



REGULATIONS

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I. GENERAL REGULATIONS

A. DEFINITIONS¹²

“Advance Play®” means the feature of California Lottery games which allows a player to play the same numbers for consecutive future draws. The player is issued one ticket which is valid for the period containing the consecutive draws played.

“Affiliates” means business concerns, organizations, or individuals if, directly or indirectly: (i) either one controls or has the power to control the other; or (ii) a third party controls or has the power to control both. Indicia of control include, but are not limited to, interlocking management or ownership, identity of interests among family members, shared facilities and equipment, common use of employees, or a business entity organized following the debarment or proposed debarment of a bidder or contractor which has the same or similar management, ownership, or principal employees as the bidder or contractor that was debarred or proposed for debarment.

“Apparent successful bidder” means a bidder whom the Lottery has selected for a Lottery contract award of \$250,000 or more that is awaiting review and approval by the Commission.

“Appeal” means the process initiated by a retailer, applicant, or representative whereby he or she submits a written document to the Lottery appealing the Lottery’s decision to disapprove an applicant or to terminate a Lottery retailer contract.

“Applicant” means a person, organization, or business entity applying for authorization to contract with the Lottery as a Lottery game retailer. The term shall include, but is not limited to: an owner, proprietor, partner, shareholder, franchisee, board member, managing and/or controlling officer or designee approved by the Lottery of an existing commercial establishment, corporation, franchise, public entity, trust association, partnership, joint venture, or a civic or fraternal organization, regardless of whether the individual is compensated or uncompensated.

“Artwork” means the ticket graphics (front and back) and the game ticket symbols contained in individual game working papers for Scratchers®.

“Best value” means the lowest and best proposal that represents the best overall value to the Lottery because it will likely result in a contract that fulfills the Lottery Director’s mandate set forth in Government Code section 8880.56.

¹ “Advance Play®”, “Bulls-Eye®”, “California Lottery®”, “Daily Derby®”, “Hot Spot®”, “Mega Millions®”, “Quick Pick®”, “Scratchers®” and “SuperLOTTO Plus®” are registered trademarks of the California Lottery.

² All odds, except for Hot Spot®, are rounded to the nearest whole number.

"Bidder" means a party responding to all required elements of a Lottery-issued RFP, IFB, or other solicitation.

"Book" means a series of fan folded tickets for an individual game attached together by perforations.

"Book-ticket number" means a unique multiple digit numbering or alpha coding printed on each ticket.

"Cancellation authorization receipt" means the paper stock issued by the Lottery terminal indicating that a ticket is canceled. Mega Millions® tickets cannot be canceled.

"Cash authorization receipt" means the paper stock issued by the Lottery terminal indicating that a ticket for a low-tier prize or promotional award of \$599 or less is validated and authorized for payment.

"Cash option" means the player's option to receive the cash value of the top prize in lieu of annual payments. Cash option is not available for all games.

"Cash value" means the discounted present value of an annuity prize.

"Claim" or "claiming a prize" means submitting a valid winning ticket and/or properly completed claim form to the Lottery or Lottery game retailer, as applicable, within the required claiming period.

"Claimant" means a player who has submitted a valid claim for payment within the required time period. "Multiple claimants" means more than one individual claiming co-ownership of a ticket and any prize resulting from that ticket. All references to "claimant" throughout these regulations include the plural.

"Claim authorization receipt" means the paper stock issued by a Lottery terminal indicating that a ticket for a high-tier prize or promotional award of \$600 or more is validated and authorized for payment.

"Claim form" means the printed form, authorized by the Lottery, which a player must complete and submit to the Lottery with a winning ticket and a claim authorization receipt to be eligible to collect a prize or award pursuant to these regulations.

"Claiming period" means the designated time period after a drawing or after the announced end-of-game date during which players may claim a prize for payment.

"Commission" means the California State Lottery Commission.

“Consecutive draws” means the feature of Hot Spot® which allows a customer to play the same spot and number selection in successive draws up to a maximum of 100 draws. A player is issued one ticket, which is valid for all of the consecutive draws played.

“Contract” means the written agreement entered into by and between the Lottery and the retailer as authorized in and pursuant to these regulations.

“Core game profile template” means a written document pre-approved by the Commission that authorizes the number and value of prizes and the price point for each Scratchers® game.

“Debarment” means exclusion from doing business with the Lottery for a defined period.

“Designated group representative” means the ticket co-owner named on the multiple ownership claim form vested with the exclusive authority to represent, act on behalf of, and receive payment of cash and merchandise prizes for ticket co-owners and to decide any applicable draw options.

“Director” means Director/Chief Executive Officer of the Lottery or his/her designee. It may also refer to the chief executive of another state’s lottery which is a party to a joint powers agreement to operate a multi-state game.

“Disclosures” means all of that information requested by the Lottery pursuant to the authority of Government Code § 8880.57 and all information submitted by bidders and contractors in response.

“Documented criminal act” means a violation of federal or state law or regulation as investigated and substantiated by the Lottery. The Lottery may rely upon evidence developed by federal, state, or local government law enforcement officers, including law enforcement officers of a federal or state agency.

“Draw” or “drawing” is the process used to randomly select the winning selections as specified for each game or promotion.

“Draw coordinator” means the Lottery employee acting as the lead person for a specific draw.

“Draw device” is a device approved by the Director to be used for a draw.

“Draw entry” means an eligible ticket for entry into a particular Lottery drawing.

“Draw management section” means the section within the Lottery which is responsible for managing and conducting all draws, and assuring the integrity, security, honesty and fairness of each of the draws conducted by the Lottery.

“Draw manager” means the Lottery employee, designated by the Director, who has overall responsibility for managing and evaluating draw management section staff, implementing policies and procedures pertaining to draws (except for promotional draws not conducted by the draw management section), and obtaining the Director’s approval. The draw manager is ultimately responsible for the security and integrity of the draws conducted by the draw management section.

“Draw period,” “drawing period,” or “game period” means the period of time between pool opening and pool closure in which wagers are accumulated for a drawing conducted at the end of the designated period.

“Draw procedures” means the written documents, approved by the Director, governing all draws conducted by the draw management section. The draw procedures are confidential to preserve the security, integrity, honesty, and fairness of the draws.

“Draw Test Game” means a lottery game of limited duration implemented to test player reaction to proposed lottery games and lottery game features.

“Election” means the irrevocable decision that a Lotto top prize claimant must make within 60 days of becoming entitled to the prize to receive the cash value of that prize instead of annual payments.

“Exception procedure” means any procedure utilized to obtain goods or services pursuant to the authority granted to the Director by these regulations.

“Exchange ticket” means the ticket issued by the Lottery terminal when consecutive draw or an Advance Play® ticket is redeemed for a prize but the ticket has remaining eligibility for one or more future drawings. An exchange ticket is issued to replace either an original or previous exchange ticket which has been validated for payment or claim before the end of the last draw on the original or exchange ticket.

“Field,” “fields,” or “playfield” means the range of numbers, times and/or names specific to each Lottery game from which the winning numbers, times and/or names are drawn.

“Free ticket receipt” means the paper stock issued by a Lottery terminal indicating that a Scratchers® ticket has been validated and stating the number of free tickets of that particular game to be issued.

“Game number” means the numeric character printed on the back of each ticket which identifies an individual Scratchers® game.

“Game profile” means a written document approved by the Commission or Director that authorizes the number and value of prizes and the price point for each game. A game profile may be in the form of a core game profile template, an individual game profile, or a game profile approved by the Director that is materially similar to a game profile approved by the Commission.

“Goods or services” means goods, services, or both goods and services.

“Grand prize” is the annuity prize awarded to the winner of a Lottery game.

“High-tier Prize” means a prize of \$600 or more which a player shall claim with the Lottery and which is paid by the Lottery.

“Independent Designated Drawer” means an individual, at least 18 years of age, who is designated by the draw manager to assist in the selection of contestants. The independent designated drawer cannot be: (i) a member of the Commission; (ii) an officer or employee of the Lottery; (iii) an officer or employee of the state controller’s office who is designated in writing by the controller as having possible access to confidential Lottery information, programs, or systems; or (iv) a contractor or subcontractor excluded by the terms of its Lottery contract from playing Lottery games. Nor can the independent designated drawer be a spouse, child, brother, sister, or parent of a disqualified person who resides within the same household as that disqualified person.

“Inquiry receipt” means the paper stock issued by a Lottery terminal indicating if a ticket is a winner. An inquiry receipt does not validate a ticket.

“Instant Ticket Vending Machine” or “ITVM” means a vending machine placed at Lottery retail locations for the purpose of dispensing Scratchers® tickets.

“Invitation for bids” or “IFB” means a Lottery solicitation to potential bidders for the procurement of goods or services that can be described with specificity where contractor selection is based on price and price-related factors only.

“Jackpot” means the top Lotto prize, payable in annual payments, the sum total of which equals the gross future value of the top prize pool as determined in accordance with these regulations. In point-of-sale and other materials, the jackpot may be referred to as “grand/jackpot prize” or “annual payments.”

“Lotto” or “lotto” is the generic name for a draw Lottery game in which a total of six numbers are drawn and the players matching some or all of the numbers become entitled to a prize.

“Lottery” means the California State Lottery.

“Lottery game” means any procedure authorized by the Commission where prizes are distributed among persons who have paid or have unconditionally agreed to pay for tickets or shares providing the opportunity to win prizes.

“Lottery game retailer” or “retailer” means a person or organization with whom the Lottery has contracted and who is authorized to sell Lottery tickets or shares.

“Lottery Information Display System (LIDS)” or “Lottery monitor” means the television monitor which is used to transmit messages about Lottery games and game results to players.

“Low-tier Prize” means a prize of \$599 or less which a player may claim either through the Lottery or through a Lottery game retailer.

“Match two ticket” refers to a valid Fantasy 5 ticket that matches two of the winning numbers drawn by the Lottery at the draw for which the tickets was purchased. A player with a Fantasy 5 match two ticket is eligible to receive a free “replay ticket” subject to these regulations.

“Mega” number means the single number selected from a field of one to 27 in the SuperLOTTO Plus® game and the single number selected from a field of one to 46 in the Mega Millions game.

“Multiple ownership claim form” means the printed form authorized by the Lottery which multiple claimants shall complete and submit to the Lottery, along with the applicable winning ticket, to be eligible to collect a prize as tenants in common. Multiple ownership is not available for all games.

“Notice” means a request, demand, consent, waiver, and/or other item required or permitted under these regulations or under contract or applicable law which must be made in writing and delivered to the party to be noticed.

