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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Texas Lottery Commission
Austin, Texas

We have performed the procedures enumerated below, which were agreed to by the Texas Lottery Commission (the "Commission"), solely to assist you with respect to procedures surrounding Mega Millions accounting and reporting by the Commission. The Commission's management is responsible for the Commission's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Commission and Mega Millions member lotteries, who are the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- A. Obtain from the Texas Lottery Commission the "Texas Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2006 through March 31, 2007 and attach those as Exhibits I and II, respectively. Prove the mathematical accuracy of the schedules and note any exceptions.
 1. **Finding** – No exceptions were noted although the reports attached as Exhibits I and II detail the activity beginning April 4, 2006 through March 31, 2007, since April 4, 2006 was the first draw date of the period.

- B. Randomly select five (5) draw dates from the period (as agreed to by member lotteries).
 1. **Finding** – The following dates were selected for testing:
 - May 19, 2006
 - June 27, 2006
 - August 1, 2006
 - November 17, 2006
 - February 6, 2007

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C. For each draw date selected in step “B” above, compare the total amount of sales as shown on the daily sales report produced by Texas Lottery Commission’s gaming system and the total amount of sales shown on the related daily sales report produced by Internal Control System (“ICS”), with the balance listed in the “sales” column for the respective draw date on the “Texas Draw Activity” report attached as Exhibit I and ensure they are in agreement.

1. **Finding** – No exceptions were noted.

D. Calculate the total dollar amount of the fixed prizes for the draw dates selected in step “B” above, based on the total number of winners from the Texas Lottery Commission’s gaming system for each prize level and the prize structure of the Mega Millions’ fixed prizes (as defined in the official game rules). Compare the calculated expense with the amount listed in the “Actual Fixed Prizes” column for the respective draw date on the “Texas Draw Activity” report attached as Exhibit I and ensure they are in agreement.

1. **Finding** – No exceptions were noted.

E. For each draw date selected in step “B” above, compare the amount of sales, actual fixed prizes, and share of fixed prizes shown on the “Texas Draw Activity” report attached as Exhibit I to the amounts shown on the applicable Mega Millions Prize Settlement Reports and ensure they are in agreement.

1. **Finding** – No exceptions were noted.

F. For the period identified, randomly select two months and obtain the “Expired Prize Settlement Report” distributed by the Virginia Lottery. For the two months selected, obtain from the Texas Lottery Commission ICS the actual fixed prizes awarded and the prizes unclaimed. Compare the ICS data back to the data reported from the Virginia Lottery for each draw of the subject months to ensure they are in agreement.

1. **Finding** – April 2006 and January 2007 Expired Prize Settlement reports were selected for examination and no exceptions were noted.

G. Compare the amounts shown as the total of the actual fixed prizes and the total of the share of fixed prizes on the “Texas Draw Activity” report attached as Exhibit I to the applicable amounts shown on the “Fixed Prize Analysis” report attached as Exhibit II and ensure they are in agreement.

1. **Finding** – No exceptions were noted.

H. For the amount (if any) listed in the “Cost of the Jackpot Prizes” column of the “Texas Draw Activity” report attached as Exhibit I, obtain and compare the “cost of the jackpot prize” amount to the Texas Lottery Commission’s cash disbursement subsidiary records which summarize the funds disbursed to the prize winner and/or the broker from which the jackpot annuities were purchased and verify agreement.

1. **Finding** – The amounts listed in the “Cash Options Amount” column in the “Texas Draw Activity” report were agreed to the Texas Lottery Commission’s cash disbursement subsidiary records. The actual payments to the prize winners were less than the amounts listed in the “Texas Draw Activity” report due to federal income tax withholdings.

