



INTEROFFICE MEMO

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To: J. Winston Krause, Chairman
Carmen Arrieta-Candelaria, Commissioner
Peggy A. Heeg, Commissioner
Doug Lowe, Commissioner
Robert Rivera, Commissioner

From: Deanne Rienstra, Assistant General Counsel

Date: August 8, 2017

Re: Consideration of and possible discussion and/or action, including adoption, on (i) the repeal of existing 16 TAC §401.315 ("Mega Millions" On-Line Game Rule), and (ii) new 16 TAC §401.315 ("Mega Millions" Draw Game Rule)

Attached is a draft rule prepared to adopt the repeal of existing 16 TAC §401.315 ("Mega Millions" On-Line Game Rule), and the new rule 16 TAC §401.315 ("Mega Millions" Draw Game Rule), with changes to the proposed text as published in the June 16, 2017, issue of the *Texas Register* (42 TexReg 3056) (copy attached).

The adopted version of the new rule makes several non-substantive changes to the proposed rule including the following: (1) changing the name of the new rule to add the term "Draw"; (2) formatting changes that restructure subparagraph (d)(1)(A)(i) to (d)(1)(A) and adding "of this section"; (3) revising language in (d)(3) from "subsection (d)(3)(c) below" to "subparagraph (C) of this paragraph below"; (4) revising language in (g)(4)(C) from "paragraph (a) of this subsection" to "subparagraph (A) of this paragraph"; (5) revising language in (k)(9)(B) from "subpart (C) below" to "subparagraph (C) of this paragraph below"; (6) adding subparagraph indicators (i) and (ii) to subparagraph (l)(6)(B); (7) revising language in paragraph (l)(1) from "(a) thru (j)" to "(a) through (j)"; (8) moved Figure 16 TAC 401.315(k)(7) to the end of subparagraph (k)(7); (9) added figure title above subparagraph (k)(8) as 16 TAC 401.315(k)(8); (10) adding the word "Plays" to (b)(5) to rename the definition as "Megaplier Plays"; (11) clarification of the prize pool percentage calculation in Figure 16 TAC 401.315 (d) (2); and (12) revising the language for the ticket validation conditions in subparagraph (g)(3)(E).

The adopted version of the new rule, as proposed at the June Commission meeting, will increase the cost of play, change the game matrix and add a new optional jackpot-only wager called Just the Jackpot™. These changes anticipate larger and faster growing jackpots, increased ticket sales and revenue to the Foundation School Fund. The new Mega Millions game changes are expected to be implemented on October 28, 2017. The Commission received one written comment from an individual who was against increasing the price of a Mega Millions Play to \$2.00.

Recommendation: Staff recommends the Commission adopt the repeal of existing 16 TAC §401.315 ("Mega Millions" On-Line Game Rule), and the new rule 16 TAC §401.315 ("Mega Millions" Draw Game Rule).

1 The Texas Lottery Commission (Commission) adopts the repeal of existing 16 TAC
2 §401.315 (“Mega Millions” On-Line Game Rule), and the new rule 16 TAC §401.315 (“Mega
3 Millions” Draw Game Rule), with changes to the proposed text as published in the June 16, 2017,
4 issue of the *Texas Register* (42 TexReg 3056). The adopted version of the new rule makes non-
5 substantive changes to the proposed rule including the following: (1) changing the name of the
6 new rule to add the term “Draw”; (2) formatting changes that restructure subparagraph (d)(1)(A)(i)
7 to (d)(1)(A) and adding “of this section”; (3) revising language in (d)(3) from “subsection (d)(3)(c)
8 below” to “subparagraph (C) of this paragraph below”; (4) revising language in (g)(4)(C) from
9 “paragraph (a) of this subsection” to “subparagraph (A) of this paragraph”; (5) revising language
10 in (k)(9)(B) from “subpart (C) below” to “subparagraph (C) of this paragraph below”; (6) adding
11 subparagraph indicators (i) and (ii) to subparagraph (l)(6)(B); (7) revising language in paragraph
12 (l)(1) from “(a) thru (j)” to “(a) through (j)”; (8) moved Figure 16 TAC 401.315(k)(7) to the end
13 of subparagraph (k)(7); (9) added figure title above subparagraph (k)(8) as 16 TAC 401.315(k)(8);
14 (10) adding the word “Plays” to (b)(5) to rename the definition as “Megaplier Plays”; (11)
15 clarification of the prize pool percentage calculation in Figure 16 TAC 401.315 (d) (2); and (12)
16 revising the language for the ticket validation conditions in subparagraph (g)(3)(E).

17 The purpose of the new rule is to conform the play of the Mega Millions lottery game in
18 Texas to the game changes recently adopted by the group of U.S. lotteries operating under an
19 agreement to sell the Mega Millions draw game (“Mega Millions Lotteries”). These changes
20 include (i) an increase in the purchase price from \$1 to \$2 per Play; (ii) changing the game matrix
21 from 5/75 (selection of five numbers from a field of 75 numbers) plus 1/15 (one number from a
22 field of 15 numbers) to 5/70 (five numbers from a field of 70 numbers) plus 1/25 (one number
23 from a field of 25 numbers); and (iii) offering a new optional jackpot-only wager called Just the

1 Jackpot™, in which a player may purchase two chances to win the Grand Prize for the reduced
2 rate of \$3, but will forego the option to win any secondary (non-jackpot) prizes. The increased
3 price per ticket and the matrix change anticipate larger and faster growing jackpots, resulting in
4 increased ticket sales and revenue to the Foundation School Fund. The Commission anticipates
5 the new Mega Millions game changes to be implemented on October 28, 2017.

6 The new rule also includes language updates regarding the Mega Millions game, including
7 notice that the Texas Lottery is selling the Mega Millions game pursuant to the rules and
8 procedures of the Multi-State Lottery Association (“MUSL”) and subject to a Cross-Sell
9 Agreement between MUSL and the non-MUSL Mega Millions Lotteries, and language to facilitate
10 the potential future sale of lottery tickets using Commission-approved third-party point-of-sale
11 (“POS”) systems. Finally, the adopted rule language conforms to the required percentage of sales
12 contributions by the Texas Lottery to be held in certain prize reserve and prize pool funds
13 maintained by MUSL. Because of the number of changes necessary to conform the Commission’s
14 rule to MUSL’s Mega Millions rule, the Commission adopts the repeal of its existing Mega
15 Millions rule at §401.315 and adopts the new rule language as new §401.315.

16 The Commission received one written comment from an individual on the proposed new
17 rule during the public comment period. This individual was against increasing the price of a Mega
18 Millions Play to \$2.00. In response, the agency notes that the Mega Millions game is authorized
19 to be conducted by the executive director under the conditions of the Cross-Sell Agreement, MUSL
20 rules, the laws of the State of Texas, this section, and under such further instructions, directives,
21 and procedures as the executive director may issue in furtherance thereof. Authority to participate
22 in the Mega Millions game is provided to the Texas Lottery by MUSL through the Cross-Sell

1 Agreement. The decision to increase the price of a Mega Millions Play was determined by the
2 Mega Millions Lotteries.

3 The repeal of the current rule and the adoption of the new rule is being done under Texas
4 Government Code §466.015(c), which authorizes the Commission to adopt rules governing the
5 operation of the lottery, §466.451, which authorizes the Commission to adopt rules relating to a
6 multi-jurisdictional lottery game, and §467.102, which authorizes the Commission to adopt rules
7 for the enforcement and administration of the laws under the Commission's jurisdiction.

8 This adoption is intended to implement Texas Government Code, Chapter 466.
9 §401.315."Mega Millions" Draw Game Rule.

10 (a) Mega Millions. The Multi-State Lottery Association ("MUSL") has entered into an Agreement
11 ("Cross-Sell Agreement") with those U.S. lotteries operating under an agreement to sell a draw
12 game known as Mega Millions ("Mega Millions Lotteries") to permit the MUSL Party Lotteries
13 who are members of the MUSL Mega Millions Product Group ("Product Group"), including the
14 Texas Lottery Commission, to sell the Mega Millions lottery game. The purpose of the Mega
15 Millions game is the generation of revenue for Mega Millions Lotteries and Product Group
16 members participating under the Cross-Sell Agreement, through the operation of a specially
17 designed multi-jurisdiction lottery game that will award prizes to ticket holders matching specified
18 combinations of numbers randomly selected in regularly scheduled drawings. The Mega Millions
19 game is authorized to be conducted by the executive director under the conditions of the Cross-
20 Sell Agreement, MUSL rules, the laws of the State of Texas, this section, and under such further
21 instructions, directives, and procedures as the executive director may issue in furtherance thereof.
22 In this regard, the executive director is authorized to issue such further instructions and directives
23 as may be necessary to conform the conduct and play of the Mega Millions game to the

1 requirements of the MUSL rules and the Cross-Sell Agreement, if, in the opinion of the executive
2 director, such instructions, directives, and procedures are in conformance with state law. To be
3 clear, the authority to participate in the Mega Millions game is provided to the Texas Lottery by
4 MUSL through the Cross-Sell Agreement. The conduct and play of the Mega Millions game must
5 conform to the Product Group's Mega Millions game rules ("MUSL MM Rules"). Further, if a
6 conflict arises between this section and §401.304 of this chapter, this section shall have
7 precedence. In addition to other applicable rules contained in Chapter 401, this section and
8 definitions herein apply unless the context requires a different meaning or is otherwise inconsistent
9 with the intent of the MUSL MM Rules adopted by the Product Group.

10 (b) Definitions. In addition to the definitions provided in §401.301 of this subchapter (relating to
11 General Definitions), and unless the context in this section otherwise requires, the following
12 definitions apply.

13 (1) "Agent" or "retailer" means a person or entity authorized by the Texas Lottery
14 Commission to sell lottery Plays.

15 (2) "Drawing" refers collectively to the formal draw event for randomly selecting the
16 winning numbers that determine the number of winning Plays for each prize level of the Mega
17 Millions game and Megaplier Promotion.

18 (3) "Game ticket" or "ticket" means an acceptable evidence of Play, which is a ticket
19 produced in a manner that meets the specifications defined in the MUSL rules or the rules of each
20 Selling Lottery, and is a physical representation of the Play or Plays sold to the player as described
21 in subsection (g) of this section (Ticket Validation).

22 (4) "Just the Jackpot™ Play" ("JJ Play") shall refer to a wager purchased which includes
23 two (2) Plays as part of the Just the Jackpot Promotion as described in subsection (l) of this section.

1 (5) "Megaplier Plays" shall refer to Plays purchased as part of the Megaplier Promotion
2 described in subsection (k) of this section.

3 (6) "Mega Millions Lotteries" refers to those lotteries that have joined under the Mega
4 Millions Lottery Agreement and that have entered into the Cross-Sell Agreement with MUSL for
5 the selling of the Mega Millions game by the Product Group. "Mega Millions Finance Committee"
6 refers to a Committee of the Mega Millions Lotteries that determines the Grand Prize amount (cash
7 value option and annuity).

8 (7) "Mega Millions Plays" ("MM Plays") shall refer to Plays purchased as part of the Mega
9 Millions game, but shall not include JJ Plays or Megaplier Plays.

10 (8) "MUSL" means the Multi-State Lottery Association, a government-benefit association
11 wholly owned and operated by the MUSL Party Lotteries.

12 (9) "MUSL Board" means the governing body of the MUSL, which is comprised of the
13 chief executive officer of each Party Lottery.

14 (10) "Party Lottery" means a state lottery or lottery of a political subdivision or entity that
15 has joined MUSL and, in the context of the Product Group rules, has joined in selling the games
16 offered by the Product Group. "Selling Lottery" or "Participating Lottery" shall mean a state lottery
17 or lottery of a political subdivision or entity that is participating in selling the Mega Millions game
18 and that may be a member of either the Product Group or the Mega Million Lotteries.

19 (11) "Play" means a set of six (6) numbers, the first five (5) from a field of seventy (70)
20 numbers and the last one (1) from a field of twenty-five (25) numbers, that appear on a ticket as a
21 single lettered selection and are to be played by a player in the game. As used in this section, unless
22 otherwise indicated, "Play" includes both Mega Millions Plays ("MM Plays") and Just the Jackpot
23 Plays ("JJ Play"). "Megaplier Plays" are separately described in subsection (k) of this section.

1 (12) "Playslip" means a physical or electronic means by which a player communicates their
2 intended Play selection to the retailer as defined and approved by the Texas Lottery. A Playslip
3 has no pecuniary value and shall not constitute evidence of ticket purchase or of numbers selected.

4 (13) "Prize" means an amount paid to a person or entity holding a winning ticket. The terms
5 "Grand Prize" or "Jackpot" may be used interchangeably and shall refer to the top prize in the
6 Mega Millions game. "Advertised Grand Prize" or "Advertised Jackpot" shall mean the estimated
7 annuitized Grand Prize amount as determined by the Mega Millions Finance Committee and
8 communicated through the Selling Lotteries prior to the next Mega Millions Drawing. The
9 Advertised Grand Prize is not a guaranteed prize amount and the actual Grand Prize amount may
10 vary from the advertised amount, except in circumstances where there is a guaranteed Grand Prize
11 amount as described in subsection (f)(1) of this section.

12 (14) "Product Group" means the MUSL Party Lotteries who are members of the MUSL
13 Mega Millions Product Group and who offer the Mega Millions game product pursuant to the
14 terms of the Cross-Sell Agreement between MUSL and the Mega Millions Lotteries, and in
15 accordance with the Multi-State Lottery Agreement and the MUSL MM Rules.

16 (15) "Set Prize" or "low-tier prize" means all other prizes, except the Grand Prize and,
17 except in instances outlined in this section, or the MUSL MM Rules, will be equal to the prize
18 amount established by the MUSL Board for the prize level.

19 (16) "Terminal" means a device authorized by the Texas Lottery for the purpose of issuing
20 Mega Millions game tickets and as defined in §401.301 (General Definitions) of this chapter.

21 (17) "Winning Numbers" means the indicia or numbers randomly selected during a
22 Drawing event which shall be used to determine the winning Plays for the Mega Millions game
23 contained on a game ticket.