“Offense” means conduct to which a disciplinary action has been taken against an applicant by a federal or state administrative agency.

“Oral presentations” means presentations by potential bidders to the Lottery addressing pertinent issues as requested by the Lottery. Oral presentations may include videotaped presentations in the Lottery's discretion.

“Pari-mutuel prize breakage” means any money remaining in the prize fund after paying prize amounts rounded to the closest lower whole dollar amount.

“Party Lottery” means each state which has entered into and executed a joint powers agreement for purposes of offering a multi-state game.

“Play area” means the portion(s) of the ticket containing ticket symbols.

“Player” is someone who legally acquires a ticket or second chance entry to participate in a Lottery game or promotion. “Player” as used in these regulations includes the plural form.

“Play selection” for Daily Derby® means a set of three horse names and corresponding identification numbers (i.e. “4-Hot Shot”, “7-Gorgeous George”, and “12-Money Bags”) chosen from the field, one each of which is designated as finishing in first place, second place, and third place; and a set of three numbers (i.e., 2, 7, 6) comprising the race time, each unique number chosen from a field of zero through nine, inclusive. The selection appears on a ticket as two sets of items, one set of horse names/numbers for first, second, and third place and one set of numbers for race time to be played for one drawing.

“Playslip” means a slip used for marking a player’s selection(s) and designating game features such as Quick Pick®, Advance Play® or consecutive draw(s). The player selection(s) made on the playslip will be recorded on a ticket issued by a Lottery terminal.

“Playstyle” means the method of play that determines winners for individual games.

“Play symbol” means the printed data on the front of the ticket, as provided in the game specifics and working papers, used to determine eligibility for prizes or prize draw eligibility.

“Play symbol caption” means the data printed on a ticket directly below each play symbol which repeats or explains the play symbols printed on that ticket.

“Pool” means all of the wagers or eligible entries made by all players for any game draw or promotional draw held at the conclusion of the draw period(s).

"Pre-solicitation conference" means any discussion sponsored by the Lottery and attended by bidders, individually or in groups, electronically or in person, for the purpose of obtaining information about products, services, and business practices including, but not limited to, alternative business solutions, research and development projects, and alternative service delivery methods.

“Pre-solicitation notice” means a notice from the Lottery providing a general description of an anticipated solicitation’s scope that invites bidders to submit relevant information to the Lottery. Pre-solicitation notices include, but are not limited to, RFIs and requests by the Lottery that vendors participate in pre-solicitation conferences, site visits, and/or oral presentations.

"Pre-solicitation process" means any process used to assist the Lottery in developing a procurement methodology and solicitation that is expected to result in a contract for goods or services. Pre-solicitation processes include, but are not limited to, bidder presentations, product trials, site visits and/or pre-solicitation notices.

“Prize” means the compensation, either cash or merchandise, provided to a claimant for a winning selection or winning ticket as authorized in an individual game profile.

“Prize category” means the categories of play in Daily Derby® which can result in the award of a prize. Players must match the horse names/identification numbers, selected for first place, second place and third place to the horse names/numbers drawn by the Lottery for each place. If a player’s first place horse selection matches the first place horse drawn by the Lottery that is called a “Win.” If a player’s first and second place horse selections match the first and second place horses drawn by the Lottery that is called an “Exacta.” If the first, second and third place horse selections by the player matches the first, second and third place horses drawn by the Lottery that is called a “Trifecta.” Players may win the race time prize category by matching exactly the three numbers drawn by the Lottery for that prize category. Players win the grand prize by matching the Trifecta and race time.

“Prize levels” used in the Daily 3 draw means the three categories: (i) matching three numbers to the numbers drawn by the Lottery and in the same order, known as a straight; (ii) matching three numbers to the numbers drawn by the Lottery in any order, known as a box; (iii) a combination of both straight and box play known as straight/box.

“Prize payment option” means a top prize winner’s choice of either “26 annual payments” or “cash value.” If no choice is made within required timelines for a particular Lotto game, the top prize will be paid in annuity payments.

“Prize structure” means the number, value, and odds of winning prizes in each game.

“Prize symbol,” is the printed data on the front of a Scratchers® ticket as provided in the individual working papers for each game.

“Prize symbol caption” is the data printed on a Scratchers® ticket directly below each prize symbol which repeats or explains the prize symbols.

“Probation” means a period of time, set by the Director, during which a retailer is authorized to sell Lottery products subject to complying with specific terms and conditions. Failure to comply with the terms and/or conditions can result in additional action against the retailer’s contract, including termination.

“Promotional award” means the compensation provided for a valid winning promotional ticket.

“Quick Pick®” means a function that allows a terminal to automatically and randomly select numbers and/or names and/or finishing positions for the player.

“Race time” is the time taken by the first place horse to complete the race. The race time will range from 1:40.00 (one minute, forty seconds) to 1:49.99 (one minute, 49.99 seconds). Players select the final three digits, representing seconds and hundredths of seconds.

“Replay authorization receipt” means the paper stock issued by the Lottery terminal containing printed data indicating that a Fantasy 5 match two ticket has been validated and stating the number of replay tickets to be issued.

"Replay ticket" means the Quick Pick® selection issued by a Lottery terminal to a player who has matched two of the numbers drawn in the Fantasy 5 game.

"Request for information" or “RFI” means a written description of information the Lottery seeks from interested bidders for planning purposes in advance of issuing a solicitation. The information requested may include, but is not limited to: price, delivery, other market and customer information, or capabilities. An RFI requires no mandatory format, is not a solicitation and responses to an RFI are not offers and cannot be accepted by the Lottery to form a binding contract.

“Request for proposals” or “RFP” means a request to potential bidders for the procurement of goods or services where the potential bidder is asked to propose a solution, method, or goods to meet the procurement need identified by the Lottery, and where the award will be made on price and non-price related factors.

“Retailer” or “retailer location” means a person, organization or business entity with whom the Lottery has entered into a retailer contract and who is authorized to sell Lottery products to the public. The term shall also include, but is not limited to: an owner, partner, shareholder, franchisee, board member, managing and/or controlling officer or designee approved by the Lottery, of an existing commercial establishment, corporation, franchise, public entity, trust, association, partnership, joint venture or a civic or fraternal organization, regardless of whether the individual is compensated or uncompensated.

“Retail validation code,” when applicable, means the three small letters printed adjacent to the ticket symbols in the play area on the front of a ticket which the retailer uses to validate winning tickets.

“Sales Period” means the period of time between initial raffle game ticket sales and the termination of play.

“Scratchers®” or “Scratchers® game” means the instant winner Lottery game which is played by removing the covering from a ticket to reveal the ticket symbols. Also sometimes referred to as instant games or instant tickets.

“Selection” means the set of unique numbers and/or names and/or finish places chosen by a player or via the Quick Pick® feature from the numbers in the field for each specific Lottery game.

“Self Serve Terminal” or “Game Point Terminal” means a Lottery terminal that allows the player to process a playslip.

“Serial Number” means a unique multiple digit number which is assigned to a game ticket by the central system and is printed on the ticket and used to identify subsequent transactions related to that ticket.

"Site visit" means a visit by Lottery staff to a site where a bidder's work can be viewed, or a visit by a bidder to a Lottery-designated site.

"Solicitation" means an RFP, IFB, or any other request for the submission of an offer for the goods or services the Lottery seeks to acquire.

“Special prize fund” or “reserve prize fund” is that fund which accumulates three percent of the SuperLOTTO Plus® prize pool allocation, any SuperLOTTO Plus® top prize fund allocation which accrues when the cost of the announced jackpot is less than the top prize pool for that draw, residual Mega Millions® prize funds remaining after a grand/jackpot annuity purchase, eight percent of the Fantasy 5 prize pool allocation, and all pari-mutuel prize breakage from SuperLOTTO Plus®, Daily 4, Daily 3 and Mega Millions®. The special prize fund may be used to fund a jackpot when the cost exceeds the monies available to fund the jackpot prize. The special prize fund may also be used to fund other Lotto prizes, or prizes for any other Lottery game, game feature or promotion.

“Spot” or “spots” means the number of number(s) a player attempts to match from the 20 numbers selected by the Lottery in a Hot Spot® draw. For example, the five spot refers to the player's selection of five unique numbers from the field of 80; the player is said to be playing the five spot. Each of the spots has a unique set of odds and prizes associated with it as provided in these regulations.

“Stand-in” means an individual chosen by the Lottery when there are not enough eligible contestants for a final multi-contestant draw. Stand-ins are not eligible to win prizes or receive any compensation (monetary or otherwise) for their participation. A stand-in must be at least 18 years of age, and must, upon being selected as a stand-in, sign a written waiver indicating knowledge of and consent to participation without any possibility of winning or of compensation.

“Stub” means the portion of a Scratchers® ticket that can be separated from the ticket and may contain ticket symbols that indicate the player's eligibility for a prize.

"Successful bidder" means a bidder whose Lottery contract award has been approved by the Director or the Commission, as applicable.

“Terminal,” “Lottery terminal,” “draw terminal,” or “validation device” means a device authorized by the Lottery to function in an interactive mode with the Lottery’s computer system for issuing Lottery tickets and entering, receiving and processing the full range of normal Lottery transactions, including but not limited to: selection(s) and purchases, voiding or canceling purchases, validating draw and Scratchers® tickets, issuing cash and claim authorization receipts, transmitting reports and verifying the winning status of a ticket.

“Termination” means an action taken by the Director or a retailer which has canceled the contract entered into by the Lottery and the retailer.

“Ticket,” “original ticket,” “ticket receipt,” or “receipt” means the paper stock issued by the Lottery terminal which contains the playing area(s) and game play data for an individual game. The data may indicate the selection(s) made by a player or by the Quick Pick® feature. The ticket is given to the player upon payment for the selection(s) and is verification of the player’s numbers. The ticket may include a stub. “Original ticket” or “ticket” may refer to an “exchange ticket” if Advance Play® was previously selected. “Tickets” or “Lottery products” means Scratchers® game tickets and/or computerized Lottery game ticket(s) or share(s), collectively, unless stated otherwise.

“Ticket symbol” means the printed data in the play area on the front of the ticket which is used to determine eligibility for prizes or promotional awards pursuant to the working papers or game specifics, as appropriate.

“Ticket symbol captions” means the data printed on a ticket directly below each play symbol which repeats or explains the play symbols printed on that ticket.

“Ticket vendor(s)” means the company (ies) with which the Lottery contracts to produce tickets.

“Top Prize” means the highest level prize in both Lotto and Scratchers® games. In the SuperLOTTO Plus® game it is the jackpot prize. In the Mega Millions® game it is the grand/jackpot prize.

