



INTEROFFICE MEMO

Ryan Mindell, Executive Director

LaDonna Castañuela, Charitable Bingo Operations Director

To: Robert G. Rivera, Chairman
Cindy Fields, Commissioner
Mark A. Franz, Commissioner
Clark E. Smith, Commissioner
James H. C. Steen, Commissioner

Approved

Denied

From: Deanne Rienstra, Special Counsel *DR*

Date: August 7, 2024

Re: Consideration of and possible discussion and/or action on the proposed repeal of existing 16 TAC §401.315 (“Mega Millions” Draw Game Rule) and the publication and adoption of new 16 TAC §401.315 (“Mega Millions” Draw Game Rule)

Attached is a draft rule proposal for (i) the repeal of existing 16 TAC §401.315 (“Mega Millions” Draw Game Rule”), and (ii) new 16 TAC §401.315 (“Mega Millions” Draw Game Rule) prepared for submission to the Texas Register. The purpose of the proposed new rule is to conform the play of the Mega Millions game in Texas to game changes recently adopted by the Mega Millions Lotteries and the Multi-State Lottery Association (MUSL).

These changes include: (1) increasing the purchase price of a ticket from \$2 to \$5; (2) changing the game matrix from 5/70 plus 1/25 (selection of five numbers from a field of 70 numbers and then one number from a field of 25 numbers) to 5/70 plus 1/24 (selection of five numbers from a field of 70 numbers and then one number from a field of 24 numbers); (3) removing Megaplier® and Just the Jackpot® features; (4) changing the play of the game to include a multiplier automatically generated by the lottery gaming system as part of the cost of a Play, which will multiply the non-jackpot prizes by 2, 3, 4, 5 or 10 times; (5) revising certain game definitions and references; (6) updating grammar and/or sentence structure changes to provide clarity, including renaming the top prize as the Jackpot Prize instead of Grand Prize; and (7) adding that the Mega Millions Lotteries are removing the graduated percentage escalator for the thirty annual payment schedule. Mega Millions Lotteries will take responsibility for the schedule of prize payments for a thirty annual graduated payment schedule. The Mega Millions game changes are expected to be implemented on April 5, 2025, with the first drawing under the new rule expected to be on April 8, 2025. Accordingly, the current Mega Millions rule will remain in effect until the date the new rule is implemented, which currently is expected to be April 5, 2025.

The Texas Lottery Commission (Commission) is a member of MUSL and is authorized to conduct the Mega Millions game in Texas under the conditions of the Cross-Sell Agreement between MUSL and the Mega Millions Lotteries, MUSL rules, the laws of the State of Texas, this rule (16 TAC §401.315), and under such further instructions, directives, and procedures as the Commission executive director may issue in furtherance thereof. To be clear, the authority to participate in the Mega Millions game is provided to the Commission by MUSL through the Cross-Sell Agreement and the conduct and play of the Mega Millions game in Texas must conform to the MUSL Product Group's Mega Millions game rules.

Recommendation: Staff recommends the Commission initiate the rulemaking process by publishing the attached proposal in the *Texas Register* in order to receive public comments for a period of 30 days.

1 The Texas Lottery Commission (Commission) proposes the repeal of existing 16 TAC
2 §401.315 (“Mega Millions” Draw Game Rule) and the publication and adoption of new 16 TAC
3 §401.315 (“Mega Millions” Draw Game Rule). The purpose of the proposed new rule is to
4 conform the play of the Mega Millions game in Texas to game changes recently adopted by the
5 Mega Millions Lotteries and the Multi-State Lottery Association (MUSL). These changes include
6 (1) increasing the purchase price of a ticket from \$2 to \$5; (2) changing the game matrix from 5/70
7 plus 1/25 (selection of five numbers from a field of 70 numbers and then one number from a field
8 of 25 numbers) to 5/70 plus 1/24 (selection of five numbers from a field of 70 numbers and then
9 selection of one number from a field of 24 numbers); (3) removing Megaplier® and Just the
10 Jackpot® features; (4) changing the play of the game to include a Multiplier automatically
11 generated by the Lottery Gaming System (as defined in the new rule) as part of the cost of a Play,
12 which will multiply the non-jackpot prizes by 2, 3, 4, 5 or 10 times; (5) revising certain game
13 definitions and references; (6) updating grammar and/or sentence structure changes to provide
14 clarity, including renaming the top prize as the Jackpot Prize instead of Grand Prize; and (7) adding
15 that the Mega Millions Lotteries are removing the graduated percentage escalator for the thirty
16 annual payment schedule. Mega Millions Lotteries will take responsibility for the schedule of prize
17 payments for a thirty annual graduated payment schedule. The new Mega Millions game changes
18 are expected to be implemented on April 5, 2025, with the first drawing expected to be on April
19 8, 2025. Accordingly, the current Mega Millions rule will remain in effect until the date the new
20 rule is implemented, which currently is expected to be April 5, 2025.