1 (c) Game Description. Mega Millions is a five (5) out of seventy (70) plus one (1) out of twenty-
2 five (25) lottery game drawn on the day(s), time(s) and location(s) as determined by the Mega
3 Millions Lotteries, and which pays the Grand Prize, at the election of the player made in
4 accordance with this section, or by a default election made in accordance with this section, either
5 on a graduated annuitized annual pari-mutuel basis or as a cash value option using a rate
6 determined by the Mega Millions Finance Committee on a pari-mutuel basis. Except as provided
7 in this section, all other prizes are paid on a single payment basis. During the Drawing event, five
8 (5) numbers shall be drawn from the first set of seventy (70) numbers, and one (1) number shall
9 be drawn from the second set of twenty-five (25) numbers, which shall constitute the Winning
10 Numbers.

11 (1) Mega Millions Play. To play Mega Millions, a player shall select (or request a Quick
12 Pick) five (5) different numbers, from one (1) through seventy (70) and one (1) additional number
13 from one (1) through twenty-five (25). The additional number may be the same as one of the first
14 five numbers selected by the player. MM Plays can be purchased for two dollars (U.S. \$2.00),
15 including any specific statutorily-mandated tax of a Party Lottery to be included in the price of a
16 lottery Play. Plays may be purchased from a Party Lottery approved sales outlet in a manner as
17 approved by the Party Lottery and in accordance MUSL rules.

18 (2) Claims. A ticket shall be the only proof of a game Play or Plays and is subject to the
19 validation requirements set forth in subsection (g) of this section. The submission of a winning
20 ticket to the Texas Lottery or its authorized agent shall be the sole method of claiming a prize or
21 prizes. A Playslip has no pecuniary or prize value and shall not constitute evidence of Play
22 purchase or of numbers selected. A terminal-produced paper receipt has no pecuniary or prize
23 value and shall not constitute evidence of Play purchase or of numbers selected.

1 (3) Cancellations Prohibited. A Play may not be voided or canceled by returning the ticket
2 to the selling sales agent or to the Texas Lottery, including tickets that are printed in error. A
3 Selling Lottery may develop an approved method of compensating retailers for Plays that are not
4 transferred to a player for a reason acceptable to the Selling Lottery. No Play that is eligible for a
5 prize can be returned to the lottery for credit. Plays accepted by retailers as returned Plays and
6 which cannot be re-sold shall be deemed owned by the bearer thereof.

7 (4) Player Responsibility. It shall be the sole responsibility of the player to verify the
8 accuracy of the game Play or Plays and other data printed on the ticket. The placing of Plays is
9 done at the player's own risk through the licensed sales agent who is acting on behalf of the player
10 in entering the Play or Plays.

11 (5) Entry of Plays. Plays may only be entered manually using the lottery retailer terminal
12 keypad or touch screen, by means of a Playslip approved by the Texas Lottery, or by such other
13 means as approved by the Texas Lottery, including authorized third-party point-of-sale ("POS")
14 systems. Retailers shall not permit the use of Playslips that are not approved by the Texas Lottery.
15 Retailers shall not permit any device to be physically or wirelessly connected to a lottery terminal
16 to enter Plays, except as approved by the Texas Lottery. A ticket generated using a selection
17 method that is not approved by the Texas Lottery is not valid. A selection of numbers for a Play
18 may be made only if the request is made in person. Acceptable methods of Play selection may
19 include:

- 20 (A) using a self-service terminal;
- 21 (B) using a Playslip;
- 22 (C) using a previously-generated "Mega Million" ticket provided by the player;
- 23 (D) requesting a retailer to use a Quick Pick to select numbers;

1 (E) requesting a retailer to manually enter numbers; or

2 (F) using a QR code generated through a Texas Lottery Mobile Application offered
3 and approved by the Texas Lottery.

4 (6) Maximum Purchase. The maximum number of consecutive drawings on a single Play
5 purchase is ten (10).

6 (7) Subscription sales. A subscription sales program may be offered, at the discretion of
7 the executive director.

8 (d) Mega Millions Prize Pool. The prize pool for all prize categories offered by the Party Lotteries
9 shall consist of up to fifty-five percent (55%) of each Drawing period's sales, inclusive of any
10 specific statutorily-mandated tax of a Party Lottery to be included in the price of a MM Play, and
11 inclusive of contributions to the prize pool accounts and prize reserve accounts, but may be higher
12 or lower based upon the number of winning Plays at each prize level, as well as the funding
13 required to meet a guaranteed Annuity Grand Prize as may be required by subsection (f)(1) of this
14 section.

15 (1) Mega Millions Prize Pool Accounts and Prize Reserve Accounts. The Product Group
16 shall set the contribution rates to the Prize Pool and Prize Reserve Accounts established by this
17 section.

18 (A) The following Prize Reserve Account for the Mega Millions game is hereby
19 established: the Prize Reserve Account (PRA) which is used to guarantee the payment of valid,
20 but unanticipated, Grand Prize claims that may result from a system error or other reason, to fund
21 deficiencies in the Set-Aside Pool, and to fund pari-mutuel prize deficiencies as defined and
22 limited in subsections (d)(3)(A) and (k)(9)(B)(i) of this section.

1 (B) The following Prize Pool Accounts for the Mega Millions game are hereby
2 established:

3 (i) The Grand Prize Pool (GPP), which is used to fund the current Grand
4 Prize;

5 (ii) The Set Prize Pool (SPP), which is used the fund the Set Prizes. The
6 SPP shall hold the temporary balances that may result from having fewer than expected winners
7 in the Set Prize (aka low-tier prize) categories. The source of the SPP is the Party Lottery's weekly
8 prize contributions less actual Set Prize liability; and

9 (iii) The Set-Aside Pool (SAP), which is used to fund the payment of the
10 awarded minimum starting Annuity Grand Prizes and the minimum Annuity Grand Prize
11 increase, if necessary (subject to the limitations in this section or the MUSL MM Rules), as may
12 be set by the Product Group. The source of the SAP funding shall accumulate from the difference
13 between the amount in the Grand Prize Pool at the time of a Grand Prize win and the amount
14 needed to fund Grand Prize payments as determined by the Mega Millions Lotteries.

15 (C) The above Prize Reserve Account shall have maximum balance amounts or
16 balance limiter triggers that are set by the Product Group and are detailed in the *Comments* to
17 MUSL MM Rule 28. The maximum balance amounts and balance limit triggers are subject to
18 review by the MUSL Board Finance and Audit Committee. The Finance and Audit Committee
19 shall have two weeks to state objections, if any, to the approved maximum balance amounts or
20 balance limiter triggers. Approved maximum balance amounts or balance limiter triggers shall
21 become effective no sooner than two weeks after notice is given to the Finance and Audit
22 Committee and no objection is stated or sooner if the Committee affirmatively approves the
23 maximum balance amounts or balance limiter triggers. The Product Group may appeal the

1 Committee's objections to the full Board. Group approved changes in the maximum balance
2 amounts or balance limiter triggers set by the Product Group shall be effective only after the next
3 Grand Prize win.

4 (D) The contribution rate to the GPP from MM Plays shall be 37.6509% of sales.
5 An amount up to five percent (5%) of a Party Lottery's sales, including any specific statutorily
6 mandated tax of a Party Lottery to be included in the price of a lottery play, shall be added to a
7 Party Lottery's Mega Millions Prize Pool contribution and placed in trust in one or more prize pool
8 and prize reserve accounts held by the Product Group at any time that the Party Lottery's share of
9 the PRA is below the amounts designated by the Product Group. Details shall be noted in
10 the *Comments* to MUSL MM Rule 28.

11 (E) The Product Group may determine to expend all or a portion of the funds in the
12 prize pools (except the GPP) and the prize reserve accounts:

13 (i) for the purpose of indemnifying the Party Lotteries in the payment of
14 prizes to be made by the Selling Lotteries; and

15 (ii) for the payment of prizes or special prizes in the game, limited to prize
16 pool and prize reserve contributions from lotteries participating in the special prize promotion,
17 subject to the approval of the Board's Finance & Audit Committee or that Committee's failure to
18 object after given two weeks' notice of the planned action, which actions may be appealed to the
19 full Board by the Product Group.

20 (F) The prize reserve shares of a Party Lottery may be adjusted with refunds to the
21 Party Lottery from the prize reserve account(s) as may be needed to maintain the approved
22 maximum balance and sales percentage shares of the Party Lotteries.

1 (G) A Party Lottery may contribute to its sales percentage share of prize reserve
 2 accounts over time, but in the event of a draw down from a reserve account, a Party Lottery is
 3 responsible for its full sales percentage share of the prize reserve account, whether or not it has
 4 been paid in full.

5 (H) Any amount remaining in the Mega Millions prize pool accounts or prize
 6 reserve accounts when the Product Group declares the end of the game shall be returned to the
 7 lotteries participating in the prize pool and prize reserve accounts after the end of all claim periods
 8 of all Selling Lotteries, carried forward to a replacement game, or otherwise expended in a manner
 9 at the election of the individual Members of the Product Group in accordance with jurisdiction
 10 statute.

11 (2) Expected Prize Payout Percentages. The Grand Prize payout shall be determined on a
 12 pari-mutuel basis. Except as otherwise provided in this section, all other prizes awarded shall be
 13 paid as single payment prizes. All prize payouts are made with the following expected prize payout
 14 percentages, which does not include an additional amount held in prize reserves, although the prize
 15 payout percentages per draw may vary:

16 Figure: 16 TAC §401.315(d)(2)

Number of Matches Per MM Play	Prize Payment	MM Prize Pool Percentage Allocated to Prize
All five (5) of first set plus one (1) of second set.	Grand Prize	75.3018%*
All five (5) of first set and none of second set.	\$1,000,000	7.9319%
Any four (4) of first set plus one (1) of second set.	\$10,000	1.0742%
Any four (4) of first set and none of second set.	\$500.00	1.2889%
Any three (3) of first set plus one (1) of second set.	\$200.00	1.3749%

Any three (3) of first set and none of second set.	\$10.00	1.6498%
Any two (2) of first set plus one (1) of second set.	\$10.00	1.4436%
Any one (1) of first set plus one (1) of second set.	\$4.00	4.4752%
None of first set plus one (1) of second set.	\$2.00	5.4597%
<i>*The Grand Prize shall include the MM Prize Pool percentage allocated to the Grand Prize combined with the JJ Prize Pool percentage allocated to the Grand Prize.</i>		

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2 (A) The Grand Prize amount shall be divided equally by the number of MM Plays
3 and JJ Plays winning the Grand Prize.

4 (B) The SPP (for payment of single payment prizes of one million dollars
5 (\$1,000,000.00) or less) shall be carried forward to subsequent draws if all or a portion of it is not
6 needed to pay the set prizes awarded in the current draw.

7 (3) Pari-mutuel Prize Determinations. Except as otherwise provided for in subparagraph

8 (C) of this paragraph below:

9 (A) If the total of the Mega Millions Set Prizes (as multiplied by the respective
10 Megaplier multiplier, if applicable) awarded in a drawing exceeds the percentage of the prize pool
11 allocated to the Mega Millions Set Prizes, then the amount needed to fund the Mega Millions Set
12 Prizes, including Megaplier prizes, awarded shall be drawn from the following sources, in the
13 following order:

- 14 (i) the amount available in the SPP and the Megaplier Prize Pool, if any;
- 15 (ii) an amount from the PRA, if available, not to exceed forty million dollars
16 (\$40,000,000.00) per drawing.

17 (B) If, after these sources are depleted, there are not sufficient funds to pay the Set
18 Prizes, including Megaplier prizes, then the highest Set Prize shall become a pari-mutuel prize. If

1 the amount of the highest Set Prize, including Megaplier prizes, when paid on a pari-mutuel basis,
 2 drops to or below the next highest Set Prize and there are still not sufficient funds to pay the
 3 remaining Set Prizes awarded, then the next highest Set Prize shall become a pari-mutuel prize.
 4 This procedure shall continue down through all Set Prize levels, if necessary, until all Set Prize
 5 levels become pari-mutuel prize levels. In that instance, the money available from the funding
 6 sources listed in this section shall be divided among the winning MM Plays in proportion to their
 7 respective prize percentages. Mega Millions and Megaplier prizes will be reduced by the same
 8 percentage.

9 (C) By agreement with the Mega Millions Lotteries, the Mega Millions Lotteries
 10 shall independently calculate their set pari-mutuel prize amounts. The Party Lotteries and the Mega
 11 Millions Lotteries shall then agree to set the pari-mutuel prize amount for all lotteries selling the
 12 game at the lesser of the independently-calculated prize amounts.

13 (4) Except as may be required by subsection (f)(1) of this section, the official advertised
 14 Grand Prize annuity amount is subject to change based on sales forecasts and/or actual sales.

15 (5) Subject to the laws and rules governing each Party Lottery, the number of prize
 16 categories and the allocation of the prize fund among the prize categories may be changed at the
 17 discretion of the Mega Millions Lotteries, for promotional purposes. Such change shall be
 18 announced by Mega Millions Lotteries.

19 (e) Probability of Winning Mega Millions Prizes. The following table sets forth the probability of
 20 winning and the probable distribution of winning Plays in and among each prize category for MM
 21 Plays, based upon the total number of possible combinations in Mega Millions.

22 Figure: 16 TAC §401.315(e)

Number of Matches Per MM Play	Probability Distribution		Probable/Set Prize Amount
	Winners	Probability	

All five (5) of first set plus one (1) of second set	1	1:302,575,350	Grand Prize
All five (5) of first set and none of second set	24	1:12,607,306	\$1,000,000.00
Any four (4) of first set plus one (1) of second set	325	1:931,001	\$10,000.00
Any four (4) of first set and none of second set	7,800	1:38,792	\$500.00
Any three (3) of first set plus one (1) of second set	20,800	1:14,547	\$200.00
Any three (3) of first set and none of second set	499,200	1:606	\$10.00
Any two (2) of the first set plus one (1) of second set	436,800	1:693	\$10.00
Any one (1) of the first set plus one (1) of the second set	3,385,200	1:89	\$4.00
None of the first set plus one (1) of second set	8,259,888	1:37	\$2.00
Overall	12,610,038	1:24.0	

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2 (f) Mega Millions Prize Payment.