- I. For each purchase (if any) of investments associated with the jackpot prizes:
- i. Review broker confirmations to verify that investments are funded in accordance with allowed investment vehicles per the multi-state rules, regulations or procedures.
 - ii. Obtain the bid sheets and supporting documentation and verify the investments were purchased through a competitive bidding process involving a minimum of three brokerage firms.
1. **Finding** – Since the Texas jackpot prize winners elected cash option payments, steps I(i) and I(ii) are not applicable.
- J. Obtain the Security Purchase report which lists the results of the security purchase and verify that the information reported to the group is accurate, including the annuity factor for the non-winning bidders.
1. **Finding** – Since the Texas jackpot prize winners elected cash option payments, step J is not applicable.
- K. Compare the total of the period transfers from the Texas Lottery Commission to the Virginia Lottery for settlement of the fixed prize liability as shown in the Texas Lottery Commission’s cash disbursement subsidiary records to the amount listed in the “Qtrly/Yrly Settlements Transfers In (Out)” column on the “Fixed Prize Analysis” report attached as Exhibit II and ensure they are in agreement.
1. **Finding** – No exceptions were noted.
- L. Compare the balance listed as the Texas Lottery Commission’s receivable as of March 31, 2007 for the fixed prizes as shown on the “Fixed Prize Analysis” report attached as Exhibit II to the Texas Lottery Commission’s financial accounting records and to the Mega Millions Prize Settlement Report as of March 31, 2007 and ensure they are in agreement.
1. **Finding** – While performing step L, it was noted that the Texas Lottery Commission’s financial accounting records did not agree to the receivable balance as shown on the “Fixed Prize Analysis” report and to the Mega Millions Prize Settlement Report as of March 31, 2007. The financial accounting records were understated by a total of \$607,628. However, this difference equaled an adjustment for the March 30, 2007 draw activity that was posted to the financial accounting records on April 2, 2007, which subsequently brought the receivable balance into agreement with the “Fixed Prize Analysis” report and the Mega Millions Prize Settlement Report as of March 31, 2007.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used by those who did not agree to the procedures and take responsibility for the sufficiency of the procedures for their purpose.

Maxwell Locke + Ritter LLP

November 30, 2007

EXHIBIT I

MS400L
MS400PF1
FIN76/VLTPRD

MEGA MILLIONS
Texas Draw Activity
From 04/04/2006 To 03/31/2007

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	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
	4/04/2006	2,345,058	281,399	366,102		
	4/07/2006	2,605,003	494,789	426,622		
	4/11/2006	2,805,932	298,936	506,714		
	4/14/2006	3,517,266	496,898	766,343		
OH	4/18/2006	4,006,995	979,259	812,472		
	4/21/2006	1,307,517	451,308	362,257		
	4/25/2006	1,144,684	128,962	170,310		
	4/28/2006	1,285,097	170,957	208,769		
	5/02/2006	1,266,224	461,816	471,134		
	5/05/2006	1,458,193	143,382	235,869		
	5/09/2006	1,438,177	167,391	230,391		
	5/12/2006	1,611,260	398,046	308,410		
TX	5/16/2006	1,672,999	177,229	323,143		53,131,991.00
	5/19/2006	1,169,577	112,686	211,868		
	5/23/2006	1,076,513	102,451	153,640		
	5/26/2006	1,203,784	128,916	200,348		
	5/30/2006	1,086,845	111,067	210,251		
NJ	6/02/2006	1,346,431	418,466	193,411		
	6/06/2006	1,046,968	361,762	221,600		
	6/09/2006	1,096,080	124,329	154,368		
	6/13/2006	1,062,452	111,346	159,261		
CA	6/16/2006	1,201,539	149,177	185,865		
	6/20/2006	947,860	110,627	122,455		
	6/23/2006	1,029,716	123,088	145,102		
OH	6/27/2006	1,000,442	130,036	154,276		
	6/30/2006	1,022,936	101,455	133,847		
	7/04/2006	848,383	329,051	164,318		
	7/07/2006	1,109,742	115,602	115,027		
	7/11/2006	1,067,081	104,677	181,399		
	7/14/2006	1,220,675	123,517	149,429		
MD	7/18/2006	1,180,432	121,789	211,571		
	7/21/2006	1,024,616	113,146	200,501		
	7/25/2006	953,563	115,327	154,541		
	7/28/2006	1,085,241	380,340	242,549		
NY	8/01/2006	1,076,045	138,581	140,241		
	8/04/2006	1,015,860	115,007	128,318		
	8/08/2006	936,162	113,517	150,769		
	8/11/2006	1,065,258	113,354	204,034		
	8/15/2006	1,052,992	122,439	165,551		
	8/18/2006	1,196,255	677,029	252,576		
	8/22/2006	1,167,089	175,068	249,419		
	8/25/2006	1,368,584	134,305	206,734		
	8/29/2006	1,371,933	161,084	155,871		
	9/01/2006	1,649,288	205,749	246,750		
	9/05/2006	1,648,064	423,886	299,871		
	9/08/2006	2,233,148	492,172	400,459		
	9/12/2006	2,438,014	278,534	395,967		
GA	9/15/2006	3,127,746	566,542	481,631		
NY	9/19/2006	1,060,976	99,970	126,469		
	9/22/2006	1,069,423	137,206	142,631		
NJ	9/26/2006	988,456	94,425	198,280		
	9/29/2006	1,076,805	99,740	171,986		