21 The Commission is a member of MUSL and is authorized to conduct the Mega Millions
22 game in Texas under the conditions of the Cross-Sell Agreement between MUSL and the Mega
23 Millions Lotteries, MUSL rules, the laws of the State of Texas, this rule (16 TAC §401.315), and

1 under such further instructions, directives, and procedures as the Commission executive director
2 may issue in furtherance thereof. To be clear, the authority to participate in the Mega Millions
3 game is provided to the Commission by MUSL through the Cross-Sell Agreement and the conduct
4 and play of the Mega Millions game in Texas must conform to the MUSL Product Group's Mega
5 Millions game rules.

6 Robert Tirloni, Lottery Operations Director, has determined that for each year of the first
7 five years the proposed new rule will be in effect, the public benefit expected is providing Texas
8 Lottery players notice of the changes to the Mega Millions game and to update the Texas Lottery
9 Mega Millions draw game rule in conformance with MUSL rules. Further, the game changes are
10 anticipated to generate increased interest by offering players the potential for larger jackpots,
11 improved chances of winning through improved overall odds, improved chances of winning the
12 Jackpot Prize through improved Jackpot Prize odds and a new embedded multiplier feature that
13 offers players the chance to increase non-jackpot prizes up to ten times potentially resulting in
14 increased ticket sales and revenue to the Foundation School Fund.

15 Sergio Rey, Controller, has determined that for each year of the first five years the new
16 rule will be in effect, there will be no significant fiscal impact for state or local governments as a
17 result of the proposed new rule. There will be no adverse effect on small businesses or rural
18 communities, micro businesses, or local or state employment. There will be no additional
19 economic cost to persons required to comply with the new rule, as proposed. Furthermore, an
20 Economic Impact Statement and Regulatory Flexibility Analysis is not required because the
21 proposed new rule will not have an adverse economic effect on small businesses or rural
22 communities as defined in Texas Government Code §2006.001(1-a) and (2).

1 Pursuant to Texas Government Code §2001.0221, the Commission provides the following
2 Government Growth Impact Statement for the proposed new rule. For each year of the first five
3 years the proposed new rule will be in effect, Sergio Rey, Controller, has determined the following:

4 (1) The proposed new rule does not create or eliminate a government program.

5 (2) Implementation of the proposed new rule does not require the creation of new employee
6 positions or the elimination of existing employee positions.

7 (3) Implementation of the proposed new rule does not require an increase or decrease in
8 future legislative appropriations to the Commission.

9 (4) The proposed new rule does not create a new regulation.

10 (5) The proposed new rule does not expand or limit an existing regulation.

11 (6) The proposed new rule does not increase or decrease the number of individuals subject
12 to the rule's applicability.

13 (7) The proposed new rule does not positively or adversely affect this state's economy.

14 The Commission requests comments on the proposed new rule from any interested person.
15 Comments on the proposed new rule may be submitted to Deanne Rienstra, Special Counsel, by
16 mail at Texas Lottery Commission, P.O. Box 16630, Austin, Texas 78761-6630; by facsimile at
17 (512) 344-5189; or by email at *legal.input@lottery.state.tx.us*. Comments must be received within
18 30 days after publication of this proposal in the *Texas Register* to be considered.

19 The new rule is proposed under Texas Government Code §466.015(c), which authorizes
20 the Commission to adopt rules governing the operation of the lottery, and §467.102, which
21 authorizes the Commission to adopt rules for the enforcement and administration of the laws under
22 the Commission's jurisdiction.

23 This new rule is intended to implement Texas Government Code Chapter 466.

1 §401.315. “Mega Millions” Draw Game Rule.