3 (1) Mega Millions Grand Prize. The prize money allocated from the current Mega Millions
4 prize pool for the Grand Prize, plus any previous portions of prize money allocated to the Grand
5 Prize category in which no matching MM Plays or JJ Plays were sold will be divided equally
6 among all Grand Prize winning MM Plays and JJ Plays in all Participating Lotteries. The Annuity
7 Grand Prize amount will be paid in thirty (30) graduated annual installments. Grand Prizes won
8 shall be funded by the Selling Lotteries in accordance with the formula set by the Mega Millions
9 Lotteries. The Mega Millions Lotteries may set a minimum guaranteed annuitized Grand Prize
10 amount that shall be advertised by the Selling Lotteries as the starting guaranteed annuitized Grand
11 Prize amount. At the time of ticket purchase, a player must select a payment option of either a
12 single cash value payment or annuitized payments of a share of the Grand Prize if the Play is a

1 winning Play. A player's selection of the payment option at the time of purchase from the Texas
 2 Lottery is final and cannot be revoked, withdrawn, or otherwise changed. If no selection is made,
 3 payment option will be as described in the chart below:

4 Figure: 16 TAC §401.315(f)(1)

Terminal Type	Manual Entry	Playslip with No Payment Option Selected
GT1200 (Retailer Terminal)	Default to CVO; retailer toggles to choose Annuity	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
GT1200C (Retailer Terminal)	Default to CVO; retailer toggles to choose Annuity.	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
Gemini (Self-service Terminal)	CVO only - designated on- line game Quick Pick buttons.	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
Third-party POS systems	CVO only – Quick Pick selections through authorized third-party POS systems.	N/A

5
 6 (2) Mega Millions Prize Rollover. If in any Mega Millions Drawing there are no MM Plays
 7 or JJ Plays that qualify for the Grand Prize category, the portion of the prize fund allocated to such
 8 Grand Prize category shall remain in the Grand Prize category and be added to the amount
 9 allocated for the Grand Prize category in the next consecutive Mega Millions Drawing.

10 (3) A player(s) who elects a cash value option payment shall be paid his/her share(s) in a
 11 single cash payment upon completion of validation procedures determined by the Texas Lottery.
 12 The cash value option amount shall be determined by the Mega Millions Lotteries.

1 (4) All annuitized prizes shall be paid annually in thirty (30) graduated annual installments
2 upon completion of validation procedure determined by the Texas Lottery. The initial payment
3 shall be paid upon completion of the validation procedures and the subsequent twenty-nine (29)
4 payments shall be paid annually to coincide with the winning draw date, and shall escalate by a
5 factor of 5% annually. Prize payments may be rounded down to the nearest one thousand dollars
6 (\$1,000) increment. The annuitized option prize shall be determined by multiplying the winning
7 Play's share of the Grand Prize Pool by the annuity factor established in accordance with Texas
8 law and the rules of the Texas Comptroller of Public Accounts.

9 (5) If individual shares of the Grand Prize Pool funds held to fund an annuity is less than
10 \$250,000.00, the Product Group, in its sole discretion, may elect to pay the winners their share of
11 the cash held in the Grand Prize Pool.

12 (6) Funds for the initial payment of an annuitized prize or the lump sum cash value option
13 payment shall be made available by MUSL for payment by the Party Lottery on a schedule
14 approved by the Product Group. If necessary, when the due date for the payment of a prize occurs
15 before the receipt of funds in the prize pool trust sufficient to pay the prize, the transfer of funds
16 for the payment of the full cash value option payment amount may be delayed pending receipt of
17 funds from the Party Lotteries or other lotteries participating in the Mega Millions game. A Party
18 Lottery may elect to make the initial payment from its own funds after validation, with notice to
19 MUSL.

20 (7) Payment of Prize Payments upon the Death of a Prize Winner. In the event of the death
21 of a prize winner, payments may be made in accordance with §401.310 of this chapter (relating to
22 Payment of Prize Payments Upon Death of Prize Winner), otherwise, payment of prize payments

1 will be made to the estate of a deceased prize winner in accordance with Texas Government Code
2 §466.406.

3 (8) Prize Payments. All prizes shall be paid through the Selling Lottery that sold the
4 winning Play(s). All low-tier cash prizes (all prizes except the Grand Prize) shall be paid in cash
5 or warrants in accordance with Texas statutes and these rules. A Selling Lottery may begin paying
6 low-tier cash prizes after receiving authorization to pay from the MUSL central office.

7 (9) Prizes Rounded. Annuitized payments of the Grand Prize or a share of the Grand Prize
8 may be rounded to facilitate the purchase of an appropriate funding mechanism. Breakage on an
9 annuitized Grand Prize win shall be added to the first payment to the winner or winners. Prizes
10 other than the Grand Prize, which, under this section, may become single-payment, pari-mutuel
11 prizes, may be rounded down so that prizes can be paid in multiples of whole dollars. Breakage
12 resulting from rounding these prizes shall be carried forward to the prize pool for the next Drawing.

13 (10) Limited to Highest Prize Won. The holder of a winning MM Play may win only one
14 (1) prize per Play in connection with the Winning Numbers drawn, and shall be entitled only to
15 the prize won by those numbers in the highest matching prize category. A JJ Play is not eligible to
16 win non-Grand Prize category prizes. All liabilities for a Mega Millions prize are discharged upon
17 payment of a prize claim.

18 (11) Claim Period. Prizes must be claimed no later than 180 days after the draw date, or in
19 accordance with Texas Government Code §466.408(e).

20 (g) Ticket Validation.

21 (1) To be a valid Play and eligible to receive a prize, a Play's ticket shall satisfy all the
22 requirements established by the Texas Lottery for validation of winning Plays sold through the
23 computer gaming system, as well as any other validation requirements adopted by the Product

1 Group, the MUSL Board and published as the Confidential MUSL Minimum Game Security
2 Standards. The MUSL and the Party Lotteries shall not be responsible for Plays or tickets that are
3 altered in any manner.

4 (2) Under no circumstances will a claim for any prize be paid without an official Mega
5 Millions ticket issued as authorized by the Texas Lottery and matching all game Play, serial
6 number and other validation data residing in the Texas Lottery's computer gaming system and such
7 ticket shall be the only valid proof of the wager placed and the only valid receipt for claiming or
8 redeeming such prize.

9 (3) In addition to the above, in order to be deemed a valid, winning Mega Millions Play,
10 all of the following conditions must be met:

11 (A) The validation data must be present in its entirety and must correspond, using
12 the computer validation file, to the number selections printed on the ticket for the drawing date(s)
13 printed on the ticket;

14 (B) The ticket must be intact;

15 (C) The ticket must not be mutilated, altered, reconstituted, or tampered with in any
16 manner;

17 (D) The ticket must not be counterfeit or an exact duplicate of another winning
18 ticket;

19 (E) The ticket must have been issued by an authorized Texas Lottery sales agent,
20 on official Texas Lottery paper stock or, for third-party point-of-sale systems approved by the
21 Texas Lottery, printed on paper stock or otherwise issued in a manner approved by the Texas
22 Lottery to provide tangible evidence of participation;

23 (F) The ticket must not have been stolen, to the knowledge of the Texas Lottery;

1 (G) The ticket must be submitted for payment in accordance with the prize claim
2 procedures of the Texas Lottery as set out in §401.304 of this subchapter and any internal
3 procedures used by the Texas Lottery;

4 (H) The Play data on the ticket must have been recorded on the computer gaming
5 system prior to the drawing and the Play data must match this computer record in every respect.
6 In the event of a contradiction between information as printed on the ticket and as accepted by the
7 Texas Lottery's computer gaming system, the wager accepted by the Texas Lottery's computer
8 gaming system shall be the valid wager;

9 (I) The player or Quick Pick number selections, validation data and the drawing
10 date(s) of an apparent winning Play must appear on the official file of winning Plays, and a Play
11 with that exact data must not have been previously paid;

12 (J) The Play must not be misregistered, and the Play's ticket must not be defectively
13 printed or printed or produced in error to an extent that it cannot be processed by the Texas Lottery;

14 (K) The ticket must pass confidential validation tests in accordance with the MUSL
15 MM Rules. In addition, the ticket must pass all other confidential security checks of the Texas
16 Lottery;

17 (L) In submitting a ticket for validation, the claimant agrees to abide by applicable
18 laws, all rules and regulations, instructions, conditions and final decisions of the executive director
19 of the Texas Lottery;

20 (M) There must not be any other breach of the MUSL MM Rules, or this
21 subchapter, in relation to the Play, which, in the sole and final opinion of the executive director of
22 the Texas Lottery, justifies invalidation.

1 (N) The Ticket must be submitted to the Texas Lottery, or the Selling Lottery that
2 issued it.

3 (4) A Play submitted for validation that fails any of the preceding validation conditions
4 shall be considered void, subject to the following determinations:

5 (A) In all cases of doubt, the determination of the Texas Lottery shall be final and
6 binding; however, the Texas Lottery may, at its option, replace an invalid Play with a Mega
7 Millions Play of equivalent sales price;

8 (B) In the event a defective ticket is purchased or in the event the Texas Lottery
9 determines to adjust an error, the claimant's sole and exclusive remedy shall be the replacement of
10 such defective or erroneous ticket(s) with a Mega Millions Play of equivalent sales price;

11 (C) In the event a Mega Millions Play is not paid by the Texas Lottery and a dispute
12 occurs as to whether the Play is a winning Play, the Texas Lottery may, at its option, replace the
13 Play as provided in subparagraph (A) of this paragraph. This shall be the sole and exclusive remedy
14 of the claimant.

15 (h) Ticket Responsibility.

16 (1) Prize Claims. Prize claim procedures shall be governed by the rules of the Texas
17 Lottery. The MUSL and the Selling Lotteries shall not be responsible for prizes that are not
18 claimed following the proper procedures as determined by the Texas Lottery.

19 (2) Stolen Plays. The Product Group, the MUSL, the Party Lotteries and the Texas Lottery
20 shall not be responsible for lost or stolen Plays.

21 (3) The Party Lotteries shall not be responsible to a prize claimant for Mega Millions Plays
22 redeemed in error by a Texas Lottery sales agent.

1 (4) Winning Plays are determined by the numbers drawn and certified by the independent
2 auditor responsible for auditing the Mega Millions draw. MUSL, the Party Lotteries and the Texas
3 Lottery are not responsible for Mega Millions winning numbers reported in error.

4 (i) Ineligible Players.

5 (1) A Play, or share of a Play, for a MUSL game issued by the MUSL or any of its Party
6 Lotteries shall not be purchased by, and a prize won by any such Play, or share of a Play, shall not
7 be paid to:

8 (A) a MUSL employee, officer, or director;

9 (B) a contractor or consultant under agreement with the MUSL to review the MUSL
10 audit and security procedures;

11 (C) an employee of an independent accounting firm under contract with MUSL to
12 observe drawings or site operations and actually assigned to the MUSL account and all partners,
13 shareholders, or owners in the local office of the firm; or

14 (D) an immediate family member (parent, stepparent, child, stepchild, spouse, or
15 sibling) of an individual described in subsections (a), (b), and (c) of this section and residing in the
16 same household.

17 (2) Those persons designated by the State Lottery Act, Texas Government Code, Chapter
18 466, as ineligible to play its games shall also be ineligible to play any MUSL lottery game sold in
19 the state of Texas.

20 (3) A Play, or share of a Play, of the Mega Millions game may not be purchased in any
21 lottery jurisdiction by any Party Lottery board member; commissioner; officer; employee; or
22 spouse, child brother, sister or parent residing as a member of the same household in the principle
23 place of residence of any such person. Prizes shall not be paid to any persons prohibited from

1 playing Mega Millions in a particular jurisdiction by rules, governing law, or any contract executed
2 by the Selling Lottery.

3 (j) Applicable Law.

4 (1) In purchasing a Play, or attempting to claim a prize, purchasers and prize claimants
5 agree to comply with and abide by all applicable laws, rules, regulations, procedures, and decisions
6 of the Texas Lottery and by directives and determinations of the executive director of the Texas
7 Lottery. Additionally, the player shall be bound to all applicable provisions in the MUSL MM
8 Rules.

9 (2) A prize claimant agrees, as its sole and exclusive remedy, that claims arising out of a
10 Play can only be pursued against the Party Lottery which issued the Play. Litigation, if any, shall
11 only be maintained within the jurisdiction in which the Play was purchased and only against the
12 Party Lottery that issued the Play. No claim shall be made against any other Party Lottery or against
13 the MUSL.

14 (3) Nothing in this section or the MUSL MM Rules shall be construed as a waiver of any
15 defense or claim the Texas Lottery, which issued the Play, any other Party Lottery, or MUSL may
16 have in any litigation, including in the event a player or prize claimant pursues litigation against a
17 Party Lottery or MUSL, or their respective officers, directors or employees.

18 (4) All decisions made by the Texas Lottery, including the declaration of prizes and the
19 payment thereof and the interpretation of MUSL MM Rules, shall be final and binding on all Play
20 purchasers and on every person making a prize claim in respect thereof, but only in the jurisdiction
21 where the Play was issued.

22 (5) Unless the laws, rules, regulations, procedures, and decisions of the Texas Lottery,
23 which issued the Play, provide otherwise, no prize shall be paid upon a Play purchased, claimed

1 or sold in violation of this section, the MUSL MM Rules, or the laws, rules, regulations,
2 procedures, and decisions of the Texas Lottery; any such prize claimed but unpaid shall constitute
3 an unclaimed prize under this section and the laws, rules, regulations, procedures, and decisions
4 of the Texas Lottery.