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MEGA MILLIONS
 Texas Draw Activity
 From 04/04/2006 To 03/31/2007

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	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
	10/03/2006	1,016,031	110,331	196,476		
	10/06/2006	1,176,467	144,660	248,171		
	10/10/2006	1,130,095	108,533	144,625		
	10/13/2006	1,347,038	155,039	241,503		
WA	10/17/2006	1,268,693	127,585	264,307		
	10/20/2006	1,083,028	120,621	166,652		
	10/24/2006	979,646	102,711	147,237		
	10/27/2006	1,112,240	133,500	157,118		
	10/31/2006	1,103,561	118,664	227,417		
	11/03/2006	1,307,274	178,731	290,706		
	11/07/2006	1,313,510	136,217	202,213		
	11/10/2006	1,454,915	165,648	214,009		
MI	11/14/2006	1,514,590	164,205	286,152		
	11/17/2006	1,096,577	136,843	172,817		
	11/21/2006	1,005,518	387,621	146,830		
	11/24/2006	1,053,118	120,060	152,325		
	11/28/2006	1,122,486	146,101	196,433		
OH	12/01/2006	1,250,785	617,402	215,973		
	12/05/2006	976,971	109,322	153,226		
	12/08/2006	1,045,188	105,365	172,649		
	12/12/2006	1,031,569	119,213	157,549		
	12/15/2006	1,187,873	177,608	231,679		
	12/19/2006	1,195,637	129,762	164,991		
	12/22/2006	1,426,545	414,871	288,468		
	12/26/2006	1,256,705	151,842	203,155		
	12/29/2006	1,665,857	184,299	277,744		
	1/02/2007	1,610,334	176,882	278,841		
	1/05/2007	2,579,562	285,999	381,293		
TX	1/09/2007	2,842,194	337,177	508,384		73,572,690.00
	1/12/2007	1,116,394	126,646	195,992		
	1/16/2007	921,245	373,138	219,999		
	1/19/2007	1,154,956	157,191	142,276		
	1/23/2007	1,141,281	158,520	188,339		
	1/26/2007	1,311,582	132,146	155,350		
	1/30/2007	1,316,477	140,482	187,839		
	2/02/2007	1,536,835	173,300	248,178		
	2/06/2007	1,568,349	419,551	345,921		
	2/09/2007	1,884,846	436,898	343,362		
	2/13/2007	2,124,448	544,722	369,457		
	2/16/2007	2,486,483	527,847	343,349		
	2/20/2007	2,775,303	292,093	365,199		
	2/23/2007	3,383,681	406,276	636,657		
	2/27/2007	4,426,435	1,258,943	766,350		
	3/02/2007	6,560,839	760,799	922,494		
GA/NJ	3/06/2007	14,224,488	3,396,251	2,358,650		
	3/09/2007	1,222,217	398,391	220,033		
	3/13/2007	1,094,202	115,401	168,775		
	3/16/2007	1,235,086	133,196	184,774		
	3/20/2007	1,263,673	398,774	225,605		
	3/23/2007	1,395,849	147,045	248,561		
	3/27/2007	1,586,700	189,092	268,403		
	3/30/2007	1,777,802	935,290	327,662		
* Totals *		170,450,557	29,276,639	28,893,888		

EXHIBIT II

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MEGA MILLIONS
Fixed Prize Analysis
From 04/04/2006 To 03/31/2007

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	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Receivable (Payable)
California					
Georgia	614,784-	32,618,165	31,572,571	1,075,729	644,919-
Illinois	176,971-	31,865,683	34,635,901	2,897,434-	49,755-
Massachusetts	368,145-	19,454,100	20,732,456	1,591,051-	55,450-
Maryland	329,744-	16,337,429	17,115,151	1,052,482-	54,984-
Michigan	1,032-	35,718,517	35,258,433	739,320	280,268-
New Jersey	1,198,720	42,637,171	42,286,305	1,991,021	441,435-
New York	857,411	79,502,103	79,437,136	11,188-	933,566
Ohio	146,428-	35,660,536	34,650,421	1,456,540	592,853-
Texas	354,410-	29,276,639	28,893,888	466,677-	495,018
Virginia	149,143-	23,895,543	22,962,444	194,504	589,452
Washington State	84,526	10,533,655	9,954,835	561,718	101,628
** Totals **		357,499,541	357,499,541		