2 (a) Mega Millions[®]. The Multi-State Lottery Association (MUSL) has entered into an Agreement
3 (Cross-Sell Agreement) with those U.S. lotteries operating under an agreement to sell a draw game
4 known as Mega Millions (Mega Millions Lotteries) to permit the MUSL Party Lotteries who are
5 members of the MUSL Mega Millions (M2G2) Product Group ("Product Group"), including the
6 Texas Lottery Commission (commission), to sell the Mega Millions lottery game. The purpose of
7 the Mega Millions game is the generation of revenue for Mega Millions Lotteries and Product
8 Group members participating under the Cross-Sell Agreement, through the operation of a specially
9 designed multi-jurisdiction lottery game that will award prizes to Ticket holders matching
10 specified combinations of numbers randomly selected in regularly scheduled drawings. The Mega
11 Millions game is authorized to be conducted by the commission executive director (executive
12 director) under the conditions of the Cross-Sell Agreement, MUSL rules, the laws of the State of
13 Texas, this section, and under such further instructions, directives, and procedures as the executive
14 director may issue in furtherance thereof. In this regard, the executive director is authorized to
15 issue such further instructions and directives as may be necessary to conform the conduct and play
16 of the Mega Millions game to the requirements of the MUSL rules and the Cross-Sell Agreement,
17 if, in the opinion of the executive director, such instructions, directives, and procedures are in
18 conformance with state law. To be clear, the authority to participate in the Mega Millions game is
19 provided to the commission by MUSL through the Cross-Sell Agreement. The conduct and play
20 of the Mega Millions game in Texas must conform to the MUSL Mega Millions (M2G2) Product
21 Group Rules ("MUSL MM Rules"). Further, if a conflict arises between this section and §401.304
22 of this subchapter (relating to Draw Game Rules (General)), this section shall have precedence. In
23 addition to other applicable rules contained in Chapter 401, this section and definitions herein

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

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

6 (1) "Agent", "Sales Agent" or "Retailer" means a person licensed under the State Lottery
7 Act to sell Texas Lottery Tickets, which include Mega Millions game Plays.

8 (2) "Drawing" refers collectively to the formal draw event for randomly selecting the
9 winning numbers that determine the number of winning Plays for each prize level of the Mega
10 Millions game. Drawings will be held at the times and places established by the Mega Millions
11 Lotteries.

12 (3) "Game Ticket" or "Ticket" means an acceptable evidence of Play, as defined in
13 §401.301 (relating to General Definitions) "Draw game ticket", produced in a manner that meets
14 the specifications defined in the MUSL MM Rules, and is a physical representation of the Play or
15 Plays sold to the player as described in subsection (h) of this section (Ticket Validation).

16 (4) "Mega Millions Lotteries" refers to those lotteries that have reached a Cross-Sell
17 Agreement with MUSL for the selling of the Mega Millions game. The Mega Millions Lotteries
18 will determine the Mega Millions Advertised Jackpot Prize amount (cash value option and
19 annuity).

20 (5) "Mega Millions Plays" (MM Plays) shall refer to Plays purchased for the Mega Millions
21 game.

1 (6) "Multiplier" means a unique number that is automatically selected by the Lottery
2 Gaming System according to the frequency set forth in subsection (f) of this section, for each Mega
3 Millions Play.

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

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

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

13 (10) "Play" means a set of six (6) numbers, the first five (5) from a field of seventy (70)
14 numbers and the last one (1) from a field of twenty-four (24) numbers, that appear on a Ticket and
15 are to be played by a player in the game. As used in this section, unless otherwise indicated, "Play"
16 means a Mega Millions Play ("MM Play").

17 (11) "Prize" means an amount paid to a person or entity holding a winning Ticket. The term
18 "Jackpot Prize shall refer to the top prize in the Mega Millions game. "Advertised Jackpot Prize"
19 shall mean the estimated annuitized Jackpot Prize amount as determined by the Mega Millions
20 Lotteries. The Advertised Jackpot Prize is not a guaranteed prize amount and the actual Mega
21 Millions Jackpot amount may vary from the advertised amount, except in circumstances where
22 there is a guaranteed Mega Millions Jackpot Prize amount as described in subsection (g)(1) of this
23 section.

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

5 (13) "Set Prize" or "low-tier prize" means all other prizes, except the Jackpot Prize and,
6 except in instances outlined in this section, or the MUSL MM Rules, will be equal to the prize
7 amount established by the Mega Millions Lotteries.

8 (14) "Terminal" means a device authorized by the commission for the purpose of issuing
9 Mega Millions game Tickets and as defined in §401.301 of this subchapter (relating to General
10 Definitions).

11 (15) "Winning Numbers" means the indicia or numbers randomly selected during a
12 Drawing event which shall be used to determine the winning Plays for the Mega Millions game
13 contained on a Game Ticket.