5 (k) Mega Millions Megaplier Promotion

6 (1) Promotion Description. The Mega Millions Megaplier Promotion is a limited extension
7 of the Mega Millions game and is conducted in accordance with the MUSL MM Rules and other
8 lottery rules applicable to the Mega Millions game except as may be amended herein. The
9 Promotion will begin at a time announced by the Texas Lottery and will continue until
10 discontinued by the Texas Lottery. The Promotion will offer to the owners of a qualifying
11 Megaplier Play a chance to multiply or increase the amount of any of the Set Prizes (the prizes
12 normally paying two dollars (\$2.00) to one million dollars (\$1,000,000.00) won in a Drawing held
13 during the Promotion. The Grand Prize is not a Set Prize and will not be multiplied or increased
14 by means of the Megaplier Promotion or the Just the Jackpot Promotion.

15 (2) Qualifying Megaplier Play. A qualifying Megaplier Play is any single Mega Millions
16 Play for which the player pays an extra one dollar (\$1.00) for the Megaplier option and that is
17 recorded at on the Texas Lottery's computer gaming system as a qualifying Megaplier Play. Just
18 the Jackpot Plays do not qualify to purchase a Megaplier Play.

19 (3) Prizes To Be Multiplied Or Increased. A qualifying Megaplier Play that wins one of
20 the Set Prizes will be multiplied by the number selected, either two, three, four, or five (2, 3, 4, or
21 5), in a separate random Megaplier Drawing announced in a manner approved by the Product
22 Group.

1 (4) Megaplier Draws. MUSL will either itself conduct, or authorize a U.S. Lottery to
2 conduct on its behalf, a separate random "Megaplier" Drawing. Before each Mega Millions
3 Drawing a single number (2, 3, 4 or 5) shall be drawn. The Product Group may change one or
4 more of the multiplier features for special promotions from time to time. In the event the Megaplier
5 Drawing does not occur prior to the Mega Millions Drawing, the multiplier number will be a 5
6 (five), which shall solely be determined by the lottery authorized to conduct the "Megaplier"
7 Drawing.

8 (5) Megaplier Prize Pool.

9 (A) The Megaplier Prize Pool (MPP) is hereby created, and shall be used to fund
10 Megaplier prizes. The MPP shall hold the temporary balances that may result from having fewer
11 than expected winning Megaplier Plays. The source of the MPP is the Party Lottery's weekly prize
12 contributions less actual Megaplier Prize liability.

13 (B) Up to fifty-five percent (55%) of each Drawing period's sales, as determined
14 by the Product Group, including any specific statutorily-mandated tax of a Party Lottery to be
15 included in the price of a lottery ticket, shall be collected for the payment of Megaplier prizes.

16 (C) Prize payout percentages per draw may vary. The MPP shall be carried forward
17 to subsequent draws if all or a portion of it is not needed to pay the Megaplier prizes awarded in
18 the current draw and held in the MPP.

19 (6) End of Game. Any amount remaining in the MPP when the Product Group declares the
20 end of this game shall be returned to the lotteries participating in the account after the end of all
21 claim periods of all Selling Lotteries, carried forward to a replacement game or otherwise
22 expended in a manner at the election of the individual Members of the Product Group in
23 accordance with jurisdiction law.

1 (7) Expected Prize Payout. Except as provided in this section, all prizes awarded shall be
 2 paid as single payment Set Prizes. Instead of the Mega Millions Set Prize amounts, qualifying
 3 Megaplier Plays will pay the amounts shown below when matched with the Megaplier number
 4 drawn. In certain rare instances, the Mega Millions Set Prize amount may be less than the amount
 5 shown. In such case, the Megaplier prizes will be a multiple of the changed Mega Millions prize
 6 amount announced after the draw. For example, if the Match 4+1 Mega Millions set prize amount
 7 of ten thousand dollars (\$10,000.00) becomes two thousand dollars (\$2,000.00) under the rules of
 8 the Mega Millions game, then a Megaplier player winning that prize amount with a 4X multiplier
 9 would win eight thousand dollars (\$8,000): two thousand dollars multiplied by four (\$2,000.00 x
 10 4).

11 Figure 16 TAC §401.315(k)(7)

Prize Levels	With Megaplier Purchase and Multiplier:				
	Standard	2x	3X	4X	5X
Match 5+0	\$1,000,000.00	\$2,000,000.00	\$3,000,000.00	\$4,000,000.00	\$5,000,000.00
Match 4+1	\$10,000.00	\$20,000.00	\$30,000.00	\$40,000.00	\$50,000.00
Match 4+0	\$500.00	\$1,000.00	\$1,500.00	\$2,000.00	\$2,500.00
Match 3+1	\$200.00	\$400.00	\$600.00	\$800.00	\$1,000.00
Match 3+0	\$10.00	\$20.00	\$30.00	\$40.00	\$50.00
Match 2+1	\$10.00	\$20.00	\$30.00	\$40.00	\$50.00
Match 1+1	\$4.00	\$8.00	\$12.00	\$16.00	\$20.00
Match 0+1	\$2.00	\$4.00	\$6.00	\$8.00	\$10.00

22 **Multiplier numbers do not apply to the Mega Millions Grand Prize or Just the Jackpot Plays.**

24 (8) Probability of Winning. The following table sets forth the probability of the various
 25 Megaplier numbers being drawn during a single Mega Millions Drawing. The Product Group may
 26 elect to run limited promotions that may modify the multiplier features.

27 Figure: 16 TAC §401.315(k)(8)

Megaplier	Probability of Prize Increase
5X - Prize Won Times 5	1 in 15
4X - Prize Won Times 4	3 in 15

1 3X - Prize Won Times 3 6 in 15
2 2X - Prize Won Times 2 5 in 15
3

4 Multiplier numbers do not apply to the Mega Millions Grand Prize or Just the Jackpot Plays.
5

6 (9) Limitation on Payment of Megaplier Prizes.

7 (A) Prize Pool Carried Forward. The prize pool percentage allocated to the
8 Megaplier Set Prizes shall be carried forward to subsequent draws if all or a portion of it is not
9 needed to pay the Set Prizes awarded in the current draw or may be held in a prize reserve account.

10 (B) Pari-Mutuel Prizes--All Prize Amounts. Except as otherwise provided for in
11 subparagraph (C) of this paragraph below:

12 (i) If the total of the original Mega Millions Set Prizes and the Megaplier
13 prize amounts awarded in a drawing exceeds the percentage of the prize pools allocated to the set
14 prizes, then the amount needed to fund the Set Prizes (including the Megaplier prize amounts)
15 awarded shall be drawn from the following sources, in the following order:

16 (I) the amount available in the SPP and the MPP, if any;

17 (II) an amount from the PRA, if available in the account, not to
18 exceed forty million dollars (\$40,000,000.00) per drawing.

19 (ii) If, after these sources are depleted, there are not sufficient funds to pay
20 the Set Prizes awarded (including Megaplier prize amounts), then the highest Set Prize (including
21 the Megaplier prize amounts) shall become a pari-mutuel prize. If the amount of the highest Set
22 Prize, when paid on a pari-mutuel basis, drops to or below the next highest Set Prize and there are
23 still not sufficient funds to pay the remaining Set Prizes awarded, then the next highest Set Prize
24 (including the Megaplier prize amount) shall become a pari-mutuel prize. This procedure shall
25 continue down through all Set Prizes levels, if necessary, until all Set Prize levels become pari-

1 mutuel prize levels. In that instance, the money available from the funding sources listed in this
2 section shall be divided among the winning MM Plays in proportion to their respective prize
3 percentages. Mega Millions and Megaplier prizes will be reduced by the same percentage.

4 (C) By agreement with the Mega Millions Lotteries, the Mega Millions Lotteries
5 shall independently calculate their set pari-mutuel prize amounts, including the Megaplier prize
6 amounts. The Party Lotteries and the Mega Millions Lotteries shall then agree to set the pari-
7 mutuel prize amounts for all lotteries selling the game at the lesser of the independently-calculated
8 prize amounts.

9 (10) Prize Payment. All Megaplier prizes shall be paid in one single payment through the
10 Party Lottery that sold the winning Megaplier Play(s). A Party Lottery may begin paying
11 Megaplier prizes after receiving authorization to pay from the MUSL central office. Prizes that,
12 under this section, may become pari-mutuel prizes, may be rounded down so that prizes can be
13 paid in whole dollars. Breakage resulting from rounding these prizes shall be carried forward to
14 the MPP for the next drawing.

15 (l) Just the Jackpot™ Promotion.

16 (1) Promotion Description. The Mega Millions Just the Jackpot Promotion is a limited
17 extension of the Mega Millions game and is conducted in accordance with the MUSL MM Rules
18 and other lottery rules applicable to the Mega Millions game except as may be amended herein,
19 and any other lottery rules applicable to this Promotion. All rules applicable to the Mega Millions
20 game in subsections (a) through (j) of this section are applicable to the Just the Jackpot Promotion
21 unless otherwise indicated. The Promotion will begin at a time announced by the Texas Lottery
22 and will continue until discontinued by the Texas Lottery. The Promotion will offer to players a
23 chance to purchase a Just the Jackpot Play ("JJ Play") which will qualify a player for two (2)

1 chances (each a "Play") to win the Grand Prize, and no other prize levels. If the player matches
2 any non-Grand Prize (any prize level other than the Grand Prize) numbers with his or her JJ Play(s),
3 the player who purchased the JJ Play is not eligible to win or claim the non-Grand Prizes in the
4 Just the Jackpot Promotion.

5 (2) Winning JJ Plays will be paid the Mega Millions Grand Prize, at the election of the
6 player made in accordance with subsection (f) of this section or by a default election made in
7 accordance with this section, either on a graduated annuitized annual pari-mutuel basis or as a cash
8 value option using a rate determined in accordance with subsection (f)(4) of this section. All
9 provisions in subsections (a) through (j) of this section regarding payment of the Mega Millions
10 Grand Prize are applicable to winning JJ Play(s). The Grand Prize amount shall be divided equally
11 by the number of MM Plays and JJ Plays winning the Grand Prize.

12 (3) Just the Jackpot shall use the Mega Millions winning numbers. Mega Millions winning
13 numbers applicable to determine Just the Jackpot prizes will be determined on the day(s), time(s)
14 and location(s) as determined by the Mega Millions Lotteries.

15 (4) To play Just the Jackpot, a player shall select (or request a Quick Pick) two (2) sets of
16 five (5) different numbers, from one (1) through seventy (70) and one (1) additional number from
17 one (1) through twenty-five (25). The additional number may be the same as one of the first five
18 numbers selected by the player. Each set of numbers shall constitute a single lettered selection, or
19 single "Play" as that term is defined in subsection (b)(11) of this section. The two (2) Plays for
20 each three dollar (\$3.00) JJ Plays purchase shall be for the same drawing, although the Texas
21 Lottery may sell multi-draw JJ Plays as well.

22 (5) The purchase price of a single JJ Play shall be three dollars (US \$3.00) for two (2)
23 single lettered selection of Plays, including any specific statutorily-mandated tax of a Party Lottery

1 to be included in the price of a lottery JJ Play. JJ Plays must be printed on separate tickets from
2 MM Plays and must clearly indicate the Plays are for the Just the Jackpot Promotion. Each JJ Play
3 is played separately in determining matches to winning numbers and prize amounts. JJ Plays may
4 be purchased from any authorized Texas Lottery sales agent in a manner as approved by the Texas
5 Lottery and in accordance with this section and the MUSL rules. The winning numbers for the JJ
6 Plays will be the winning numbers drawn in the applicable Mega Millions Drawing. The Grand
7 Prize will not be multiplied or increased by means of the Megaplier Promotion.

8 (6) Just the Jackpot Prize Pool Contributions.

9 (A) Mega Millions Prize Pool. The prize pool for JJ Plays shall consist of up to
10 fifty-five percent (55%) of each Drawing period's sales, inclusive of any specific statutorily-
11 mandated tax of a Party Lottery to be included in the price of a lottery's JJ Play, and inclusive of
12 contributions to the prize pool accounts and prize reserve accounts, but may be higher or lower
13 based the funding required to meet a guaranteed Annuity Grand Prize as may be required by the
14 MUSL MM Rules.

15 (B) Mega Millions Prize Pool Account and Prize Reserve Account contributions.
16 The Product Group shall set the contribution rates to the Just the Jackpot prize pool and prize
17 reserve accounts established by this section.

18 (i) The contribution rate for JJ Plays to the GPP shall be 50.2012% of sales.
19 An amount up to five percent (5%) of a Party Lottery's JJ Play sales, including any specific
20 statutorily mandated tax of a Party Lottery to be included in the price of a lottery's JJ Play, shall
21 be added to a Party Lottery's Just the Jackpot Prize Pool contribution and placed in trust in one or
22 more prize pool and prize reserve accounts held by the Product Group at any time that the Party

1 Lottery's share of the PRA is below the amounts designated by the Product Group. Details shall
2 be noted in the *Comments* to the MUSL MM Rule JJ5.2.

3 (ii) All provisions regarding the Grand Prize Pool and Prize Reserve
4 Account as described herein are applicable to JJ Play contributions to the Grand Prize Pool and
5 Prize Reserve Account.

6 (7) Expected Prize Payout Percentage. The Mega Millions Grand Prize payout shall be
7 determined on a pari-mutuel basis. The Grand Prize amount shall be divided equally by the number
8 of MM Plays and JJ Plays winning the Mega Millions Grand Prize. All prize payouts are made
9 with the following expected prize payout percentages, which does not include any additional
10 amount held in prize reserves:

11 Figure: 16 TAC §401.315(1)(7)

12	Number of Matches Per JJ Play	Prize Payment	JJ Prize Pool Percentage Allocated to Prize
13	All five (5) of first set plus one (1) of second set.	Grand Prize	100%*
14			
15	All other matching combinations/prize tiers	No Prize	0%
16			
17			
18			
19	<i>* JJ Prize Pool percentage allocated to the Grand Prize shall be combined with MM Prize Pool percentage</i>		
20	<i>allocated to the Grand Prize.</i>		

conomic costs to persons, including small or micro-businesses, required to comply with the proposed rule. However, any additional costs incurred should be insignificant in nature and will typically be recouped in the normal course of business, in which consumers will ultimately benefit from increased energy efficiency and reduced energy costs resulting from improvements effected in the revised codes. The Department is unable to provide a specific estimate of costs or cost savings attributable to the updated codes, as those costs or cost savings will be determined by the market for ACR services.