“Tradestyle” means a retailer category, conducting a similar operation, organization, or business, as determined by the Director.

“Typical prize amount” means the prize amount, in Hot Spot®, paid to winners as specified in these regulations.

“Typical prize pool” means the money, in Hot Spot®, that is allocated to certain prize levels that is shared among winners.

“Validation number” or “ticket validation number” means a unique multiple digit number which is printed on a cash authorization receipt or a claim authorization receipt (a file-a-claim receipt).

“Wagered prize fund” means the monies allocated for payment of each Hot Spot® draw, which includes any Hot Spot® prize monies carried over from previous draws. The wagered prize fund shall be continuously funded by an ongoing contribution of 63% of all Hot Spot® sales.

“Warning letter” means a written notice from the Director to a retailer advising of a violation of the provisions of the California Lottery Act, these regulations, the retailer contract, and/or Lottery policies, directives and/or instructions and informing the retailer that the Director may take action against the retailer’s contract if an additional violation occurs.

“Winning horses” or “winning horse names” means the three horse names and corresponding identification numbers randomly drawn by the Lottery for a particular Daily Derby® draw to be in first place, second place and third place, from a field of 12 horse names and identification numbers. Winning horses are used to determine a winning selection contained on a Daily Derby® ticket, as prescribed herein.

“Winning numbers” means the numbers randomly selected by the Lottery, which entitle the legitimate ticket holder to a prize.

“Winning race time” means the three numbers randomly drawn by the Lottery for the Daily Derby® which represents the seconds and hundredths of a second in a 1.4_ _ race time (i.e., 1.43.21), each number selected from a field of zero through nine, inclusive. Winning race time numbers are used to determine a winning selection contained on a Daily Derby® ticket, as prescribed herein.

“Winning Raffle Numbers” means the numbers randomly selected by the Lottery at a draw which entitle the legitimate ticket holder to a prize.

“Working papers” means a written document developed for each individual Scratchers® game which, when signed and executed, shall constitute the Lottery’s order for tickets for an individual game.

B. LOTTERY USE OF DEVICE TO DISPENSE TICKETS

The Lottery may utilize electronic and electromechanical devices to dispense tickets if all of the following requirements are met:

1. The ticket dispenser dispenses a paper or cardboard Lottery game ticket.
2. Scratchers® game tickets dispensed by the machine have an ascertainable value, a null prize value, or no prize value at the time the ticket is dispensed, provided that the prize value of the ticket is disclosed after:

- a. The ticket is dispensed from the machine; and
- b. The player has removed the coating from the face of the ticket;
3. The draw game tickets dispensed by the machine acquire a prize value as the result of a drawing that occurs after the tickets are dispensed;
4. Neither the ticket dispenser nor anything attached to it effects the probability that a ticket is or will be a winning ticket; and
5. If a ticket dispenser utilizes a television monitor or video screen, it may not display or reproduce a visual representation of a Lottery ticket that will be or has been dispensed from that Lottery ticket dispenser, but a television monitor or video screen may be used to transmit Lottery game messages and may be used to transmit whether a draw game ticket is a winning ticket after the results of the draw are known.
6. If a ticket dispensing machine dispenses both Scratchers® game tickets and draw game tickets, it must also meet the following requirements:
 - a. The Scratchers® game tickets and draw game tickets are dispensed from different parts of machine;
 - b. The Scratchers® game ticket dispensing component and the draw game ticket dispensing component function independently; and
 - c. If the machine includes any component, subcomponent, mechanism or feature that is capable of generating numbers or symbols for use in the play of a Lottery game, either directly or indirectly through an associated device, that component is only utilized by the part of the machine which dispenses draw game tickets.

C. ENTRY INTO THE DRAWING

1. Each selection made during the draw period will be placed into the appropriate play pool for which the ticket was purchased.
2. When using the Advance Play® or consecutive draw feature, a valid play selection made for each consecutive draw period shall be placed into each appropriately designated pool.

D. CANCELING A TICKET

This subsection does not apply to replay tickets.

A ticket for a single draw or a ticket using the Advance Play® or consecutive draw feature may be canceled by returning the ticket to the original selling retailer on the same day it is purchased, prior to pool closure. Canceling a

ticket voids the ticket and removes it from the pool for that draw. If an authorized Lottery retailer cancels a ticket, the Lottery shall not be obligated to pay any prize or promotional award to the holder of that ticket whether or not the ticket was canceled in error. The original selling retailer is prohibited from canceling a ticket unless the player returns the original ticket.

If a ticket is canceled in accordance with the provisions of this section, the terminal will issue a cancellation authorization receipt, and the player is entitled to a refund from the retailer equal to the purchase price of the ticket.

Mega Millions® tickets may not be cancelled. Mega Millions® sales are final.

E. RESPONSIBILITY FOR TICKET HANDLING AND ACCURACY

1. The player is solely responsible for the accuracy of the player's play selections and other data printed on the ticket. The Lottery will not be responsible for tickets printed in error or for any erroneous information on the ticket. The player's sole recourse is limited to cancellation of the erroneous ticket pursuant to these regulations.
2. The Lottery will not be responsible for lost or stolen tickets. Any stolen ticket, upon substantiation of its status as stolen, will be deemed void and ineligible for any prize.
3. Players are solely responsible for ascertaining whether they have won a prize and for claiming their prize, subject to verification by the Lottery.
4. The Lottery will not be responsible for tickets mailed or delivered to any address other than that designated by the Lottery for such purpose or which are delivered late, damaged, incomplete, or via postage-due mail or for claims not submitted and received within the claim period.

F. PURCHASES AND PRIZE RESTRICTIONS

1. A ticket may not be sold to, nor may a prize or promotional award of any game be paid to any ineligible person. Ineligible person includes, but is not limited to: (1) any person under the age of 18; (2) a Lottery contractor or subcontractor excluded by the terms of its contract from playing the Lottery; (3) anyone prohibited by law or regulation from purchasing California State Lottery tickets and/or winning California State Lottery prizes. If an ineligible individual makes a claim on a winning ticket for a prize, that prize will remain in the prize fund.
2. Restrictions on Mega Millions® Tickets

No Lottery Commissioner, officer or employee, or any spouse, child, brother, sister or parent residing as a member of the same household of any such person may purchase a Mega Millions® ticket in any state participating in the Mega Millions® game.

G. TICKET VALIDATION AND AUTHENTICATION REQUIREMENTS

1. FOR DRAW TICKETS

In addition to other requirements specified herein, the following requirements apply to validating and authenticating draw tickets.

- a. The ticket must have been issued by an authorized California retailer in an authorized manner for an applicable draw period.
- b. The ticket must have been legally obtained, be intact, and not be mutilated, altered, unreadable, reconstituted, misregistered, defective, incomplete or tampered with in any manner.
- c. The ticket data must have been recorded in the Lottery's central computer system prior to the draw and the information appearing on the ticket must correspond with the computer record, in which case the ticket will be deemed issued. A ticket will not be paid if apparent play selections on the ticket disagree with official winning numbers or objects or items on file at the Lottery's central computer for that ticket or if the ticket is not recorded in the Lottery's central computer system.
- d. Each play selection appearing on the ticket must be separately numbered, lettered, listed, and/or labeled.
- e. The serial number or validation number must appear in its entirety on the ticket and must correspond to the play selection(s) printed on the ticket for the date printed on the ticket.
- f. Every number printed on the ticket, whether selection, serial or validation number, date, or other entry, must be fully legible.
- g. The ticket must not be defectively printed or produced in error to an extent that it cannot be processed by the Lottery.
- h. The ticket must not be counterfeit, altered, stolen, canceled or voided.
- i. The ticket must not appear on any list of canceled, voided or forfeited tickets on file at the Lottery.
- j. All information appearing on the apparent winning ticket must appear in the Lottery's official file of winning tickets. Another ticket with identical data must not have been paid.

- k. The ticket must pass all additional confidential validation and authentication tests and security criteria established by the Lottery.
- l. The ticket must be validated in accordance with procedures described in the “Claiming a Prize” and “Governing Law” sections of these regulations.
- m. If the ticket fails to pass all the criteria set forth in this section, the ticket will be deemed void and ineligible for any prize. However, the Director may, solely at his/her option, replace a voided ticket with a ticket of equivalent sales price from any subsequent draw period. If an erroneous or defective ticket is issued and purchased, the bearer or claimant’s recourse is limited to the replacement, by the Lottery, of the defective or erroneous ticket with another ticket of equivalent sales price or reimburse the claimant for the cost of the disputed ticket. Replacement of the ticket is the bearer’s or claimant’s sole and exclusive remedy.
- n. The ticket must be validated on a Lottery terminal at a retailer location or at the Lottery, as applicable, prior to payment of a prize.
- o. If a player fails to submit a winning original ticket but does submit a claim form which is received by the Lottery within the claim filing period and passes all validation requirements for a prize or promotional award, the Lottery may make payment if the player’s claim is timely, based on substantial proof and otherwise eligible. Substantial proof consists of relevant evidence submitted by a claimant that a reasonable person would accept as adequate to support the conclusion that a valid winning ticket exists or once existed and that the claimant is the owner of such valid winning ticket. Such proof must be reasonable in nature, credible and trustworthy. The evidence will be evaluated in accordance with the Lottery’s established validation procedures to validate the claim. If the evidence submitted by the player provides substantial proof, the Lottery may make payment after the applicable claim period has expired. However, in no case may the top prize or the second level prize in Mega Millions® be awarded without submission of a winning original ticket.

2. FOR SCRATCHERS®

- a. Each Scratchers® ticket shall be validated prior to payment of a prize.
- b. A Scratchers® ticket shall comply with all of the following:
 - (1) The ticket shall not be stolen or appear on any list of omitted tickets on file at the Lottery.
 - (2) The ticket shall not be counterfeit or forged, in whole or in part.
 - (3) The ticket shall not be mutilated, altered, unreadable, reconstituted, or tampered with in any manner.
 - (4) The ticket shall not be fraudulent and shall have been legally obtained.
 - (5) The ticket shall have been issued by the Lottery in an authorized manner.
 - (6) The ticket shall not be blank, partially blank, misregistered, defective, or printed or produced in error.
 - (7) The ticket shall be readable.
 - (8) The ticket must be active in the Scratchers® automation system.
 - (9) The ticket shall have been received or recorded by the Lottery by applicable deadlines.
 - (10) The ticket shall not be lacking ticket symbol captions that confirm and agree with the ticket symbols required for the applicable individual Scratchers® game.
 - (11) The ticket shall pass the confidential validation and security tests appropriate to the applicable playstyle.
 - (12) The display printing on the ticket shall correspond precisely with the artwork on file at the Lottery.
 - (13) The validation number of an apparent winning ticket shall appear on the Lottery's official list of validation numbers of winning tickets. A ticket with that validation number shall not have been paid previously.