14 (c) Game Description. Mega Millions is a five (5) out of seventy (70) plus one (1) out of twenty-
15 four (24) lottery game drawn on the day(s), time(s) and location(s) as determined by the Mega
16 Millions Lotteries. Each Mega Millions Play will include a Multiplier, which is a unique number
17 that is automatically selected by the Lottery Gaming System according to the frequency set for in
18 subsection (f) of this section and printed directly on the Mega Millions Ticket. The Multiplier
19 increases non-Jackpot Prizes by two times, three times, four times, five times or ten times the prize
20 won. The Jackpot Prize will be paid at the election of the player made in accordance with this
21 section, or by a default election made in accordance with this section, either on a graduated
22 annuitized annual pari-mutuel basis or as a cash value option using a rate determined by the Mega
23 Millions Lotteries on a pari-mutuel basis. Except as provided in this section, all other prizes are

1 paid on a single payment basis. During the Drawing event, five (5) numbers shall be drawn from
2 the first set of seventy (70) numbers, and one (1) number shall be drawn from the second set of
3 twenty-four (24) numbers, which shall constitute the Winning Numbers. The Multiplier for each
4 Play will be automatically selected by the Lottery Gaming System and printed on the Ticket at
5 time of purchase.

6 (1) Mega Millions Play. To play Mega Millions, a player shall select (or request a Quick
7 Pick) five (5) different numbers, from a field of one (1) through seventy (70), and one (1) additional
8 number from a second field of one (1) through twenty-four (24). The player selected (or the
9 requested Quick Pick) number from the second field may be the same as one of the five numbers
10 from the first field. The Lottery Gaming System will randomly generate the Multiplier, which will
11 be included on each Mega Millions Play purchased and will multiply low-tier prizes only. The
12 Multiplier is included in the price of a Play and is not an add-on. The Multiplier is further defined
13 in subsection (b)(6) of this section. MM Plays can be purchased for five dollars (U.S. \$5.00),
14 including any specific statutorily-mandated tax of a Party Lottery to be included in the price of a
15 lottery Play. Plays may be purchased from a commission approved Sales Agent in a manner as
16 approved by the commission and in accordance MUSL MM rules.

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

1 (3) Cancellations Prohibited. In all instances, a Play recorded on the Lottery Gaming
2 System may not be voided or cancelled by returning the Ticket to the Sales Agent or to the
3 commission, including Tickets that are misprinted, illegible, printed in error, or for any reason not
4 successfully transferred to an authorized selling entity or player. A Selling Lottery may develop
5 an approved method of compensating retailers for Plays that are not transferred to a player for a
6 reason acceptable to the Selling Lottery and not prohibited by the Mega Millions Product Group.
7 No Play that is eligible for a prize can be returned to the commission for credit. Plays accepted by
8 retailers as returned Plays and which cannot be re-sold shall be deemed owned by the bearer
9 thereof.

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

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

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

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

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

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

8 (i) The Jackpot Prize Pool (JPP), which is used to fund the current Jackpot
9 Prize;

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

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

20 (C) The maximum balance amounts and balance limit triggers are subject to review
21 by the MUSL Board Finance Committee. The Finance Committee shall have two weeks to state
22 objections, if any, to the approved maximum balance amounts or balance limiter triggers.
23 Approved maximum balance amounts or balance limiter triggers shall become effective no sooner

1 than two weeks after notice is given to the Finance Committee and no objection is stated or sooner
2 if the Committee affirmatively approves the maximum balance amounts or balance limiter triggers.
3 The Product Group may appeal the Committee's objections to the full Board. Group approved
4 changes in the maximum balance amounts or balance limiter triggers set by the Product Group
5 shall be effective only after the next Jackpot Prize win.

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

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

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

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

21 (F) The prize reserve shares of a Party Lottery may be adjusted with refunds to the
22 Party Lottery from the prize reserve account(s) as may be needed to maintain the approved
23 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 payment of its full sales percentage share of the prize reserve account.

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

10 (2) Expected Prize Payout. The Jackpot Prize payout shall be determined on a pari-mutuel
11 basis. Except as otherwise provided in this section, all other prizes awarded shall be paid as single
12 payment prizes. All prize payouts are made with the prize payout percentages set out in Figure 16
13 TAC 401.315(e), which does not include an additional amount held in prize reserves, although the
14 prize payout percentages per draw may vary.