The Department has identified the following provisions as most likely to result in costs, or a reduction in costs, to licensees:

Uniform Mechanical Code

Chapter 3 - General requirements for condensate wastes and control, installation of appliances on sloped roofs, and clearances to combustible constructions;

Chapter 4 - Classification of recirculated and transferred air, parking garage exhaust, and natural ventilation;

Chapter 5 - Exhaust provisions for clothes dryers, Type I hoods and grease ducts, dishwashing machines, and downdraft appliances;

Chapter 6 - Duct systems requirements for factory-made air ducts, plastic ducts, and ducts used in underground installations;

Chapter 9 - Appliance provisions, such as electric duct heaters, electric ranges, refrigeration appliances, and ductless mini-split systems;

Chapter 11 - Refrigeration system requirements, such as the refrigeration concentration limit, ventilation for refrigeration machinery rooms, pressure vessels, and pressure relief valve discharge;

Chapter 12 - Hydronic systems provisions.

International Mechanical Code

Section 106.1.1 - Annual permits for mechanical repairs;

Section 403.3.2 - Ventilation requirements for R-2 occupancies three stories or less in height.

International Energy Conservation Code

Table C403.2.3(9) - Increased stringency of computer room HVAC minimum efficiency levels;

Section C403.2.4.7 - Required inclusion of a fault detection and diagnostics reporting system on 4.5-ton or larger air-cooled HVAC systems.

International Fuel Gas Code

Section 307.6 - Condensation pumps located in attics, crawl spaces, and other uninhabited spaces must have controls that shut down the appliance upon failure of the pumping system;

Section 404.7 - Provisions added to protect concealed piping from penetration by nails, screws and other fasteners.

Since the agency has determined that the proposed amendments will have no adverse economic effect on small or micro-businesses, preparation of an Economic Impact Statement and a Regulatory Flexibility Analysis, pursuant to Texas Government Code §2006.002, is not required.

Comments on the proposal may be submitted by mail to Pauline Easley, Legal Assistant, General Counsel's Office, Texas Department of Licensing and Regulation, P.O. Box 12157, Austin, Texas 78711; or by facsimile to (512) 475-3032, or electronically to erule.comments@tdlr.texas.gov. The deadline for comments is 30 days after publication in the *Texas Register*.

The amendments are proposed under Texas Occupations Code, Chapters 51 and 1302, which authorize the Commission, the Department's governing body, to adopt rules as necessary to implement these chapters and any other law establishing a program regulated by the Department.

The statutory provisions affected by the proposal are those set forth in Texas Occupations Code, Chapters 51 and 1302. No other statutes, articles, or codes are affected by the proposal.

§75.110. *Applicable Codes.*

(a) The commission adopts the following as the applicable codes as referenced in the Act and this chapter:

(1) 2012 edition of the Uniform Mechanical Code; and

(2) 2012 editions of the International Mechanical Code, the International Residential Code, and other applicable codes.

(b) The 2012 codes shall remain in effect through December 31, 2017. All air conditioning and refrigeration work permitted or started before January 1, 2018, may be completed in accordance with the 2012 code editions [are effective January 1, 2015].

(c) The commission adopts the following as the applicable codes as referenced in the Act and this chapter:

(1) 2015 edition of the Uniform Mechanical Code; and

(2) 2015 editions of the International Mechanical Code, the International Residential Code, and other applicable codes.

(d) The 2015 codes shall be effective January 1, 2018.

The agency certifies that legal counsel has reviewed the proposal and found it to be within the state agency's legal authority to adopt.

Filed with the Office of the Secretary of State on June 2, 2017.

TRD-201702153

Brian E. Francis

Executive Director

Texas Department of Licensing and Regulation

Earliest possible date of adoption: July 16, 2017

For further information, please call: (512) 463-8179



PART 9. TEXAS LOTTERY COMMISSION

CHAPTER 401. ADMINISTRATION OF STATE LOTTERY ACT

The Texas Lottery Commission ("Commission") proposes the repeal of existing 16 TAC §401.315 ("Mega Millions" On-Line Game Rule) and proposes new 16 TAC §401.315 ("Mega Millions" Game Rule). The purpose of the proposed new rule is to conform the play of the Mega Millions lottery game in Texas to the game changes recently adopted by the group of U.S. lotteries operating under an agreement to sell the Mega Millions draw game ("Mega Millions Lotteries"). These changes include (i) an

increase in the purchase price from \$1 to \$2 per Play; (ii) changing the game matrix from 5/75 (selection of five numbers from a field of 75 numbers) plus 1/15 (one number from a field of 15 numbers) to 5/70 (five numbers from a field of 70 numbers) plus 1/25 (one number from a field of 25 numbers); and (iii) offering a new optional jackpot-only wager called Just the Jackpot™, in which a player may purchase two chances to win the Grand Prize for the reduced rate of \$3, but will forego the option to win any secondary (non-jackpot) prizes. The increased price per ticket and the matrix change anticipate larger and faster growing jackpots, resulting in increased ticket sales and revenue to the Foundation School Fund. The Commission anticipates the new Mega Millions game changes to be implemented on October 28, 2017.

The new rule also includes language updates regarding the Mega Millions game, including notice that the Texas Lottery is selling the Mega Millions game pursuant to the rules and procedures of the Multi-State Lottery Association ("MUSL") and subject to a Cross-Sell Agreement between MUSL and the non-MUSL Mega Millions Lotteries, and language to facilitate the potential future sale of lottery tickets using Commission-approved third-party point-of-sale ("POS") systems. Finally, the proposed rule language conforms to the required percentage of sales contributions by the Texas Lottery to be held in certain prize reserve and prize pool funds maintained by MUSL. Because of the number of changes necessary to conform the Commission's rule to MUSL's Mega Millions rule, the Commission proposes to repeal its existing Mega Millions rule at §401.315 and proposes the new rule language as new §401.315.

Kathy Pyka, Controller, has determined that for each year of the first five years the new rule will be in effect, there will be no significant fiscal impact for state or local governments as a result of the proposed new rule. There will be no adverse effect on small businesses, micro businesses, or local or state employment. There will be no additional economic cost to persons required to comply with the new rule, as proposed. Furthermore, an Economic Impact Statement and Regulatory Flexibility Analysis is not required because the proposed new rule will not have an economic effect on small businesses as defined in Texas Government Code §2006.001(2).

Michael Anger, Director of Lottery Operations, has determined that for each year of the first five years the proposed new rule will be in effect, the public benefit anticipated is providing Texas Lottery players with notification of the changes to the Mega Millions game and to update the Texas Lottery Mega Millions game rule in conformance with MUSL rules. The game changes are anticipated to offer players the potential for larger jackpots. Players will also have the option to participate in the new jackpot-only wager type called Just the Jackpot™.

The Commission requests comments on the proposed new rule from any interested person. Comments on the proposed new rule may be submitted to Deanne Rienstra, Assistant General Counsel, by mail, at Texas Lottery Commission, P.O. Box 16630, Austin, Texas 78761-6630; by facsimile at (512) 344-5189; or by email at legal.input@lottery.state.tx.us. Comments must be received within 30 days after publication of this proposal in order to be considered.

SUBCHAPTER D. LOTTERY GAME RULES

16 TAC §401.315

This repeal is proposed under Texas Government Code §466.015, which authorizes the Commission to adopt rules governing the operation of the lottery, §466.451, which authorizes

the Commission to adopt rules relating to a multi-jurisdiction lottery game, and §467.102, which authorizes the Commission to adopt rules for the enforcement and administration of the laws under the Commission's jurisdiction.

This proposal is intended to implement Texas Government Code, Chapter 466.

§401.315. "Mega Millions" On-Line Game Rule.

The agency certifies that legal counsel has reviewed the proposal and found it to be within the state agency's legal authority to adopt.

Filed with the Office of the Secretary of State on June 2, 2017.

TRD-201702164

Bob Biard

General Counsel

Texas Lottery Commission

Earliest possible date of adoption: July 16, 2017

For further information, please call: (512) 344-5012



16 TAC §401.315

The following new rule is proposed under Texas Government Code §466.015, which authorizes the Commission to adopt rules governing the operation of the lottery; and under the authority of Texas Government Code §467.102, which provides the Commission with the authority to adopt rules for the enforcement and administration of the laws under the Commission's jurisdiction.

This proposal is intended to implement Texas Government Code, Chapter 466.

§401.315. "Mega Millions" Game Rule.

(a) Mega Millions. The Multi-State Lottery Association ("MUSL") has entered into an Agreement ("Cross-Sell Agreement") with those U.S. lotteries operating under an agreement to sell a draw game known as Mega Millions ("Mega Millions Lotteries") to permit the MUSL Party Lotteries who are members of the MUSL Mega Millions Product Group ("Product Group"), including the Texas Lottery Commission, to sell the Mega Millions lottery game. The purpose of the Mega Millions game is the generation of revenue for Mega Millions Lotteries and Product Group members participating under the Cross-Sell Agreement, through the operation of a specially designed multi-jurisdiction lottery game that will award prizes to ticket holders matching specified combinations of numbers randomly selected in regularly scheduled drawings. The Mega Millions game is authorized to be conducted by the executive director under the conditions of the Cross-Sell Agreement, MUSL rules, the laws of the State of Texas, this section, and under such further instructions, directives, and procedures as the executive director may issue in furtherance thereof. In this regard, the executive director is authorized to issue such further instructions and directives as may be necessary to conform the conduct and play of the Mega Millions game to the requirements of the MUSL rules and the Cross-Sell Agreement, if, in the opinion of the executive director, such instructions, directives, and procedures are in conformance with state law. To be clear, the authority to participate in the Mega Millions game is provided to the Texas Lottery by MUSL through the Cross-Sell Agreement. The conduct and play of the Mega Millions game must conform to the Product Group's Mega Millions game rules ("MUSL MM Rules"). Further, if a conflict arises between this section and §401.304 of this chapter, this section shall have precedence. In addition to other applicable rules contained in Chapter 401, this section and definitions herein apply unless the

context requires a different meaning or is otherwise inconsistent with the intent of the MUSL MM Rules adopted by the Product Group.

(b) Definitions. In addition to the definitions provided in §401.301 of this subchapter (relating to General Definitions), and unless the context in this section otherwise requires, the following definitions apply.

(1) "Agent" or "retailer" means a person or entity authorized by the Texas Lottery Commission to sell lottery Plays.

(2) "Drawing" refers collectively to the formal draw event for randomly selecting the winning numbers that determine the number of winning Plays for each prize level of the Mega Millions game and Megaplier Promotion.

(3) "Game ticket" or "ticket" means an acceptable evidence of Play, which is a ticket produced in a manner that meets the specifications defined in the MUSL rules or the rules of each Selling Lottery, and is a physical representation of the Play or Plays sold to the player as described in subsection (g) of this section (Ticket Validation).

(4) "Just the Jackpot™ Play" ("JJ Play") shall refer to a wager purchased which includes two (2) Plays as part of the Just the Jackpot Promotion as described in subsection (l) of this section.

(5) "Megaplier" shall refer to Plays purchased as part of the Megaplier Promotion described in subsection (k) of this section.

(6) "Mega Millions Lotteries" refers to those lotteries that have joined under the Mega Millions Lottery Agreement and that have entered into the Cross-Sell Agreement with MUSL for the selling of the Mega Millions game by the Product Group. "Mega Millions Finance Committee" refers to a Committee of the Mega Millions Lotteries that determines the Grand Prize amount (cash value option and annuity).

(7) "Mega Millions Plays" ("MM Plays") shall refer to Plays purchased as part of the Mega Millions game, but shall not include JJ Plays or Megaplier Plays.

(8) "MUSL" means the Multi-State Lottery Association, a government-benefit association wholly owned and operated by the MUSL Party Lotteries.

(9) "MUSL Board" means the governing body of the MUSL, which is comprised of the chief executive officer of each Party Lottery.

(10) "Party Lottery" means a state lottery or lottery of a political subdivision or entity that has joined MUSL and, in the context of the Product Group rules, has joined in selling the games offered by the Product Group. "Selling Lottery" or "Participating Lottery" shall mean a state lottery or lottery of a political subdivision or entity that is participating in selling the Mega Millions game and that may be a member of either the Product Group or the Mega Millions Lotteries.

(11) "Play" means a set of six (6) numbers, the first five (5) from a field of seventy (70) numbers and the last one (1) from a field of twenty-five (25) numbers, that appear on a ticket as a single lettered selection and are to be played by a player in the game. As used in this section, unless otherwise indicated, "Play" includes both Mega Millions Plays ("MM Plays") and Just the Jackpot Plays ("JJ Play"). "Megaplier Plays" are separately described in subsection (k) of this section.

(12) "Playslip" means a physical or electronic means by which a player communicates their intended Play selection to the retailer as defined and approved by the Texas Lottery. A Playslip has no pecuniary value and shall not constitute evidence of ticket purchase or of numbers selected.

(13) "Prize" means an amount paid to a person or entity holding a winning ticket. The terms "Grand Prize" or "Jackpot" may be used interchangeably and shall refer to the top prize in the Mega Millions game. "Advertised Grand Prize" or "Advertised Jackpot" shall mean the estimated annuitized Grand Prize amount as determined by the Mega Millions Finance Committee and communicated through the Selling Lotteries prior to the next Mega Millions Drawing. The Advertised Grand Prize is not a guaranteed prize amount and the actual Grand Prize amount may vary from the advertised amount, except in circumstances where there is a guaranteed Grand Prize amount as described in subsection (f)(1) of this section.

(14) "Product Group" means the MUSL Party Lotteries who are members of the MUSL Mega Millions Product Group and who offer the Mega Millions game product pursuant to the terms of the Cross-Sell Agreement between MUSL and the Mega Millions Lotteries, and in accordance with the Multi-State Lottery Agreement and the MUSL MM Rules.

(15) "Set Prize" or "low-tier prize" means all other prizes, except the Grand Prize and, except in instances outlined in this section, or the MUSL MM Rules, will be equal to the prize amount established by the MUSL Board for the prize level.

