to transfer funds to MUSL, or MUSL owes and needs to transfer funds to the Lottery. (The procedures and corresponding time lines documenting the timely and effective transfer of funds between the Lottery and MUSL can be found in the Lottery's financial procedures.) Three different transfers are made on a continual basis:
  - 1. Draw receivables transferred from the Lottery to MUSL;
  - 2. Set Prize payments and initial Grand Prize payments transferred from MUSL to the Lottery; and
  - 3. Subsequent Grand Prize annuity payments from MUSL to the Lottery.