15 (A) The Jackpot Prize amount shall be divided equally by the number of MM Plays
16 winning the Jackpot Prize.

17 (B) The SPP (for payment of single payment prizes of one million dollars
18 (\$1,000,000.00) or less) shall be carried forward to subsequent draws if all or a portion of it is not
19 needed to pay the set prizes awarded in the current draw.

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

22 (A) If the total of the Mega Millions Set Prizes (as multiplied by the respective
23 Multiplier) 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 awarded shall be drawn from the following sources, in the following order:

- (i) the amount available in the SPP, 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, then the highest Set Prize shall become a pari-mutuel prize. If the amount of the highest Set Prize when paid on a pari-mutuel basis, drops to or below the next highest Set Prize and there are still not sufficient funds to pay the remaining Set Prizes awarded, then the next highest Set Prize shall become a pari-mutuel prize. This procedure shall continue down through all Set Prize levels, if necessary, until all Set Prize levels become pari-mutuel prize levels. 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 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 (g)(1) of this section, the official advertised Jackpot 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.

(e) Prize Structure. The matrix of 5/70 and 1/24 with an anticipated prize payout is shown below and applies to all Product Group members with respect to the Jackpot Prize, and will apply for all Product Group members for the second through ninth level prizes. The following table sets forth the odds 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. All prize payouts are made with the following expected prize payout percentages, which does not include any additional amount contributed to or held in prize reserves, although the prize payout percentages per draw may vary:

Figure: 16 TAC §401.315(e)

<u>MATCH FIELD 1</u>	<u>MATCH FIELD 2</u>	<u>ODDS</u>	<u>PRIZE CATEGORY</u>	<u>BASE PRIZE</u>	<u>% OF SALES</u>	<u>% OF PAYOUT</u>
5	1	290,472,336	JACKPOT	JACKPOT	27.63%	55.26%
5	0	12,629,232	SECOND	\$1,000,000	4.75%	9.50%
4	1	893,761	THIRD	\$10,000	0.67%	1.34%
4	0	38,859	FOURTH	\$500	0.77%	1.54%
3	1	13,965	FIFTH	\$200	0.86%	1.72%
3	0	607	SIXTH	\$10	0.99%	1.98%
2	1	665	SEVENTH	\$10	0.90%	1.80%
1	1	86	EIGHTH	\$7	4.89%	9.79%
0	1	35	NINTH	\$5	8.53%	17.06%
TOTAL		1:23.07			50.00%	100.00%

(f) Multiplier Frequency and Odds. The Multiplier shall apply to all prize levels except the Jackpot Prize. The Multiplier increases non-Jackpot Prizes by two times, three times, four times, five times, or ten times the prize won. The Multiplier shall print directly on the Ticket for each Play. Multipliers may repeat on a printed Ticket due to the frequency and limited Multiplier levels as shown below. The Multiplier frequency and odds are as follows:

Figure 16 TAC 401.315(f)

<u>MULTIPLIER</u>	<u>FREQUENCY</u>	<u>ODDS</u>
10X	1	32.00
5X	2	16.00
4X	4	8.00
3X	10	3.20
2X	15	2.10
Field of:	32*	3.00**

*Total of frequencies

**Average Multiplier value

(g) Mega Millions Prize Payment.

(1) Mega Millions Jackpot Prize. The prize money allocated from the current Mega Millions prize pool for the Jackpot Prize, will be divided equally among all Jackpot Prize winning MM Plays in all Participating Lotteries. The Annuity Jackpot Prize amount will be paid in thirty (30) graduated annual installments. Jackpot 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 Jackpot Prize amount that shall be advertised by the Selling Lotteries as the starting guaranteed annuitized Jackpot 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 Jackpot Prize if the Play is a winning Play. A player's selection of the payment option at the time of purchase from the commission 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(g)(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 Lottery Ticket Vending Machine)	CVO only – designated on draw game Quick Pick buttons.	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
GT20 (Self-service Lottery Ticket Vending Machine)	CVO only – designated on draw game Quick Pick buttons.	N/A
Third-party POS systems	CVO only – Quick Pick selections through authorized third-party POS systems.	N/A

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

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

4 (4) All annuitized prizes shall be paid annually in thirty (30) consecutive graduated annual
5 installments by the commission upon completion of validation procedures determined by the
6 commission, with graduated annual installments as defined by the Mega Millions Lotteries in the
7 Mega Millions Finance and Operations Procedures. The initial payment shall be paid upon
8 completion of the validation procedures. The subsequent twenty-nine (29) payments shall be paid
9 annually to coincide with the month of the federal auction date at which the bonds were purchased
10 to fund the annuity. All such payments shall be made within seven (7) days of the anniversary of
11 the annual auction date. The annuitized option prize shall be determined by multiplying the
12 winning Play's share of the Jackpot Prize Pool by the annuity factor established in accordance with
13 Texas law and the rules of the Texas Comptroller of Public Accounts.