(16) "Terminal" means a device authorized by the Texas Lottery for the purpose of issuing Mega Millions game tickets and as defined in §401.301 (General Definitions) of this chapter.

(17) "Winning Numbers" means the indicia or numbers randomly selected during a Drawing event which shall be used to determine the winning Plays for the Mega Millions game contained on a game ticket.

(c) Game Description. Mega Millions is a five (5) out of seventy (70) plus one (1) out of twenty-five (25) lottery game drawn on the day(s), time(s) and location(s) as determined by the Mega Millions Lotteries, and which pays the Grand Prize, at the election of the player made in accordance with this section, or by a default election made in accordance with this section, either on a graduated annuitized annual pari-mutuel basis or as a cash value option using a rate determined by the Mega Millions Finance Committee on a pari-mutuel basis. Except as provided in this section, all other prizes are paid on a single payment basis. During the Drawing event, five (5) numbers shall be drawn from the first set of seventy (70) numbers, and one (1) number shall be drawn from the second set of twenty-five (25) numbers, which shall constitute the Winning Numbers.

(1) Mega Millions Play. To play Mega Millions, a player shall select (or request a Quick Pick) five (5) different numbers, from one (1) through seventy (70) and one (1) additional number from one (1) through twenty-five (25). The additional number may be the same as one of the first five numbers selected by the player. MM Plays can be purchased for two dollars (U.S. \$2.00), including any specific statutorily-mandated tax of a Party Lottery to be included in the price of a lottery Play. Plays may be purchased from a Party Lottery approved sales outlet in a manner as approved by the Party Lottery and in accordance MUSL rules.

(2) Claims. A ticket shall be the only proof of a game Play or Plays and is subject to the validation requirements set forth in subsection (g) of this section. The submission of a winning ticket to the Texas Lottery or its authorized agent shall be the sole method of claiming a prize or prizes. A Playslip has no pecuniary or prize value and shall not constitute evidence of Play purchase or of numbers selected. A terminal-produced paper receipt has no pecuniary or prize value and shall not constitute evidence of Play purchase or of numbers selected.

(3) Cancellations Prohibited. A Play may not be voided or canceled by returning the ticket to the selling sales agent or to the Texas Lottery, including tickets that are printed in error. A Selling Lottery may develop an approved method of compensating retailers for Plays that are not transferred to a player for a reason acceptable to the Selling Lottery. No Play that is eligible for a prize can be returned to the lottery for credit. Plays accepted by retailers as returned Plays and which cannot be re-sold shall be deemed owned by the bearer thereof.

(4) Player Responsibility. It shall be the sole responsibility of the player to verify the accuracy of the game Play or Plays and other data printed on the ticket. The placing of Plays is done at the player's own risk through the licensed sales agent who is acting on behalf of the player in entering the Play or Plays.

(5) Entry of Plays. Plays may only be entered manually using the lottery retailer terminal keypad or touch screen, by means of a Playslip approved by the Texas Lottery, or by such other means as approved by the Texas Lottery, including authorized third-party point-of-sale ("POS") systems. Retailers shall not permit the use of Playslips that are not approved by the Texas Lottery. Retailers shall not permit any device to be physically or wirelessly connected to a lottery terminal to enter Plays, except as approved by the Texas Lottery. A ticket generated using a selection method that is not approved by the Texas Lottery is not valid. A selection of numbers for a Play may be made only if the request is made in person. Acceptable methods of Play selection may include:

- (A) using a self-service terminal;
- (B) using a Playslip;
- (C) using a previously-generated "Mega Million" ticket provided by the player;
- (D) requesting a retailer to use a Quick Pick to select numbers;
- (E) requesting a retailer to manually enter numbers; or
- (F) using a QR code generated through a Texas Lottery Mobile Application offered and approved by the Texas Lottery.

(6) Maximum Purchase. The maximum number of consecutive drawings on a single Play purchase is ten (10).

(7) Subscription sales. A subscription sales program may be offered, at the discretion of the executive director.

(d) Mega Millions Prize Pool. The prize pool for all prize categories offered by the Party Lotteries shall consist of up to fifty-five percent (55%) of each Drawing period's sales, inclusive of any specific statutorily-mandated tax of a Party Lottery to be included in the price of a MM Play, and inclusive of contributions to the prize pool accounts and prize reserve accounts, but may be higher or lower based upon the number of winning Plays at each prize level, as well as the funding required to meet a guaranteed Annuity Grand Prize as may be required by subsection (f)(1) of this section.

(1) Mega Millions Prize Pool Accounts and Prize Reserve Accounts. The Product Group shall set the contribution rates to the Prize Pool and Prize Reserve Accounts established by this section.

(A) The following Prize Reserve Account for the Mega Millions game is hereby established: the Prize Reserve Account (PRA) which is used to guarantee the payment of valid, but unanticipated, Grand Prize claims that may result from a system error or other reason, to fund deficiencies in the Set-Aside Pool, and to fund pari-mutuel prize deficiencies as defined and limited in subsections (d)(3)(A) and (k)(9)(B)(i) of this section.

(B) The following Prize Pool Accounts for the Mega Millions game are hereby established:

(i) The Grand Prize Pool (GPP), which is used to fund the current Grand Prize;

(ii) The Set Prize Pool (SPP), which is used to fund the Set Prizes. The SPP shall hold the temporary balances that may result from having fewer than expected winners in the Set Prize (aka low-tier prize) categories. The source of the SPP is the Party Lottery's weekly prize contributions less actual Set Prize liability; and

(iii) The Set-Aside Pool (SAP), which is used to fund the payment of the awarded minimum starting Annuity Grand Prizes and the minimum Annuity Grand Prize increase, if necessary (subject to the limitations in this section or the MUSL MM Rules), as may be set by the Product Group. The source of the SAP funding shall accumulate from the difference between the amount in the Grand Prize Pool at the time of a Grand Prize win and the amount needed to fund Grand Prize payments as determined by the Mega Millions Lotteries.

(C) The above Prize Reserve Account shall have maximum balance amounts or balance limiter triggers that are set by the Product Group and are detailed in the *Comments* to MUSL MM Rule 28. The maximum balance amounts and balance limit triggers are subject to review by the MUSL Board Finance and Audit Committee. The Finance and Audit Committee shall have two weeks to state objections, if any, to the approved maximum balance amounts or balance limiter triggers. Approved maximum balance amounts or balance limiter triggers shall become effective no sooner than two weeks after notice is given to the Finance and Audit Committee and no objection is stated or sooner if the Committee affirmatively approves the maximum balance amounts or balance limiter triggers. The Product Group may appeal the Committee's objections to the full Board. Group approved changes in the maximum balance amounts or balance limiter triggers set by the Product Group shall be effective only after the next Grand Prize win.

(D) The contribution rate to the GPP from MM Plays shall be 37.6509% of sales. An amount up to five percent (5%) of a Party Lottery's sales, including any specific statutorily mandated tax of a Party Lottery to be included in the price of a lottery play, shall be added to a Party Lottery's Mega Millions Prize Pool contribution and placed in trust in one or more prize pool and prize reserve accounts held by the Product Group at any time that the Party Lottery's share of the PRA is below the amounts designated by the Product Group. Details shall be noted in the *Comments* to MUSL MM Rule 28.

(E) The Product Group may determine to expend all or a portion of the funds in the prize pools (except the GPP) and the prize reserve accounts:

(i) for the purpose of indemnifying the Party Lotteries in the payment of prizes to be made by the Selling Lotteries; and

(ii) 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 or that Committee's failure to object after given two weeks' notice of the planned action, which actions may be appealed to the full Board by the Product Group.

(F) The prize reserve 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 sales percentage shares of the Party Lotteries.

(G) A Party Lottery may contribute to its sales percentage share of prize reserve accounts over time, but in the event of a draw down from a reserve account, a Party Lottery is responsible for its full

sales percentage share of the prize reserve account, whether or not it has been paid in full.

(H) Any amount remaining in the Mega Millions prize pool accounts or prize reserve accounts when the Product Group declares the end of the game shall be returned to the lotteries participating in the prize pool and prize reserve accounts after the end of all claim periods of all Selling Lotteries, carried forward to a replacement game, or otherwise expended in a manner at the election of the individual Members of the Product Group in accordance with jurisdiction statute.

(2) Expected Prize Payout Percentages. The Grand Prize payout shall be determined on a pari-mutuel basis. Except as otherwise provided in this section, all other prizes awarded shall be paid as single payment prizes. All prize payouts are made with the following expected prize payout percentages, which does not include an additional amount held in prize reserves, although the prize payout percentages per draw may vary:

Figure: 16 TAC §401.315(d)(2)

(A) The Grand Prize amount shall be divided equally by the number of MM Plays and JJ Plays winning the Grand Prize.

(B) The SPP (for payment of single payment prizes of one million dollars (\$1,000,000.00) or less) 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.

(3) Pari-mutuel Prize Determinations. Except as otherwise provided for in subparagraph (C) of this paragraph below:

(A) If the total of the Mega Millions Set Prizes (as multiplied by the respective Megaplier multiplier, if applicable) awarded in a drawing exceeds the percentage of the prize pool allocated to the Mega Millions Set Prizes, then the amount needed to fund the Mega Millions Set Prizes, including Megaplier prizes, awarded shall be drawn from the following sources, in the following order:

(i) the amount available in the SPP and the Megaplier Prize Pool, if any;

(ii) an amount from the PRA, if available, not to exceed forty million dollars (\$40,000,000.00) per drawing.

(B) If, after these sources are depleted, there are not sufficient funds to pay the Set Prizes, including Megaplier prizes, then the highest Set Prize shall become a pari-mutuel prize. If the amount of the highest Set Prize, including Megaplier prizes, 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. In that instance, the money available from the funding sources listed in this section shall be divided among the winning MM Plays in proportion to their respective prize percentages. Mega Millions and Megaplier prizes will be reduced by the same percentage.

(C) By agreement with the Mega Millions Lotteries, the Mega Millions Lotteries shall independently calculate their set pari-mutuel prize amounts. The Party Lotteries and the Mega Millions Lotteries shall then agree to set the pari-mutuel prize amount for all lotteries selling the game at the lesser of the independently-calculated prize amounts.

(4) Except as may be required by subsection (f)(1) of this section, the official advertised Grand Prize annuity amount is subject to change based on sales forecasts and/or actual sales.

(5) Subject to the laws and rules governing each Party Lottery, the number of prize categories and the allocation of the prize fund among the prize categories may be changed at the discretion of the Mega Millions Lotteries, for promotional purposes. Such change shall be announced by Mega Millions Lotteries.

(c) Probability of Winning Mega Millions Prizes. The following table sets forth the probability of winning and the probable distribution of winning Plays in and among each prize category for MM Plays, based upon the total number of possible combinations in Mega Millions.

Figure: 16 TAC §401.315(e)

(f) Mega Millions Prize Payment.

(1) Mega Millions Grand Prize. The prize money allocated from the current Mega Millions prize pool for the Grand Prize, plus any previous portions of prize money allocated to the Grand Prize category in which no matching MM Plays or JJ Plays were sold will be divided equally among all Grand Prize winning MM Plays and JJ Plays in all Participating Lotteries. The Annuity Grand Prize amount will be paid in thirty (30) graduated annual installments. Grand Prizes won shall be funded by the Selling Lotteries in accordance with the formula set by the Mega Millions Lotteries. The Mega Millions Lotteries may set a minimum guaranteed annuitized Grand Prize amount that shall be advertised by the Selling Lotteries as the starting guaranteed annuitized Grand Prize amount. At the time of ticket purchase, a player must select a payment option of either a single cash value payment or annuitized payments of a share of the Grand Prize if the Play is a winning Play. A player's selection of the payment option at the time of purchase from the Texas Lottery is final and cannot be revoked, withdrawn, or otherwise changed. If no selection is made, payment option will be as described in the chart below:

Figure: 16 TAC §401.315(f)(1)

(2) Mega Millions Prize Rollover. If in any Mega Millions Drawing there are no MM Plays or JJ Plays that qualify for the Grand Prize category, the portion of the prize fund allocated to such Grand Prize category shall remain in the Grand Prize category and be added to the amount allocated for the Grand Prize category in the next consecutive Mega Millions Drawing.

(3) A player(s) who elects a cash value option payment shall be paid his/her share(s) in a single cash payment upon completion of validation procedures determined by the Texas Lottery. The cash value option amount shall be determined by the Mega Millions Lotteries.

(4) All annuitized prizes shall be paid annually in thirty (30) graduated annual installments upon completion of validation procedure determined by the Texas Lottery. The initial payment shall be paid upon completion of the validation procedures and the subsequent twenty-nine (29) payments shall be paid annually to coincide with the winning draw date, and shall escalate by a factor of 5% annually. Prize payments may be rounded down to the nearest one thousand dollars (\$1,000) increment. The annuitized option prize shall be determined by multiplying the winning Play's share of the Grand Prize Pool by the annuity factor established in accordance with Texas law and the rules of the Texas Comptroller of Public Accounts.

(5) If individual shares of the Grand Prize Pool funds held to fund an annuity is less than \$250,000.00, the Product Group, in its sole discretion, may elect to pay the winners their share of the cash held in the Grand Prize Pool.

(6) Funds for the initial payment of an annuitized prize or the lump sum cash value option payment shall be made available by MUSL for payment by the Party Lottery on a schedule approved by the

Product Group. 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 cash value option payment amount may be delayed pending receipt of funds from the Party Lotteries or other lotteries participating in the Mega Millions game. A Party Lottery may elect to make the initial payment from its own funds after validation, with notice to MUSL.

(7) Payment of Prize Payments upon the Death of a Prize Winner. In the event of the death of a prize winner, payments may be made in accordance with §401.310 of this chapter (relating to Payment of Prize Payments Upon Death of Prize Winner), otherwise, payment of prize payments will be made to the estate of a deceased prize winner in accordance with Texas Government Code §466.406.