- (14) All of the ticket symbols shall have a ticket symbol caption underneath and each ticket symbol caption shall agree with its ticket symbol.
 - (15) Each of the ticket symbols shall have a ticket symbol caption underneath and each ticket symbol shall correspond to those shown in the working papers.
 - (16) Each ticket symbol, ticket symbol caption, ticket validation number and retailer validation code shall be printed in black or colored ink.
 - (17) Each of the ticket symbols, ticket symbol captions, ticket validation number, retailer validation code, game number, book-ticket number and split ticket code shall be right side up and not reversed in any manner.
 - (18) All ticket symbols, book-ticket numbers, ticket validation numbers, split ticket codes, and retailer validation codes shall be present in their entirety, be fully legible, and correspond precisely to the artwork on file at the Lottery as part of the game working papers.
 - (19) If a player fails to submit a winning original ticket, the Lottery may make payment if the player's claim is based upon substantial proof. Substantial proof consists of relevant evidence, submitted by a claimant, that a reasonable person would accept as adequate to support the conclusion that a valid winning ticket exists or once existed and that the claimant is the owner of such valid winning ticket. Such proof must be reasonable, credible and trustworthy. The evidence will be evaluated in accordance with the Lottery's established validation procedures to validate the claim.
- c. Any ticket not passing all the validation tests and requirements is void and ineligible for any prize and shall not be paid. The Director may, at his/her exclusive determination, reimburse the player for the cost of the void ticket.
 - d. If a defective ticket is purchased, the Lottery's only liability shall be reimbursement for the cost of the void ticket.

H. CLAIMING A PRIZE OR AWARD

1. General Regulations (Draw and Scratchers®)

- a. Individuals under 18 years of age and those named in Government Code section 8880.321(g) are ineligible to receive a prize. If an ineligible individual makes a claim for a prize either individually or as part of a group of claimants, that portion of the prize attributable to the ineligible claimant shall remain in the prize fund.
- b. All prize payments or promotional awards are subject to deductions and offsets, including taxes, as provided by law.
- c. Prize winnings shall be paid to a natural person. Natural person includes, when applicable, multiple persons as denoted on the multiple ownership claim form.
 - (1) Under unique conditions, the Director may allow prize winnings to be paid to someone other than a natural person. These other entities are:
 - (a) A non-profit 501-C corporation; or
 - (b) A revocable trust where the grantor is the winner and the trust is linked to the grantor's social security number.
- d. Prizes of \$600 or more shall be paid by the Lottery when the Lottery receives a valid claim.

2. Claim Period

a. Draw Games and Draw Test Games

- (1) Except for the Mega Millions® jackpot which must be claimed within one year after the draw in which the prize was won, no later than 180-calendar days from the winning draw date, prizes may be: (1) claimed at a retailer location if the total amount of the prize for a single play ticket is low tier of \$599 or less; or (2) claimed at the Lottery. The claim must be postmarked or received by the Lottery within the designated claiming period. Claim periods for promotional awards may be less than 180-calendar days from the end of the promotion period. Promotional claim periods must be published or broadcast by the Lottery in advance of the promotional draw. Any prize or promotional award not claimed within the period and in the manner specified

herein as well as on the playslip or in the play brochure, if any, will be forfeited.

b. Scratchers®

- (1) Prizes shall be claimed no later than 180 days after the announced end-of-game date for the individual game.
- (2) Any prize directly payable by the Lottery and not claimed within the period and in the manner specified shall be transferred to the public benefit as set forth in the California State Lottery Act.

3. Prizes or Promotional Awards of \$599 or Less

a. Claiming at a Lottery Retailer

- (1) To claim an individual prize or promotional award of \$599 or less per play at a Lottery retailer, including Advance Play®, the claimant must have the winning ticket validated on a terminal at an authorized retailer.
- (2) In presenting the ticket to a Lottery retailer for payment, the claimant must complete the information requested on the back of the ticket. Subject to subsection (5) below, and regardless of whether or not it sold the winning ticket, the retailer must pay the claimant on the presented ticket for an individual prize or promotional award provided that all of the ticket validation criteria as set forth in these regulations have been satisfied, the Lottery terminal indicates an authorization to pay by issuing a cash authorization receipt, and all other procedures required for a retailer by the Lottery have been performed.
- (3) The Lottery terminal payment authorization process is a preliminary procedure which the retailer can rely upon to pay a prize of \$599 or less. This payment authorization does not in itself establish entitlement to a prize. The game ticket remains subject to the rules of the game and validation directly by the Lottery under these regulations.
- (4) If the claimant used the consecutive draw or Advance Play® feature and the ticket has remaining eligibility for a future draw, and an authorized retailer has validated the ticket and the prize or promotional award has been paid, the retailer must give the claimant the exchange ticket to retain for any remaining draws.

- (5) Retailers are required to pay prizes on winning tickets as provided for in these regulations unless the Lottery has authorized an exception to this requirement for one of the following reasons: (1) established corporate policy does not allow a retailer to cash tickets with prizes up to and including \$599; (2) operation of the retail location demonstrates a security risk; or (3) the retailer has received permission from the Lottery to establish hours in the day for the payment of prizes.
- (6) Tickets for Draw Test Games, as defined in section I.A., may only be validated and prizes may only be claimed at test locations for a limited time. Thereafter, they must be submitted directly to the Lottery for validation and payment.

b. Claiming at the Lottery

- (1) Claims, including those made on Advance Play® or consecutive draw tickets, may be submitted to the Lottery headquarters or Lottery district office for processing. The claimant must complete the information required on the back of the ticket and should retain a copy of the ticket.
- (2) If the claimant has used the Advance Play® or consecutive draw feature, the Lottery will: (1) receive and retain the ticket for cashing; (2) process and authorize payment of the prize or promotional award if a Lottery terminal indicates an authorization to pay; (3) issue and keep the exchange ticket and monitor it for additional prizes, if any, won on the remaining draw(s); and (4) send the claimant a copy of the exchange ticket.
- (3) If the Lottery has received all of the required items, the Lottery will process the claim and authorize payment provided that all of the ticket validation criteria as set forth in these regulations have been satisfied and a proper validation authorization appears on the Lottery's computer. The claimant will subsequently receive a State Controller's Office warrant in the prize amount due less withholding and offsets, if any. If the Lottery determines the claim is not valid, it will deny the claim.

4. Prizes or Promotional Awards of \$600 or More
 - a. All valid winning tickets with at least one prize or promotional award of \$600 or more must be claimed pursuant to this section.
 - b. To claim a prize or promotional award of \$600 or more, the claimant must complete the information required on the back of the ticket and may present the winning ticket to an authorized retailer for validation on a Lottery terminal or present the winning ticket directly to the Lottery for claim processing. If the claimant presents the ticket to the retailer and the validation has been completed, the retailer must return the original ticket and provide a winner's claim form to the claimant. The retailer may also give a claim authorization receipt to the claimant. If the claimant has used the consecutive draw or Advance Play® feature, the retailer must also provide an exchange ticket to the claimant which the claimant should retain for the remaining plays on the ticket. The claimant must complete the claim form and submit it together with the original ticket directly to the Lottery. The claim authorization receipt may also be submitted with the claim form and original ticket. The claimant should retain copies of all items submitted.
 - c. Upon receipt of all of the required items, the Lottery will process the claim and authorize payment provided that all of the ticket validation criteria as set forth in these regulations have been satisfied and that a proper validation authorizing payment appears on the Lottery's computer. The claimant will subsequently receive a State Controller's Office warrant in the prize amount due, less any withholding and offsets. If the Lottery determines the claim is not valid, it will deny the claim and notify the claimant.
 - d. If the claimant has used the consecutive draw or Advance Play® feature and the claimant's winning ticket has eligibility remaining, the Lottery will: (1) receive and retain the ticket for cashing; (2) process and authorize payment of the prize or promotional award if a Lottery terminal indicates an authorization to pay; (3) determine if an exchange ticket has previously been issued to the player. If an exchange ticket has not been issued, the Lottery will issue and keep the exchange ticket and monitor it for prizes, if any, won on the remaining play(s); and (4) send the claimant a copy of the exchange ticket for his/her records.
 - e. Claims submitted to the Lottery pursuant to this section may be submitted to the Lottery headquarters or to a Lottery district office.

5. Regulations Specific to Scratchers®
 - a. Only one designated prize on a ticket shall be paid to a claimant unless otherwise specified in the applicable working papers.
 - b. Unless otherwise specified in the game's prize structure, prize payments of \$1,000,000 or more will be annuity payments. The first payment shall be made as soon as possible following the date that the prize was won and the Lottery has determined that the contestant complied with all applicable laws and regulations.

I. INTERRUPTION OF THE GAME

1. The Director may temporarily suspend or disable the game and/or any of its features or elements provided that:
 - a. In the case of emergency, as determined by the Director, the Lottery Commission receives prompt written notice of the action taken and the reason for the action;
 - b.. For non-emergency situations, the Lottery Commission is provided with advance written notice of the action taken and the reason for the action.
2. If a draw is interrupted or disrupted due to system problems:
 - a. The Director shall determine the appropriate corrective action to take. All tickets which were originally eligible for the draw shall remain eligible.

J. TERMINATION OF THE GAME

1. Draw Games

The Director may at any time announce a termination date for the game, after which date no further tickets shall be sold. If a game is terminated for any reason whatsoever, any prize monies which remain undistributed shall be held for a period of 180 days from the date of the last draw after which time all prize monies remaining undistributed shall revert to the California State Lottery Education Fund.

2. Scratchers®

The Director, at any time, may announce the end-of-game date for an individual game. If this occurs, no tickets shall be sold past the end-of-game date.

K. NUMBER AND VALUE OF PRIZES

A detailed tabulation of the estimated number of each particular prize denomination that is expected to be awarded in each lottery game, or the estimated odds of winning the prizes, shall be available at each location where tickets or shares are sold.

L. PURCHASE INCENTIVE AND PROMOTIONAL PROGRAMS

The Commission hereby delegates to the Director authority to implement such promotional programs, including the issuance of free tickets, from time to time as he or she may see fit.