14 (5) If individual shares of the Jackpot Prize Pool funds held to fund an annuity is less than
15 \$250,000.00, the Product Group, in its sole discretion, may elect to pay the winners their share of
16 the cash held in the Jackpot Prize Pool.

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

1 Lottery may elect to make the initial payment from its own funds after validation, with notice to
2 MUSL.

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

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

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

19 (10) Limited to Highest Prize Won. The holder of a winning MM Play may win only one
20 (1) prize per Play in connection with the Winning Numbers drawn, and shall be entitled only to
21 the prize won by those numbers in the highest matching prize category. All liabilities for a Mega
22 Millions prize are discharged upon payment of a prize claim.

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

3 (h) Ticket Validation.

4 (1) To be a valid Play and eligible to receive a prize, a Play's Ticket shall satisfy all the
5 requirements established by the commission for validation of winning Plays sold through the
6 Lottery Gaming System, as well as any other validation requirements adopted by the Product
7 Group, the MUSL Board and published as the Confidential MUSL Minimum Game Security
8 Standards. The MUSL and the Party Lotteries shall not be responsible for Plays or Tickets that are
9 altered in any manner.

10 (2) Under no circumstances will a claim for any prize be paid without an official Mega
11 Millions Ticket issued as authorized by the commission and matching all game Play, serial number
12 and other validation data residing in the commission's Lottery Gaming System and such Ticket
13 shall be the only valid proof of the wager placed and the only valid receipt for claiming or
14 redeeming such prize.

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

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

20 (B) The Ticket must be intact;

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

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

3 (E) The Ticket must have been issued by an authorized Sales Agent on official
4 Texas Lottery paper stock or, for third-party point-of-sale systems approved by the commission,
5 printed on paper stock or otherwise issued in a manner approved by the commission to provide
6 tangible evidence of participation in a lottery game;

7 (F) The Ticket must not have been stolen, to the knowledge of the commission;

8 (G) The Ticket must be submitted for payment in accordance with the prize claim
9 procedures of the commission as set out in §401.304 of this subchapter and any internal procedures
10 used by the commission;

11 (H) The Play data on the Ticket must have been recorded on the Lottery Gaming
12 System prior to the Drawing and the Play data must match this computer record in every respect.
13 In the event of a contradiction between information as printed on the Ticket and as accepted by
14 the commission's Lottery Gaming System, the wager accepted by the commission's Lottery
15 Gaming System shall be the valid wager;

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

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

21 (K) The Ticket must pass confidential validation tests in accordance with the
22 MUSL MM Rules. In addition, the Ticket must pass all other confidential security checks of the
23 commission;

1 (L) In submitting a Ticket for validation, the claimant agrees to abide by applicable
2 laws, all rules and regulations, instructions, conditions and final decisions of the executive director
3 of the commission;

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

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

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

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

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

17 (C) In the event a Mega Millions Play is not paid by the commission and a dispute
18 occurs as to whether the Play is a winning Play, the commission may, at its option, replace the
19 Play as provided in subparagraph (A) of this paragraph. This shall be the sole and exclusive remedy
20 of the claimant.

21 (i) Ticket Responsibility.

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

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

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

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

11 (j) Ineligible Players.

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

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

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

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

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

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

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

10 (k) Applicable Law.

11 (1) In purchasing a Play, or attempting to claim a prize, purchasers and prize claimants
12 agree to comply with and abide by all applicable laws, rules, regulations, procedures, and decisions
13 of the commission and by directives and determinations of the commission's executive director.
14 Additionally, the player shall be bound to all applicable provisions in the MUSL MM Rules and
15 the Mega Millions Finance and Operations Procedures as established by the Mega Millions
16 Lotteries.

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

22 (3) Nothing in this section or the MUSL MM Rules shall be construed as a waiver of any
23 defense or claim the commission, which issued the Play, any other Party Lottery, or MUSL may

1 have in any litigation, including in the event a player or prize claimant pursues litigation against a
2 Party Lottery or MUSL, or their respective officers, directors or employees.

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

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