(8) Prize Payments. All prizes shall be paid through the Selling Lottery that sold the winning Play(s). All low-tier cash prizes (all prizes except the Grand Prize) shall be paid in cash or warrants in accordance with Texas statutes and these rules. A Selling Lottery may begin paying low-tier cash prizes after receiving authorization to pay from the MUSL central office.

(9) Prizes Rounded. 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 payment to the winner or winners. Prizes other than the Grand Prize, which, under this section, may become single-payment, 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.

(10) Limited to Highest Prize Won. The holder of a winning MM Play may win only one (1) prize per Play in connection with the Winning Numbers drawn, and shall be entitled only to the prize won by those numbers in the highest matching prize category. A JJ Play is not eligible to win non-Grand Prize category prizes. All liabilities for a Mega Millions prize are discharged upon payment of a prize claim.

(11) Claim Period. Prizes must be claimed no later than 180 days after the draw date, or in accordance with Texas Government Code §466.408(c).

(g) Ticket Validation.

(1) To be a valid Play and eligible to receive a prize, a Play's ticket shall satisfy all the requirements established by the Texas Lottery for validation of winning Plays sold through the computer gaming system, as well as any other validation requirements adopted by the Product Group, the MUSL Board and published as the Confidential MUSL Minimum Game Security Standards. The MUSL and the Party Lotteries shall not be responsible for Plays or tickets that are altered in any manner.

(2) Under no circumstances will a claim for any prize be paid without an official Mega Millions ticket issued as authorized by the Texas Lottery and matching all game Play, serial number and other validation data residing in the Texas Lottery's computer gaming system and such ticket shall be the only valid proof of the wager placed and the only valid receipt for claiming or redeeming such prize.

(3) In addition to the above, in order to be deemed a valid, winning Mega Millions Play, all of the following conditions must be met:

(A) The validation data must be present in its entirety and must correspond, using the computer validation file, to the number selections printed on the ticket for the drawing date(s) printed on the ticket;

(B) The ticket must be intact;

(C) The ticket must not be mutilated, altered, reconstituted, or tampered with in any manner;

(D) The ticket must not be counterfeit or an exact duplicate of another winning ticket;

(E) The ticket must have been issued by an authorized Texas Lottery sales agent, on official Texas Lottery paper stock or on plain paper stock for tickets generated via third-party POS systems as approved by the Texas Lottery;

(F) The ticket must not have been stolen, to the knowledge of the Texas Lottery;

(G) The ticket must be submitted for payment in accordance with the prize claim procedures of the Texas Lottery as set out in §401.304 of this subchapter and any internal procedures used by the Texas Lottery;

(H) The Play data on the ticket must have been recorded on the computer gaming system prior to the drawing and the Play data must match this computer record in every respect. In the event of a contradiction between information as printed on the ticket and as accepted by the Texas Lottery's computer gaming system, the wager accepted by the Texas Lottery's computer gaming system shall be the valid wager;

(I) The player or Quick Pick number selections, validation data and the drawing date(s) of an apparent winning Play must appear on the official file of winning Plays, and a Play with that exact data must not have been previously paid;

(J) The Play must not be misregistered, and the Play's ticket must not be defectively printed or printed or produced in error to an extent that it cannot be processed by the Texas Lottery;

(K) The ticket must pass confidential validation tests in accordance with the MUSL MM Rules. In addition, the ticket must pass all other confidential security checks of the Texas Lottery;

(L) In submitting a ticket for validation, the claimant agrees to abide by applicable laws, all rules and regulations, instructions, conditions and final decisions of the executive director of the Texas Lottery;

(M) There must not be any other breach of the MUSL MM Rules, or this subchapter, in relation to the Play, which, in the sole and final opinion of the executive director of the Texas Lottery, justifies invalidation.

(N) The Ticket must be submitted to the Texas Lottery, or the Selling Lottery that issued it.

(4) A Play submitted for validation that fails any of the preceding validation conditions shall be considered void, subject to the following determinations:

(A) In all cases of doubt, the determination of the Texas Lottery shall be final and binding; however, the Texas Lottery may, at its option, replace an invalid Play with a Mega Millions Play of equivalent sales price;

(B) In the event a defective ticket is purchased or in the event the Texas Lottery determines to adjust an error, the claimant's sole and exclusive remedy shall be the replacement of such defective or erroneous ticket(s) with a Mega Millions Play of equivalent sales price;

(C) In the event a Mega Millions Play is not paid by the Texas Lottery and a dispute occurs as to whether the Play is a winning Play, the Texas Lottery may, at its option, replace the Play as provided

in subparagraph (A) of this paragraph. This shall be the sole and exclusive remedy of the claimant.

(h) Ticket Responsibility.

(1) Prize Claims. Prize claim procedures shall be governed by the rules of the Texas Lottery. The MUSL and the Selling Lotteries shall not be responsible for prizes that are not claimed following the proper procedures as determined by the Texas Lottery.

(2) Stolen Plays. The Product Group, the MUSL, the Party Lotteries and the Texas Lottery shall not be responsible for lost or stolen Plays.

(3) The Party Lotteries shall not be responsible to a prize claimant for Mega Millions Plays redeemed in error by a Texas Lottery sales agent.

(4) Winning Plays are determined by the numbers drawn and certified by the independent auditor responsible for auditing the Mega Millions draw. MUSL, the Party Lotteries and the Texas Lottery are not responsible for Mega Millions winning numbers reported in error.

(i) Ineligible Players.

(1) A Play, or share of a Play, for a MUSL game issued by the MUSL or any of its Party Lotteries shall not be purchased by, and a prize won by any such Play, or share of a Play, shall not be paid to:

(A) a MUSL employee, officer, or director;

(B) a contractor or consultant under agreement with the MUSL to review the MUSL audit and security procedures;

(C) an employee of an independent accounting firm under contract with MUSL to observe drawings or site operations and actually assigned to the MUSL account and all partners, shareholders, or owners in the local office of the firm; or

(D) an immediate family member (parent, stepparent, child, stepchild, spouse, or sibling) of an individual described in subsections (a), (b), and (c) of this section and residing in the same household.

(2) Those persons designated by the State Lottery Act, Texas Government Code, Chapter 466, as ineligible to play its games shall also be ineligible to play any MUSL lottery game sold in the state of Texas.

(3) A Play, or share of a Play, of the Mega Millions game may not be purchased in any lottery jurisdiction by any Party Lottery board member; commissioner; officer; employee; or spouse, child brother, sister or parent residing as a member of the same household in the principle place of residence of any such person. Prizes shall not be paid to any persons prohibited from playing Mega Millions in a particular jurisdiction by rules, governing law, or any contract executed by the Selling Lottery.

(j) Applicable Law.

(1) In purchasing a Play, or attempting to claim a prize, purchasers and prize claimants agree to comply with and abide by all applicable laws, rules, regulations, procedures, and decisions of the Texas Lottery and by directives and determinations of the executive director of the Texas Lottery. Additionally, the player shall be bound to all applicable provisions in the MUSL MM Rules.

(2) A prize claimant agrees, as its sole and exclusive remedy, that claims arising out of a Play can only be pursued against the Party Lottery which issued the Play. Litigation, if any, shall only be maintained within the jurisdiction in which the Play was purchased and

only against the Party Lottery that issued the Play. No claim shall be made against any other Party Lottery or against the MUSL.

(3) Nothing in this section or the MUSL MM Rules shall be construed as a waiver of any defense or claim the Texas Lottery, which issued the Play, any other Party Lottery, or MUSL may have in any litigation, including in the event a player or prize claimant pursues litigation against a Party Lottery or MUSL, or their respective officers, directors or employees.

(4) All decisions made by the Texas Lottery, including the declaration of prizes and the payment thereof and the interpretation of MUSL MM 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 Play was issued.

(5) Unless the laws, rules, regulations, procedures, and decisions of the Texas Lottery, which issued the Play, provide otherwise, no prize shall be paid upon a Play purchased, claimed or sold in violation of this section, the MUSL MM Rules, or the laws, rules, regulations, procedures, and decisions of the Texas Lottery; any such prize claimed but unpaid shall constitute an unclaimed prize under this section and the laws, rules, regulations, procedures, and decisions of the Texas Lottery.

(k) Mega Millions Megaplier Promotion

(1) Promotion Description. The Mega Millions Megaplier Promotion is a limited extension of the Mega Millions game and is conducted in accordance with the MUSL MM Rules and other lottery rules applicable to the Mega Millions game except as may be amended herein. The Promotion will begin at a time announced by the Texas Lottery and will continue until discontinued by the Texas Lottery. The Promotion will offer to the owners of a qualifying Megaplier Play a chance to multiply or increase the amount of any of the Set Prizes (the prizes normally paying two dollars (\$2.00) to one million dollars (\$1,000,000.00) won in a Drawing held during the Promotion. The Grand Prize is not a Set Prize and will not be multiplied or increased by means of the Megaplier Promotion or the Just the Jackpot Promotion.

(2) Qualifying Megaplier Play. A qualifying Megaplier Play is any single Mega Millions Play for which the player pays an extra one dollar (\$1.00) for the Megaplier option and that is recorded at on the Texas Lottery's computer gaming system as a qualifying Megaplier Play. Just the Jackpot Plays do not qualify to purchase a Megaplier Play.

(3) Prizes To Be Multiplied Or Increased. A qualifying Megaplier Play that wins one of the Set Prizes will be multiplied by the number selected, either two, three, four, or five (2, 3, 4, or 5), in a separate random Megaplier Drawing announced in a manner approved by the Product Group.

(4) Megaplier Draws. MUSL will either itself conduct, or authorize a U.S. Lottery to conduct on its behalf, a separate random "Megaplier" Drawing. Before each Mega Millions Drawing a single number (2, 3, 4 or 5) shall be drawn. The Product Group may change one or more of the multiplier features for special promotions from time to time. In the event the Megaplier Drawing does not occur prior to the Mega Millions Drawing, the multiplier number will be a 5 (five), which shall solely be determined by the lottery authorized to conduct the "Megaplier" Drawing.

(5) Megaplier Prize Pool.

(A) The Megaplier Prize Pool (MPP) is hereby created, and shall be used to fund Megaplier prizes. The MPP shall hold the temporary balances that may result from having fewer than expected

winning Megaplier Plays. The source of the MPP is the Party Lottery's weekly prize contributions less actual Megaplier Prize liability.

(B) Up to fifty-five percent (55%) of each Drawing period's sales, as determined by the Product Group, including any specific statutorily-mandated tax of a Party Lottery to be included in the price of a lottery ticket, shall be collected for the payment of Megaplier prizes.

(C) Prize payout percentages per draw may vary. The MPP shall be carried forward to subsequent draws if all or a portion of it is not needed to pay the Megaplier prizes awarded in the current draw and held in the MPP.

(6) End of Game. Any amount remaining in the MPP when the Product Group declares the end of this game shall be returned to the lotteries participating in the account after the end of all claim periods of all Selling Lotteries, carried forward to a replacement game or otherwise expended in a manner at the election of the individual Members of the Product Group in accordance with jurisdiction law.

(7) Expected Prize Payout. Except as provided in this section, all prizes awarded shall be paid as single payment Set Prizes. Instead of the Mega Millions Set Prize amounts, qualifying Megaplier Plays will pay the amounts shown below when matched with the Megaplier number drawn. In certain rare instances, the Mega Millions Set Prize amount may be less than the amount shown. In such case, the Megaplier prizes will be a multiple of the changed Mega Millions prize amount announced after the draw. For example, if the Match 4+1 Mega Millions set prize amount of ten thousand dollars (\$10,000.00) becomes two thousand dollars (\$2,000.00) under the rules of the Mega Millions game, then a Megaplier player winning that prize amount with a 4X multiplier would win eight thousand dollars (\$8,000): two thousand dollars multiplied by four (\$2,000.00 x 4).
Figure: 16 TAC §401.315(k)(7)

(8) Probability of Winning. The following table sets forth the probability of the various Megaplier numbers being drawn during a single Mega Millions Drawing. The Product Group may elect to run limited promotions that may modify the multiplier features.
Figure: 16 TAC §401.315(k)(8)

(9) Limitation on Payment of Megaplier Prizes.

(A) Prize Pool Carried Forward. The prize pool percentage allocated to the Megaplier Set Prizes 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 or may be held in a prize reserve account.

(B) Pari-Mutuel Prizes--All Prize Amounts. Except as otherwise provided for in subparagraph C of this paragraph below:

(i) If the total of the original Mega Millions Set Prizes and the Megaplier prize amounts awarded in a drawing exceeds the percentage of the prize pools allocated to the set prizes, then the amount needed to fund the Set Prizes (including the Megaplier prize amounts) awarded shall be drawn from the following sources, in the following order:

(I) the amount available in the SPP and the MPP,
if any;

(II) an amount from the PRA, if available in the account, not to exceed forty million dollars (\$40,000,000.00) per drawing.

(ii) If, after these sources are depleted, there are not sufficient funds to pay the Set Prizes awarded (including Megaplier prize amounts), then the highest Set Prize (including the Megaplier prize amounts) 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 (including the Megaplier prize amount) shall become a pari-mutuel prize. This procedure shall continue down through all Set Prizes levels, if necessary, until all Set Prize levels become pari-mutuel prize levels. In that instance, the money available from the funding sources listed in this section shall be divided among the winning MM Plays in proportion to their respective prize percentages. Mega Millions and Megaplier prizes will be reduced by the same percentage.

(C) By agreement with the Mega Millions Lotteries, the Mega Millions Lotteries shall independently calculate their set pari-mutuel prize amounts, including the Megaplier prize amounts. The Party Lotteries and the Mega Millions Lotteries shall then agree to set the pari-mutuel prize amounts for all lotteries selling the game at the lesser of the independently-calculated prize amounts.

(10) Prize Payment. All Megaplier prizes shall be paid in one single payment through the Party Lottery that sold the winning Megaplier Play(s). A Party Lottery may begin paying Megaplier prizes after receiving authorization to pay from the MUSL central office. Prizes that, under this section, may become pari-mutuel prizes, may be rounded down so that prizes can be paid in whole dollars. Breakage resulting from rounding these prizes shall be carried forward to the MPP for the next drawing.