M. PUBLIC DISCLOSURE OF WINNER'S NAME

1. The California State Lottery Commission finds that a winner's name, the name and location of the retailer who sold the winning ticket and the amount of prize (including gross amount and net payment, if applicable) may be public records under the California Public Records Act and therefore subject to public disclosure. The Lottery will not disclose personal information (e.g., age, home address, employer, phone number, etc.) without consent of the winner unless required by law.
2. The Lottery may announce the public information identified above in any manner determined by the Director, including via the news media.

N. DISPUTES

1. If a dispute arises between the Lottery and the ticket bearer or claimant concerning whether the ticket is a winning ticket and the ticket prize or promotional award has not been paid or the replay ticket has not been issued, as applicable, the Director may, at his/her sole discretion, replace the disputed ticket with a ticket of equivalent sales price or reimburse the claimant for the cost of the disputed ticket. This shall be the claimant's sole and exclusive remedy except as otherwise provided by these regulations.
2. Any dispute which a ticket claimant may have regarding denial of a claim for a prize or promotional award or refusal to issue a replay ticket shall be decided by the Director of the Lottery after the claimant has submitted his/her dispute in writing. The Director's decision shall be final.
3. Mega Millions® players agree by purchasing a Mega Millions® ticket that any dispute or claim arising out of Mega Millions® can only be pursued against the Party Lottery that sold the ticket, and that litigation, if any, may only be maintained against the selling Party Lottery and within the selling Party Lottery's state.

O. GOVERNING LAW

In purchasing a ticket, the player agrees to be bound by and must comply with California law, all Lottery regulations and final decisions of the Lottery, and all procedures and instructions established by the Lottery or Director for the conduct of the game.

II. GAME SPECIFIC REGULATIONS

A. DAILY DERBY® REGULATIONS

1. PURPOSE

The California Lottery shall conduct Daily Derby®, a draw game, pursuant to these regulations. For each draw, the Lottery will select three horse names and corresponding identification numbers (1 to 12), from a field of twelve horse names/numbers; and a race time, a set of three unique numbers (i.e., 0, 1, 9) each number selected from a field of zero through nine, inclusive. Players may win prizes for a particular draw if their horses and/or race time selection match identically those drawn by the Lottery.

2. METHOD OF PLAY

a. The following subsections specify how a player shall make his/her selections in Daily Derby®:

(1) Selection Cost

Each Daily Derby® selection shall sell for two dollars (\$2.00) per play per draw. Daily Derby® tickets may be purchased only through California Lottery authorized retailers.

(2) Play Selections

(a) A player must mark both his/her horse names/numbers and the race time selection(s), on a Daily Derby® playslip for input into a terminal. A player shall mark the Daily Derby® playslip as follows:

(i) First, a player shall either mark the three horse names with corresponding identification numbers in the position the horses will finish the race (first place, second place, third place), or mark Quick Pick® to have the Lottery computer make the horse name/number selection.

- (ii) Second, a player shall mark the race time by marking the set of three numbers (i.e., 0, 3, 4) or by marking Quick Pick® for race time and have the computer select the three numbers. The three numbers selected are the three digits, representing the seconds and hundredth of seconds in a 1.4_._ (i.e., 1.47.99) race time. If a player marks both Quick Pick® and his/her own numbers, depending on the type of terminal utilized, the terminal will either override the Quick Pick® selection and will issue a ticket containing the player's selected numbers or it will override the numbers selected by the player and will issue a ticket with a Quick Pick® selection. If a player fails to make a race time selection but has made a horse names/numbers selection as specified in subsection (a), the terminal will make and issue a ticket automatically with a Quick Pick® race time selection.
 - (iii) If the player does not mark the number of draws, one draw will automatically be selected and it will be for the next scheduled draw. A player may wager 2, 3, 4, 5, 7, and 14 consecutive draws on the same ticket.
- (b) A player may also verbally direct a retailer to activate the Quick Pick® selection process on the terminal to produce a ticket containing a randomly generated Daily Derby® play selection.
 - (c) The California Lottery has installed different types of terminals at retailer locations which at the exclusive discretion of the Lottery have been determined appropriate to the retailer location. Therefore, after the player has marked the playslip, the ticket may be obtained, depending on the retailer location, by either submitting the completed playslip to the retailer for processing on a terminal or by personally processing the playslip on a self-serve terminal (SST). A ticket may contain up to three Daily Derby® play selections (Play A, Play B, and Play C), each separately labeled.

- (d) A valid original Daily Derby® ticket shall be the only proof of a player's play selections and shall be the only valid evidence of eligibility for a prize or promotional award. A playslip shall have no pecuniary or prize value and shall not constitute evidence of purchase of the play selection(s) or of the particular horse names/numbers, horse positions, and race time numbers in the selection(s).

3. DETERMINATION OF PRIZE WINNERS

a. Draw Procedures

Daily Derby® draws shall be held seven days a week, Monday through Sunday, pursuant to methods, policies and procedures prescribed in writing by the Director prior to the draws. The time, place and day of such draws may be changed at the discretion of the Director. Draws shall be open to the public. Draw procedures are confidential to ensure the security, integrity, honesty and fairness of the draws.

b. Draw of the Winning Selection for Daily Derby®

The objective of a draw is to randomly select, via computerized or mechanical draw equipment, the three winning Daily Derby® horses with corresponding identification numbers in first place, second place and third place from the field of 12 horses; and the three race time numbers from three identical fields of zero to nine inclusive.

Holders of valid winning tickets for a given drawing bearing the horse's names/numbers in the identical place designation (first, second and third place) and/or the race time numbers selection drawn by the Lottery in that drawing may be entitled to a prize or promotional award in accordance with these regulations.

c. Determination of Valid Claims

- (1) In all cases, the determination of prize or promotional award winners shall be subject to the provisions of the Lottery Act, these regulations, official promotion rules and any requirements set out on the playslip or in play brochures.
- (2) A ticket is a bearer instrument until signed on the back by the ticket holder.

d. More than One Winner for a Daily Derby® Prize Category

If more than one Daily Derby® play selection is successful in matching the winning horses or race time numbers in a single draw, each play selection with the same winning horses or race time number shall share equally the respective Daily Derby® pools for the prize category at issue.

e. No more than One Prize for a Single Winning Horse Selection

Players are eligible to receive, subject to the validation requirements of these regulations, only the highest category prize or promotional award for each winning play selection. For example, a Trifecta (first, second and third place matching horses) winner will receive the prize for that prize level only and will not also receive an Exacta (matching the first and second place horses) or Win (matching the first place horse) prize. The Lottery shall not be responsible for tickets redeemed by a player at a Lottery retailer for a prize or promotional award lower than the largest prize or promotional award to which the player is entitled for the play selection.

4. ODDS AND PRIZES

a. Prize Pool

The available Daily Derby® prize pool will be approximately fifty percent (50%) of total sales for the Daily Derby® game period immediately preceding pool closure. The available prize pool includes sales for Advance Play® tickets purchased in prior Daily Derby® game draw periods for the draw. Prize pool allocations for the separate categories shall be apportioned as set forth below.

b. Odds of Winning Prizes and Prize Pool Allocations

Prize Fund Category	Prize Combinations	Percent of Prize Pool	Odds
Grand Prize	Match Trifecta & Race Time	14%	1:1,320,000
Trifecta	Match 1 st , 2 nd , & 3 rd Place Horses in Order	36%	1:1,321
Exacta	Match 1 st & 2 nd Place Horses in Order	16%	1:147
Win	Match 1 st Place Horses in Order	25%	1:13.2
Race Time	Match Race Time Exactly	5%	1:1,001
	Daily Derby® Reserve Prize Fund	4%	

Daily Derby® reserve prize fund will be used: when the prize for a category is \$1.99 or less and the prize is rounded up to \$2.00; for augmenting Daily Derby® prize pool categories; and for Daily Derby® promotions. The Director or designee is authorized to augment the Daily Derby® prize pool at his or her discretion.

c. Pool Amount for Prize Categories for Daily Derby® Draw Game

All Daily Derby® prize categories shall be paid on a pari-mutuel basis with each winning play selection in each prize category considered to be a single unit equal to one share of that prize category: Grand Prize, Trifecta, Exacta, Win, and Race Time. Daily Derby® players who match Exacta and Race Time or Win and Race Time, shall be paid the prize for both prize categories.

d. Amount of Shared Prize

Notwithstanding the allocations provided herein, shares in each prize category shall be rounded down to the nearest dollar (\$1.00) from the calculated amount; except in those cases where the share value is calculated at \$1.99 or less, in which case the share shall be rounded up to \$2.00. For Daily Derby®, all prize pool money which is left over after paying out the prizes that are rounded down shall remain in the prize pool and will be added to the grand prize category prize pool amount for that drawing after the category apportionments specified in these regulations have been made.

e. Rollover in Absence of Winner

If it is determined that there is no valid winning ticket for any one of the Daily Derby® prize categories (Grand Prize, Trifecta, Exacta, Win and Race Time) in any given drawing, all monies allocated for that prize category shall be carried forward or “rolled over” to the subsequent drawing and added to the grand prize category prize pool amount for the next drawing.

f. Value and Payment of Pari-mutuel Prizes

The prizes in the Daily Derby® prize categories shall consist of the cash amounts contained in the prize pool for each prize category at the time of the draw. Payments of such prizes shall be made to the winner(s) in a single cash payment.

B. DAILY 4 REGULATIONS

1. PURPOSE

The California Lottery will conduct a draw game pursuant to these regulations. This draw game will be known as DAILY 4, a number-match game.

2. METHOD OF PLAY

The following subsections specify how a player makes his/her selections in Daily 4:

a. Selection Cost

A Daily 4 selection will sell for \$1 per play, per draw. The Commission may, after public announcement, authorize a discount to permit the sale of a selection for an amount less than \$1. Daily 4 tickets may be purchased only through authorized Lottery retailers.

b. Making a Selection

To play Daily 4, a player picks a set of four numbers, one number from each of the four fields. The player then selects one of three playstyles: straight, box, or straight/box.

(1) Straight Play

A straight playstyle wins if the four numbers selected by the player exactly match the four numbers and the order of the numbers drawn by the Lottery. For example:

Player selects	Player wins if Lottery selects
1-2-3-4	1234

(2) Box Play

A box playstyle wins if the four numbers chosen by the player match, in any order, the four numbers drawn by the Lottery. If a player chooses four numbers and all four are different, then a player's ticket has twenty-four possible winning combinations. For example:

Player selects	Player wins if Lottery selects
1-2-3-4	1234, 1324, 1423, 1243, 1342, 1432, 2134, 2314, 2413, 2143, 2341, 2431, 3124, 3214, 3412, 3142, 3241, 3421, 4123, 4213, 4312, 4132, 4231, 4321

If a player chooses four numbers, two of which are the same, then a player's ticket has twelve possible winning combinations. For example:

Player selects	Player wins if Lottery selects
1-1-2-3	1123, 1132, 1213, 1231, 1321, 1312, 2311, 2113, 2131, 3211, 3112, 3121

If the player chooses four numbers, two sets of pairs, then the player's ticket has six possible winning combinations. For example:

Player selects	Player wins if Lottery selects
1-1-2-2	1122, 1212, 1221, 2211, 2121, 2112

If the player chooses four numbers, three of which are the same, then the player's ticket has four possible winning combinations. For example:

Player selects	Player wins if Lottery selects
1-1-1-2	1112, 1121, 1211, 2111

(3) Straight/Box Play

A straight/box-combination playstyle wins if the player's numbers match the numbers drawn by the Lottery, regardless of the order in which the player's numbers appear.

However, in a straight/box play, the player's \$1 play is split between the two playstyles. Because of the split, the potential payouts in each portion of a straight/box play are approximately half the prize amounts in the straight and/or box prize pool, but the odds of winning either straight or box play do not change.

By matching the winning numbers in the exact order, the player will win approximately half of the straight prize plus approximately half of the box prize. If the player matches the winning numbers in any other order, he/she will win approximately half of the box prize only.

For example:

Player selects	Player wins if Lottery selects
1-2-3-4	1234, 1324, 1423, 1243, 1342, 1432, 2134, 2314, 2413, 2143, 2341, 2431, 3124, 3214, 3412, 3142, 3241, 3421, 4123, 4213, 4312, 4132, 4231, 4321

If the retailer operates the Lottery terminal, the player's selections may be made as follows: (i) the player may select each play by verbally communicating his/her playstyle (straight, box, or straight/box) and the four numbers selected, as well as any desired options (Quick Pick®, Advance Play®, and/or multiple tickets) to the retailer; or (ii) the player may mark circles corresponding to the selection on a playslip and submit the playslip to the retailer. The retailer will then insert the playslip into the terminal or, if no playslip is used, depress the keys on the terminal that indicate the Daily 4 game and playstyle, number selections and any other options desired by the player. The terminal will issue a ticket containing the player's selections. A ticket may contain up to ten Daily 4 plays, each separately labeled, e.g., A through J. The retailer will give the player the ticket for proof of purchase of the selections made for that game period. Should a player fail to select a playstyle, the playstyle will be straight. Four identical numbers (i.e., 4-4-4-4) can only be played as a straight playstyle.

If the player uses a self-serve terminal (SST) the player may make his/her playstyle and numbers selections either by inserting a playslip marked with his/her selections into the terminal or by touching the appropriate Daily 4 icon on the terminal screen and then selecting the number of draws and/or options (Quick Pick® and/or Advance Play®) desired. The terminal will issue a ticket which the player must keep as proof of purchase of his/her selections for the specified game periods.

3. DETERMINATION OF PRIZE WINNERS

a. Draw Procedures

Daily 4 draws will be held once a day, seven days a week, pursuant to methods, policies and procedures prescribed in writing by the Director prior to the draws. Subject to prior notice, the time, place, frequency and day of such draws may be changed at the discretion of the Director. Draws will be open to the public.

b. Draw of the Winning Selection for Daily 4

The objective of a draw is to randomly select, with the aid of computerized or mechanical draw equipment, the four winning Daily 4 numbers from four identical fields.

Holders of valid winning tickets for a given drawing may be entitled to a prize or promotional award in accordance with these regulations.

c. Determination of Valid Claims

(1) In all cases, the determination of prize or promotional award winners will be subject to the provisions of the California Lottery Act, these regulations, official promotion rules and any requirements set out on the playslip or in play brochures.

(2) A ticket is a bearer instrument until signed on the back.

4. ODDS AND PRIZES

a. Odds of Winning Prizes and Prize Fund Allocations

Prize Levels Value Per Prize Level for \$1 Wager	Odds 1:	Pari-mutuel Share
Straight Match four numbers in exact order	10,000	12.5
Box Match four numbers in any order		
Box Four Unique- match numbers in any order	417	.5
Box Two Same- match in any order, two same numbers and two different numbers	833	1
Box Two Same pairs- match in any order, two sets of same numbers	1667	2
Box Three Same- match in any order, three same numbers and one different number	2500	3
Straight/Box Match four numbers in exact or any order		
Box 4 Unique - match numbers in any order	417	
Straight/Box		6.5
Box		.25

Box 2 same - match in any order, two same numbers and two different number	833	
Straight/Box		6.75
Box		.5
Box 2 same pairs - match in any order , two sets of same numbers	1667	
Straight/Box		7.25
Box		1
Box 3 same - match in any order, three same numbers and one different number	2500	
Straight/Box		7.75
Box		1.5

b. Prize Pool

The available Daily 4 prize pool will be 48.5% of total sales for the draw period immediately preceding the drawing for which the winners are determined, including sales for Advance Play® tickets purchased in prior draw periods for this draw pool, and with such augmentations as may be authorized by the Lottery from time to time.

c. Daily 4 prizes will be paid on a pari-mutuel basis per prize level according to the following formula:

(1) Share calculations

- (a) Multiply the number of winning selections in each prize level by the share value, identified above, assigned to that prize level.
- (b) Perform the calculation in subparagraph (1) for all prize levels.
- (c) Add the results of the prize level calculations to determine the total shares won for that draw.
- (d) Divide the available prize pool by the total shares won to produce the pari-mutuel per share prize amount.

(2) Prize Calculations

- (a) For all prize levels, except \$1 Box levels, multiply the per share prize amount by the share value for that prize level.
 - (b) For \$1 Box prize levels, multiply the corresponding Straight/Box prize level by 2.
 - (c) For prize structures without the Straight/Box playstyle, multiply the per share prize amounts by the share value for that prize level.
- d. The prize amount in each prize level will be rounded down to the nearest dollar amount from the calculated amount, except in those cases where the share is calculated at 99 cents or less, in which case the share will be rounded up to \$1. All prize breakage which results from the rounding of prizes may be used to supplement subsequent Lottery prizes.
- e. If there is no valid winning ticket for a particular draw, all prize pool money will be carried forward, or “rolled over,” and added into the prize pool for the subsequent draw.

C. DAILY 3 REGULATIONS

1. PURPOSE

The California Lottery will conduct a draw game pursuant to these regulations. This draw game will be known as DAILY 3, a number-match game.

2. METHOD OF PLAY

The following subsections specify how a player makes his/her selections in Daily 3:

a. Selection Cost

A Daily 3 selection will sell for \$1 per play, per draw. The Commission may, after public announcement, authorize a discount to permit the sale of a selection for an amount less than \$1. Daily 3 tickets may be purchased only through authorized Lottery retailers.

b. Making a Selection

To play Daily 3, a player picks a set of three numbers, one number from each of the three fields. The player then selects one of three playstyles: straight, box, or straight/box.

(1) Straight Play

A straight playstyle wins if the three numbers selected by the player exactly match the three numbers and the order of the numbers drawn by the Lottery. For example:

Player selects	Player wins if Lottery selects
1-2-3	1-2-3

(2) Box Play

A box playstyle wins if the three numbers chosen by the player match, in any order, the three numbers drawn by the Lottery. If a player chooses three numbers and all three are different, then a player's ticket has six possible winning combinations. For example:

Player selects	Player wins if Lottery selects
1-2-3	1-2-3, 1-3-2, 2-1-3, 2-3-1, 3-1-2, 3-2-1

If a player chooses three numbers, two of which are the same, then a player's ticket has three possible winning combinations. For example:

Player selects	Player wins if Lottery selects
1-2-2	1-2-2, 2-1-2, 2-2-1

(3) Straight/Box Play

A straight/box-combination playstyle wins if the player's numbers match the numbers drawn by the Lottery, regardless of the order in which the player's numbers appear.

However, in a straight/box play, the player's \$1 play is split between the two playstyles. Because of the split, the potential payouts in each portion of a straight/box play are approximately half the prize amounts in the straight and box prize pool, but the odds of winning either straight or box play do not change.

By matching the winning numbers in the exact order, the player will win approximately half of the straight prize plus approximately half of the box prize. If the player matches the winning numbers in any other order, he/she will win approximately half of the box prize only.

For example:

Player selects	Player wins if Lottery selects
1-2-3	1-2-3, 1-3-2, 2-1-3, 3-1-2, 3-2-1

If the retailer operates the Lottery terminal, the player's selections may be made as follows: (i) the player may select each play by verbally communicating his/her playstyle (straight, box, or straight/box) and the three numbers selected, as well as any desired options (Quick Pick®, Advance Play®, and/or multiple tickets) to the retailer; or (ii) the player may mark circles corresponding to the selection on a playslip and submit the playslip to the retailer. The retailer will then insert the playslip into the terminal or, if no playslip is used, depress the keys on the terminal that indicate the Daily 3 game and playstyle, number selections and any other options desired by the player. The terminal will issue a ticket containing the player's selections. A ticket may contain up to ten Daily 3 plays, each separately labeled, e.g., A through J. The retailer will give the player the ticket for proof of purchase of the selections made for that game period. Should a player fail to select a playstyle, the playstyle will be straight. Three identical numbers (i.e., 3-3-3) can only be played as a straight playstyle.

If the player uses a self-serve terminal (SST) the player may make his/her playstyle and numbers selections either by inserting a playslip marked with his/her selections into the terminal or by touching the appropriate Daily 3 icon on the terminal screen and then selecting the number of draws and/or options (Quick Pick® and/or Advance Play®) desired. The terminal will issue a ticket which the player must keep as proof of purchase of his/her selections for the specified game periods.

3. DETERMINATION OF PRIZE WINNERS

a. Draw Procedures

Daily 3 draws will be held twice a day, seven days a week, pursuant to methods, policies and procedures prescribed in writing by the Director prior to the draws. Subject to prior notice, the time, place, frequency and day of such draws may be changed at the discretion of the Director. Draws will be open to the public.

b. Draw of the Winning Selection for Daily 3

The objective of a draw is to randomly select, with the aid of computerized or mechanical draw equipment, the three winning Daily 3 numbers from three identical fields.

Holders of valid winning tickets for a given drawing may be entitled to a prize or promotional award in accordance with these regulations.

c. Determination of Valid Claims

(1) In all cases, the determination of prize or promotional award winners will be subject to the provisions of the California Lottery Act, these regulations, official promotion rules and any requirements set out on the playslip or in play brochures.

(2) A ticket is a bearer instrument until signed on the back.