(I) Just the Jackpot™ Promotion.

(1) Promotion Description. The Mega Millions Just the Jackpot Promotion is a limited extension of the Mega Millions game and is conducted in accordance with the MUSL MM Rules and other lottery rules applicable to the Mega Millions game except as may be amended herein, and any other lottery rules applicable to this Promotion. All rules applicable to the Mega Millions game in subsections (a) through (j) of this section are applicable to the Just the Jackpot Promotion unless otherwise indicated. The Promotion will begin at a time announced by the Texas Lottery and will continue until discontinued by the Texas Lottery. The Promotion will offer to players a chance to purchase a Just the Jackpot Play ("JJ Play") which will qualify a player for two (2) chances (each a "Play") to win the Grand Prize, and no other prize levels. If the player matches any non-Grand Prize (any prize level other than the Grand Prize) numbers with his or her JJ Play(s), the player who purchased the JJ Play is not eligible to win or claim the non-Grand Prizes in the Just the Jackpot Promotion.

(2) Winning JJ Plays will be paid the Mega Millions Grand Prize, at the election of the player made in accordance with subsection (f) of this section or by a default election made in accordance with this section, either on a graduated annuitized annual pari-mutuel basis or as a cash value option using a rate determined in accordance with subsection (f)(4) of this section. All provisions in subsections (a) through (j) of this section regarding payment of the Mega Millions Grand Prize are applicable to winning JJ Play(s). The Grand Prize amount shall be divided equally by the number of MM Plays and JJ Plays winning the Grand Prize.

(3) Just the Jackpot shall use the Mega Millions winning numbers. Mega Millions winning numbers applicable to determine Just the Jackpot prizes will be determined on the day(s), time(s) and location(s) as determined by the Mega Millions Lotteries.

(4) To play Just the Jackpot, a player shall select (or request a Quick Pick) two (2) sets of five (5) different numbers, from one (1) through seventy (70) and one (1) additional number from one (1) through twenty-five (25). The additional number may be the same as one of the first five numbers selected by the player. Each set of numbers shall constitute a single lettered selection, or single "Play" as that

term is defined in subsection (b)(11) of this section. The two (2) Plays for each three dollar (\$3.00) JJ Plays purchase shall be for the same drawing, although the Texas Lottery may sell multi-draw JJ Plays as well.

(5) The purchase price of a single JJ Play shall be three dollars (US \$3.00) for two (2) single lettered selection of Plays, including any specific statutorily-mandated tax of a Party Lottery to be included in the price of a lottery JJ Play. JJ Plays must be printed on separate tickets from MM Plays and must clearly indicate the Plays are for the Just the Jackpot Promotion. Each JJ Play is played separately in determining matches to winning numbers and prize amounts. JJ Plays may be purchased from any authorized Texas Lottery sales agent in a manner as approved by the Texas Lottery and in accordance with this section and the MUSL rules. The winning numbers for the JJ Plays will be the winning numbers drawn in the applicable Mega Millions Drawing. The Grand Prize will not be multiplied or increased by means of the Megaplier Promotion.

(6) Just the Jackpot Prize Pool Contributions.

(A) Mega Millions Prize Pool. The prize pool for JJ Plays shall consist of up to fifty-five percent (55%) of each Drawing period's sales, inclusive of any specific statutorily-mandated tax of a Party Lottery to be included in the price of a lottery's JJ Play, and inclusive of contributions to the prize pool accounts and prize reserve accounts, but may be higher or lower based the funding required to meet a guaranteed Annuity Grand Prize as may be required by the MUSL MM Rules.

(B) Mega Millions Prize Pool Account and Prize Reserve Account contributions. The Product Group shall set the contribution rates to the Just the Jackpot prize pool and prize reserve accounts established by this section.

(i) The contribution rate for JJ Plays to the GPP shall be 50.2012% of sales. An amount up to five percent (5%) of a Party Lottery's JJ Play sales, including any specific statutorily mandated tax of a Party Lottery to be included in the price of a lottery's JJ Play, shall be added to a Party Lottery's Just the Jackpot Prize Pool contribution and placed in trust in one or more prize pool and prize reserve accounts held by the Product Group at any time that the Party Lottery's share of the PRA is below the amounts designated by the Product Group. Details shall be noted in the *Comments* to the MUSL MM Rule JJ5.2.

(ii) All provisions regarding the Grand Prize Pool and Prize Reserve Account as described herein are applicable to JJ Play contributions to the Grand Prize Pool and Prize Reserve Account.

(7) Expected Prize Payout Percentage. The Mega Millions Grand Prize payout shall be determined on a pari-mutuel basis. The Grand Prize amount shall be divided equally by the number of MM Plays and JJ Plays winning the Mega Millions Grand Prize. All prize payouts are made with the following expected prize payout percentages, which does not include any additional amount held in prize reserves:

Figure: 16 TAC §401.315(l)(7)

The agency certifies that legal counsel has reviewed the proposal and found it to be within the state agency's legal authority to adopt.

Filed with the Office of the Secretary of State on June 2, 2017.

TRD-201702165

Bob Biard
General Counsel
Texas Lottery Commission

Earliest possible date of adoption: July 16, 2017

For further information, please call: (512) 344-5012

◆ ◆ ◆
SUBCHAPTER E. RETAILER RULES

16 TAC §401.371

The Texas Lottery Commission (Commission) proposes amendments to 16 TAC §401.371 (Collection of Delinquent Obligations for Lottery Retailer Related Accounts). The purpose of the proposed amendments is to update the existing procedure regarding mailing demand letters and to update the referenced citation to the Texas Comptroller of Public Accounts' Accounting Policy Statement 28.

Kathy Pyka, Controller, has determined that for each year of the first five years the amendments will be in effect, there will be no significant fiscal impact for state or local governments as a result of the proposed amendments. There will be no adverse effect on small businesses, micro businesses, or local or state employment. There will be no additional economic cost to persons required to comply with the amendments, as proposed. Furthermore, an Economic Impact Statement and Regulatory Flexibility Analysis is not required because the amendments will not have an economic effect on small businesses as defined in Texas Government Code §2006.001(2).

Michael Anger, Director of Lottery Operations, has determined that for each year of the first five years the proposed amendments will be in effect, the public benefits are anticipated to be that the Commission's procedural rule for debt collection of retailer delinquent accounts will accurately reflect the mailing requirements of demand letters and update the referenced citation for the Texas Comptroller of Public Accounts Policy Statement 28, "Reporting of State Debts and Hold Offset Procedures."

The Commission requests comments on the proposed amendments from any interested person. Comments on the proposed amendments may be submitted to Deanne Rienstra, Assistant General Counsel, by mail, at Texas Lottery Commission, P.O. Box 16630, Austin, Texas 78761-6630; by facsimile at (512) 344-5189; or by email at legal.input@lottery.state.tx.us. Comments must be received within 30 days after publication of this proposal in order to be considered.

These amendments are proposed under Texas Government Code §466.015, which authorizes the Commission to adopt rules governing the operation of the lottery and §467.102, which authorizes the Commission to adopt rules for the enforcement and administration of the laws under the Commission's jurisdiction.

This proposal is intended to implement Texas Government Code, Chapter 466.

§401.371. *Collection of Delinquent Obligations for Lottery Retailer Related Accounts.*

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Debtor--Any person or entity liable or potentially liable for an obligation owed to the commission or against whom a claim

TABLES & GRAPHICS

Graphic images included in rules are published separately in this tables and graphics section. Graphic images are arranged in this section in the following order: Title Number, Part Number, Chapter Number and Section Number.

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Figure: 16 TAC §401.315(d)(2)

Number of Matches Per MM Play	Prize Payment	MM Prize Pool Percentage Allocated to Prize
All five (5) of first set plus one (1) of second set.	Grand Prize	75.3018%*
All five (5) of first set and none of second set.	\$1,000,000	7.9319%
Any four (4) of first set plus one (1) of second set.	\$10,000	1.0742%
Any four (4) of first set and none of second set.	\$500.00	1.2889%
Any three (3) of first set plus one (1) of second set.	\$200.00	1.3749%
Any three (3) of first set and none of second set.	\$10.00	1.6498%
Any two (2) of first set plus one (1) of second set.	\$10.00	1.4436%
Any one (1) of first set plus one (1) of second set.	\$4.00	4.4752%
None of first set plus one (1) of second set.	\$2.00	5.4597%
<i>*MM Prize Pool percentage allocated to the Grand Prize shall be combined with JJ Prize Pool percentage allocated to the Grand Prize.</i>		

Figure: 16 TAC §401.315(e)

Number of Matches Per MM Play	Probability Distribution		Probable/Set Prize Amount
	Winners	Probability	
All five (5) of first set plus one (1) of second set	1	1:302,575,350	Grand Prize
All five (5) of first set and none of second set	24	1:12,607,306	\$1,000,000.00
Any four (4) of first set plus one (1) of second set	325	1:931,001	\$10,000.00
Any four (4) of first set and none of second set	7,800	1:38,792	\$500.00
Any three (3) of first set plus one (1) of second set	20,800	1:14,547	\$200.00
Any three (3) of first set and none of second set	499,200	1:606	\$10.00
Any two (2) of the first set plus one (1) of second set	436,800	1:693	\$10.00
Any one (1) of the first set plus one (1) of the second set	3,385,200	1:89	\$4.00
None of the first set plus one (1) of second set	8,259,888	1:37	\$2.00
Overall	12,610,038	1:24.0	

Figure: 16 TAC §401.315(f)(1)

Terminal Type	Manual Entry	Playslip with No Payment Option Selected
GT1200 (Retailer Terminal)	Default to CVO; retailer toggles to choose Annuity	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
GT1200C (Retailer Terminal)	Default to CVO; retailer toggles to choose Annuity.	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
Gemini (Self-service Terminal)	CVO only - designated on on- line game Quick Pick buttons.	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
Third-party POS systems	CVO only – Quick Pick selections through authorized third-party POS systems.	N/A

Figure 16 TAC §401.315(k)(7)

Prize Levels	With Megaplier Purchase and Multiplier:				
	Standard	2x	3X	4X	5X
Match 5+0	\$1,000,000.00	\$2,000,000.00	\$3,000,000.00	\$4,000,000.00	\$5,000,000.00
Match 4+1	\$10,000.00	\$20,000.00	\$30,000.00	\$40,000.00	\$50,000.00
Match 4+0	\$500.00	\$1,000.00	\$1,500.00	\$2,000.00	\$2,500.00
Match 3+1	\$200.00	\$400.00	\$600.00	\$800.00	\$1,000.00
Match 3+0	\$10.00	\$20.00	\$30.00	\$40.00	\$50.00
Match 2+1	\$10.00	\$20.00	\$30.00	\$40.00	\$50.00
Match 1+1	\$4.00	\$8.00	\$12.00	\$16.00	\$20.00
Match 0+1	\$2.00	\$4.00	\$6.00	\$8.00	\$10.00

Multiplier numbers do not apply to the Mega Millions Grand Prize or Just the Jackpot Plays.

Figure: 16 TAC §401.315(k)(8)

Megaplier	Probability of Prize Increase
5X - Prize Won Times 5	1 in 15
4X - Prize Won Times 4	3 in 15
3X - Prize Won Times 3	6 in 15
2X - Prize Won Times 2	5 in 15

Multiplier numbers do not apply to the Mega Millions Grand Prize or Just the Jackpot Plays.

Figure: 16 TAC §401.315(l)(7)

Number of Matches Per JJ Play	Prize Payment	JJ Prize Pool Percentage Allocated to Prize
All five (5) of first set plus one (1) of second set.	Grand Prize	100%*
All other matching combinations/prize tiers	No Prize	0%

** JJ Prize Pool percentage allocated to the Grand Prize shall be combined with MM Prize Pool percentage allocated to the Grand Prize.*

TABLES & GRAPHICS

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Figure: 16 TAC §401.315(e)

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Figure 16 TAC §401.315(k)(7)

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Match 4+1	\$10,000.00	\$20,000.00	\$30,000.00	\$40,000.00	\$50,000.00
Match 4+0	\$500.00	\$1,000.00	\$1,500.00	\$2,000.00	\$2,500.00
Match 3+1	\$200.00	\$400.00	\$600.00	\$800.00	\$1,000.00
Match 3+0	\$10.00	\$20.00	\$30.00	\$40.00	\$50.00
Match 2+1	\$10.00	\$20.00	\$30.00	\$40.00	\$50.00
Match 1+1	\$4.00	\$8.00	\$12.00	\$16.00	\$20.00
Match 0+1	\$2.00	\$4.00	\$6.00	\$8.00	\$10.00

Multiplier numbers do not apply to the Mega Millions Grand Prize or Just the Jackpot Plays.

Figure: 16 TAC §401.315(k)(8)

Megaplier	Probability of Prize Increase
5X - Prize Won Times 5	1 in 15
4X - Prize Won Times 4	3 in 15
3X - Prize Won Times 3	6 in 15
2X - Prize Won Times 2	5 in 15

Multiplier numbers do not apply to the Mega Millions Grand Prize or Just the Jackpot Plays.

Figure: 16 TAC §401.315(l)(7)

Number of Matches Per JJ Play	Prize Payment	JJ Prize Pool Percentage Allocated to Prize
All five (5) of first set plus one (1) of second set.	Grand Prize	100%*
All other matching combinations/prize tiers	No Prize	0%

** JJ Prize Pool percentage allocated to the Grand Prize shall be combined with MM Prize Pool percentage allocated to the Grand Prize.*

Figure: 34 TAC §53.3(e)

Asset Class	Maximum Annual Product Administration Fee	Maximum Annual Expense Ratio	Maximum Annual Asset-Based Fee
Money Market	1.25%	0.15%	1.40%
Diversified Bond	1.25%	0.50%	1.75%
Balanced	1.25%	0.50%	1.75%
Large Cap U.S. Equity	1.25%	0.50%	1.75%
Small/Mid Cap U.S. Equity	1.25%	0.70%	1.95%
International Equity	1.25%	0.80%	2.05%
Global Equity	1.25%	0.80%	2.05%