4. ODDS AND PRIZES

a. Odds of Winning Prizes and Prize Fund Allocations

Prize Levels Value Per Prize Level for \$1 Wager	Odds	Pari-mutuel Share
Straight Match three numbers in exact order	1:1,000	12.5
Box Match three numbers in any order		
Three Unique numbers	6:1,000	2
Two duplicate numbers	3:1,000	4
Straight/Box Match three numbers in exact or any order		
Three Unique Numbers Straight Portion	1:1,000	7.25
Three Unique Numbers Box Portion	6:1,000	1
Two Duplicate Numbers Straight Portion	1:1,000	8.25
Two Duplicate Numbers Box Portion	3:1,000	2

b. Prize Pool

The available Daily 3 prize pool will be 50% of total sales for the draw period immediately preceding the drawing for which the winners are determined, including sales for Advance Play® tickets purchased in prior draw periods for this draw pool, and with such augmentations as may be authorized by the Lottery from time to time.

c. Daily 3 prizes will be paid on a pari-mutuel basis per prize level according to the following formula:

(1) Share calculations

- (a) Multiply the number of winning selections in each prize level by the share value, identified above, assigned to that prize level.
- (b) Perform the calculation in subparagraph (a) for all seven prize levels.
- (c) Add together the results of the seven calculations to produce the total shares won for that draw.
- (d) Divide the available prize pool by the total shares won to produce the pari-mutuel per share prize amount.

(2) Prize Calculations

- (a) For all prize levels, except \$1 Box levels, multiply the per share prize amount by the share value for that prize level.
- (b) For \$1 Box prize levels, multiply the corresponding Straight/Box prize level by 2.

d. The prize amount in each prize level will be rounded down to the nearest dollar amount from the calculated amount, except in those cases where the share is calculated at 99 cents or less, in which case the share will be rounded up to \$1. All prize breakage which results from the rounding of prizes may be used to supplement subsequent Lottery prizes.

e. If there is no valid winning ticket for a particular draw, all prize pool money will be carried forward, or “rolled over,” and added into the prize pool for the subsequent draw.

D. FANTASY 5 REGULATIONS

1. PURPOSE

The Lottery shall conduct Fantasy 5, a number-match draw game. The Lottery will draw five numbers from a field of one to 39, inclusive.

2. METHOD OF PLAY

The following subsections specify how a player makes Fantasy 5 selections.

a. Selection Cost

Each Fantasy 5 selection will sell for \$1. The Commission may, after public announcement, authorize a discount to permit the sale of a selection for an amount less than \$1. Each player may make up to five separate selections on each playslip.

b. Making a Selection

- (1) A player must make selection(s) and choose features (e.g. Quick Pick® or Advance Play®) on a Fantasy 5 playslip or self-service terminal, or communicate his or her selection(s) to a retailer for input into a Lottery clerk-activated terminal.
- (2) To use the Advance Play® feature for Fantasy 5, a player may play his/her selection(s) for up to twelve consecutive draws.
- (3) A valid original Fantasy 5 ticket receipt will be the only proof of a player's selection and will be the only valid instrument for claiming a prize or promotional award. A playslip will have no pecuniary or prize value and will not constitute evidence of purchase of the selection or the particular numbers in the selection.

3. DETERMINATION OF PRIZE WINNERS

a. Draws

Fantasy 5 draws will be held seven days a week pursuant to methods, policies, and procedures prescribed in writing by the Director prior to the draws. The time, place, and day of such draws may be changed at the discretion of the Director. Draws will be open to the public.

The objective of a draw is to randomly select, via computerized or mechanical draw equipment, the five winning Fantasy 5 numbers from the field.

Players holding a ticket for a given drawing that bears the winning numbers drawn, in whole or in part and irrespective of order, may be entitled to a prize or promotional award in accordance with these regulations.

b. More than One Winner in a Fantasy 5 Prize Category: Pari-mutuel

If more than one player matches the winning numbers in any category of a Fantasy 5 draw, each player will share equally the respective Fantasy 5 prize pool for the category at issue, with the exception of the two of five category which has a free replay ticket prize.

c. More than One Prize for a Single Winning Selection

Players are eligible to receive, subject to the validation requirements of these regulations, only the highest category prize or promotional award for each winning selection. For example, a five of five winner will receive the five of five prize only but will not receive a four of five, three of five, and/or two of five prize. The Lottery will not be responsible for tickets claimed by a player in error at a Lottery retailer for a prize or promotional award lower than the highest category prize or promotional award for the selection.

d. Replay Ticket for a Match Two Ticket

A player whose ticket receipt matches two of the numbers drawn in an applicable Fantasy 5 draw is eligible to receive a replay ticket. All replay tickets will be Quick Pick® selections and will be issued automatically by a Lottery terminal at the time the original match two ticket is validated by a retailer. Replay tickets are valid for the draw occurring at the conclusion of the game period in which they are issued, and are not cancelable.

e. Determination of Valid Claims

(1) In all cases, the determination of prize or promotional award winners will be subject to the California State Lottery Act, these regulations, official promotion rules and any requirements set forth on the playslip or in play brochures.

(2) A ticket is a bearer instrument until signed on the back by the ticket holder.

4. NUMBER, VALUE AND PAYMENT OF PRIZES

a. Odds for Fantasy Five Draw Game

The following odds apply to the Fantasy 5 draw game

Match	Odds	Pari-mutuel share
All 5 of 5	1:575,757	30%
Any 4	1:3,387	27%
Any 3	1:103	35%
Any 2	1:10	0% ³
Reserve Prize Fund		8%

b. Pool Amount for Prize Categories for Fantasy 5 Draw Game

The prizes in the Fantasy 5 five of five, four of five, and three of five prize categories will be paid to the winner(s) in a single cash payment on a pari-mutuel basis. The available Fantasy 5 prize pool will be approximately 46 percent of total sales for the Fantasy 5 draw game period immediately preceding pool closure including sales for Advance Play® tickets for the draw pool plus such augmentations as may be authorized.

c. Value of Shares

Notwithstanding the allocations contained herein, shares in each prize category will be rounded down to the nearest dollar from the calculated amount, and each winning selection in each prize category, except the two of five category, will be considered to be a single unit equal to one share of that prize category. All money which is left over after paying out the rounded prizes will be transferred into the prize payment fund for the subsequent drawing and added to the five of five category prize pool amount for that drawing, after the category apportionments specified in these regulations have been made.

d. Rollover in Absence of Winner

If it is determined that there is no valid winning ticket for any one of the Fantasy 5 five of five, four of five, or three of five prize categories in any given drawing, all monies allocated for that prize category will be carried forward or "rolled over" to the subsequent drawing and added to the five of five category prize pool amount for that drawing, after the category apportionment specified in these regulations have been made.

³ Players matching 2 of 5 numbers drawn and tickets claimed pursuant to these regulations are eligible to receive a free replay ticket (Quick Pick® only) for the very next scheduled Fantasy 5 game drawing after validation of the match two ticket.

E. HOT SPOT® REGULATIONS

1. PURPOSE

The California State Lottery (Lottery) will conduct a draw game called Hot Spot® pursuant to these regulations. Hot Spot® players select from one to 10 numbers from a field of 80 numbers. The Lottery will draw 20 winning numbers from the same field. Depending on the numbers matched, players may win a prize.

2. METHOD OF PLAY

a. Selection Cost

A Hot Spot® selection costs \$1. At the player's option, he/she may play \$1, \$2, \$3, \$4, \$5, \$10 or \$20 worth of selections per drawing. The Commission may, after public announcement, authorize a discount to permit the sale of a selection for an amount less than \$1.

b. Play Selections

(1) A player may indicate his/her spot selections on a Hot Spot® playslip for input into a terminal as follows:

(a) A player must select and mark the number of numbers (the spot) the player intends to match from the 20 numbers selected by the Lottery. The player may select and mark a spot for one through 10 numbers.

(b) A player may use the Quick Pick® feature or mark his/her own set of numbers from one through 80 in the Hot Spot® play area. If Quick Pick® is selected, the same number of numbers corresponding to the spot selected by the player will be randomly selected, i.e., if the 5 spot is selected and marked, five numbers from the field of 80 numbers will be randomly selected. A player who marks his/her own numbers must mark the same number of numbers as the spot he/she selected, i.e., if the 4 spot is selected and marked the player must select four numbers. If a player marks both Quick Pick® and his/her own numbers, depending on the type of terminal utilized, the terminal will either override the Quick Pick® selection and will issue a ticket containing the player's selected numbers, or it will

override the numbers selected by the player and will issue a ticket with a Quick Pick® selection.

- (c) A player must indicate the amount of the wager for each play (i.e., \$1 \$2, \$3, \$4, \$5, \$10 or \$20). If the player does not mark the amount of the wager, \$1 will be automatically selected.
 - (d) A player may mark two, three, four, five, 10, 20, 50 or 100 consecutive draws to wager on the same ticket. If the player does not indicate the number of draws, one draw (the next draw) will automatically be selected.
 - (e) Hot Spot® players may not play more than \$100 per ticket. Selections costing more than \$100 will not be processed.
- (2) After the playslip has been marked, the ticket may be obtained, depending on the retailer location, either by submitting the completed playslip to the retailer for processing on a terminal or by personally processing the playslip on a self-serve terminal.
 - (3) A ticket is the only proof of a player's selection and is the only valid evidence of eligibility for claiming a prize or promotional award. A playslip has no pecuniary or prize value and does not constitute evidence of purchase of the selection(s) or the particular numbers in the selection(s).

3. DETERMINATION OF HOT SPOT® WINNERS

a. Draw Procedures and Drawings

Draws will be conducted pursuant to these regulations and pursuant to methods, policies and procedures prescribed in writing by the Director prior to the draws. The draw procedures will remain confidential to ensure the security, integrity, honesty and fairness of the drawings.

Hot Spot® draws will be held every day of the week during established hours unless a disruption, as described in these regulations, occurs. The time, place and frequency of such draws may be changed at the discretion of the Director.

b. Draw of the Winning Numbers for Hot Spot®

A computer programmed solely for that purpose will randomly select 20 unique winning numbers from a field of 80 numbers (one through 80, inclusive) using computerized draw equipment. These 20 numbers will constitute the set of winning numbers for that draw.

An owner of a valid winning ticket for a given draw that bears the winning numbers drawn in that drawing, in whole or in part and irrespective of the order of the numbers drawn, may be entitled to a prize or promotional award in accordance with these regulations.

Any numbers displayed on monitors are informational and for entertainment purposes only and are not for the purpose of validation of a winning ticket. All tickets are subject to the validation and authentication provisions in these regulations.

c. No More than One Prize for a Single Hot Spot® Winning Selection

Hot Spot® players are eligible to receive, subject to the validation requirements of these regulations, only the highest prize level or promotional award for each winning Hot Spot® selection (i.e., a 5 spot/5 match winner will receive the 5 spot/5 match prize only, but will not receive the 5 spot/4 match prize, 5 spot/3 match prize, etc.). The Lottery is not responsible for prizes paid at a retailer location and accepted by a player in error for a prize or promotional award lower than the highest prize level or promotional award for the selection.

d. Determination of Valid Claims

- (1) In all cases, the determination of prize or promotional award winners is subject to the California State Lottery Act, these regulations, and the requirements set out on the playslip or in play brochures, if any.
- (2) A ticket is a bearer instrument until signed on the back by the ticket holder.

4. ODDS, VALUE, AND PAYMENT OF PRIZES

a. Odds

Prize Level	Odds
1 Spot	Overall Odds 1:4
Match 1 of 1	1:4
Match 0 of 1	1:1.3
2 Spot	Overall Odds 1:16.6
Match 2 of 2	1:16.6
3 Spot	Overall Odds 1:6.6
Match 3 of 3	1:72.1
Match 2 of 3	1:7.2
4 Spot	Overall Odds 1:3.9
Match 4 of 4	1:326.4
Match 3 of 4	1:23.1
Match 2 of 4	1:4.7
5 Spot	Overall Odds 1:10.3
Match 5 of 5	1:1,550.6
Match 4 of 5	1:82.7
Match 3 of 5	1:11.9
6 Spot	Overall Odds 1:6.2
Match 6 of 6	1:7,752.8
Match 5 of 6	1:323
Match 4 of 6	1:35
Match 3 of 6	1:7.7
7 Spot	Overall Odds 1:4.2
Match 7 of 7	1:40,979.3
Match 6 of 7	1:1,366
Match 5 of 7	1:115.8
Match 4 of 7	1:19.2
Match 3 of 7	1:5.7
8 Spot	Overall Odds 1:9.2
Match 8 of 8	1:230,114.6
Match 7 of 8	1:6,232.3
Match 6 of 8	1:422.5
Match 5 of 8	1:54.6
Match 0 of 8	1:11.3
9 Spot	Overall Odds 1:9.7
Match 9 of 9	1:1,380,687.6
Match 8 of 9	1:30,681.9
Match 7 of 9	1:1,690.1
Match 6 of 9	1:174.8
Match 5 of 9	1:30.7
Match 0 of 9	1:15.7

10 Spot	Overall Odds 1:9.1
Match 10 of 10	1:8,911,711.2
Match 9 of 10	1:163,381.4
Match 8 of 10	1:7,384.5
Match 7 of 10	1:620.7
Match 6 of 10	1:87.1
Match 5 of 10	1:19.4
Match 0 of 10	1:21.8

b. Typical Prize Amounts and Typical Prize Pools

- (1) To the extent supported by the wagered prize fund, the following typical prize amounts and typical prize pools will be paid. Players who wager more than \$1 per play can win the typical prize amount multiplied by the total dollars wagered for those prize levels designated with typical prize amounts:

Prize Level	Typical Prize Amount	Typical Prize Pool
1 Spot		
Match 1	\$2	
2 Spot		
Match 2	\$9	
3 Spot		
Match 3	\$26	
Match 2	\$2	
4 Spot		
Match 4	\$75	
Match 3	\$5	
Match 2	\$1	
5 Spot		
Match 5	\$450	
Match 4	\$16	
Match 3	\$2	
6 Spot		
Match 6	\$900	
Match 5	\$60	
Match 4	\$5	
Match 3	\$1	
7 Spot		
Match 7	\$2,000	
Match 6	\$150	
Match 5	\$10	
Match 4	\$3	
Match 3	\$1	
8 Spot		

Match 8	See (2) below	\$10,000
Match 7	\$575	
Match 6	\$75	
Match 5	\$10	
Match 0	\$1	
9 Spot		
Match 9	See (2) below	\$30,000
Match 8	\$2,750	
Match 7	\$125	
Match 6	\$25	
Match 5	\$5	
Match 0	\$1	
10 Spot		
Match 10	See (2) below	\$100,000
Match 9	\$5,000	
Match 8	\$575	
Match 7	\$40	
Match 6	\$15	
Match 5	\$2	
Match 0	\$3	

- (2) When players match any prize level where typical prize pools are used, they will share the prize. The dollar amount of any shared prizes shall be truncated to whole dollars. If there is only one winning selection for a typical prize pool, that selection will be entitled to the entire prize pool amount.
- (3) In the event that the wagered prize fund is not sufficient to pay typical prize amounts or typical prize pools, prize amounts will be reduced and truncated to whole dollars in sequence as follows until the wagered prize fund is sufficient to pay the reduced prize amounts:
- (a) All typical prize pools and typical prize amounts of \$2,000 or more will be reduced by as much as 20% by stepping down payouts in 1% increments. If this is still not sufficient, then:
 - (b) All typical prize amounts of \$100 or more will be reduced by as much as 20%, by stepping down payouts in 1% increments. If this is still not sufficient then:
 - (c) All typical prize amounts of \$5 or more will be reduced by as much as 20%, by stepping down payouts in 1% increments.

- (4) In the event the wagered prize fund is still not sufficient to pay all prizes after the above steps have been taken, a maximum 40% reduction using identical 1% step-down increments will be applied to the preceding three prize amount categories, in sequence.
- (5) In the event the wagered prize fund is still not sufficient to pay all prizes, a maximum 40% reduction using identical 1% step-down increments will be applied to prizes of \$2 or more.
- (6) In the event that the wagered prize fund is still not sufficient, the prize reduction sequence for the preceding four prize amount categories (\$2,000 or more, \$100 or more, \$5 or more, and \$2 or more) will be moved to a maximum 60% prize amount reduction.
- (7) In the event the wagered prize fund is still not sufficient, prize amounts will be reduced in subsequent 1% increments cycling through the four prize amount categories.
- (8) In no event shall any prize be reduced to less than \$1

5. INTERRUPTION (DISRUPTION) OF THE DRAW(S)

If a draw is interrupted or disrupted due to system problems, the pool for that draw will remain open until the problem is corrected and the system is completely operational. When it is operational, the pool will be closed at the next four-minute interval and the draw will be conducted.

6. PROMOTIONAL PROGRAMS AND PRIZE AUGMENTATIONS

The Commission hereby delegates to the Director authority to implement prize augmentations and promotional programs, including the issuance of free tickets, from time to time as he or she may see fit. The Director shall implement prize augmentations and promotional programs as a means of keeping the wagered prize fund from exceeding \$2,900,000.

7. YEAR END PRIZE LIABILITY LIQUIDATION

The Director shall establish procedures to ensure that the balance of money in the wagered prize fund at the end of any given fiscal year is liquidated by the subsequent use of prize augmentations associated with specific and designated promotional events

8. BULLS-EYE® FEATURE

Bulls-Eye® is a feature of the Hot Spot® game which may be available for any given draw at the discretion of the Director. One of the 20 numbers drawn for a particular Hot Spot® play will be the Bulls-Eye® number. Hot Spot® regulations apply to the Bulls-Eye® feature, except as noted below.

a. How to Play

In order to play the Bulls-Eye® feature, a player must play Hot Spot® and mark the Bulls-Eye® option on the Hot Spot® playslip. Players do not select additional numbers for Bulls-Eye® play. If the winning Bulls-Eye® number is among the numbers selected by a player for a particular Hot Spot® play, the player wins the Bulls-Eye® prize for that draw.

b. Cost

Bulls-Eye® requires an additional cost of at least \$1 per play per draw. When the Bulls-Eye® feature is selected, the amount wagered for Bulls-Eye® must equal the amount wagered for Hot Spot®. For example, if \$3 is wagered on Hot Spot®, then the Bulls-Eye® wager must be \$3, for a total wager of \$6.

c. No More than One Prize for a Single Bulls-Eye® Winning Selection

Bulls-Eye® players are eligible to receive, subject to the validation requirements of these regulations, only the highest prize level or promotional award for each winning selection. The Lottery is not responsible for prizes paid at a retailer location and accepted by a player in error for a prize or promotional award lower than the highest prize level or promotional award for the selection.

d. Bulls-Eye® Odds

Wager for Hot Spot® & Bulls-Eye®

Prize Level	Odds
1 Spot	Overall Odds 1:80
Match Bulls-Eye® Only	1:80
2 Spot	Overall Odds 1:40
Match 1 + Bulls-Eye®	1:166.3
Match Bulls-Eye® Only	1:52.7
3 Spot	Overall Odds 1:26.7
Match 2 + Bulls-Eye®	1:480.5
Match 1+ Bulls-Eye®	1:72.1
Match Bulls-Eye® Only	1:46.4
4 Spot	Overall Odds 1:20
Match 3 + Bulls-Eye®	1:1,632.2
Match 2 + Bulls-Eye®	1:154.4
Match 1 + Bulls-Eye®	1:47
Match Bulls-Eye® Only	1:46.2
5 Spot	Overall Odds 1:16
Match 4 + Bulls-Eye®	1:6,202.3
Match 3 + Bulls-Eye®	1:413.5
Match 2 + Bulls-Eye®	1:79.4
Match 1 + Bulls-Eye®	1:37.0
Match Bulls-Eye® Only	1:49.3
6 Spot	Overall Odds 1:13.3
Match 5 + Bulls-Eye®	1:25,842.8
Match 4 + Bulls-Eye®	1:1,292.1
Match 3 + Bulls-Eye®	1:175.2
Match 2 + Bulls-Eye®	1:51.4
Match 1 + Bulls-Eye®	1:32.4
Match Bulls-Eye® Only	1:55
7 Spot	Overall Odds 1:11.4
Match 6 + Bulls-Eye®	1:117,083.8
Match 5 + Bulls-Eye®	1:4,553.3
Match 4 + Bulls-Eye®	1:463
Match 3 + Bulls-Eye®	1:95.8
Match 2 + Bulls-Eye®	1:38.1
Match 1 + Bulls-Eye®	1:30.6
Match Bulls-Eye® Only	1:63.5

8 Spot	Overall Odds 1:10
Match 7 + Bulls-Eye®	1:575,286.5
Match 6 + Bulls-Eye®	1:17,806.5
Match 5 + Bulls-Eye®	1:1,408.4
Match 4 + Bulls-Eye®	1:218.5
Match 3 + Bulls-Eye®	1:61.3
Match 2 + Bulls-Eye®	1:31
Match 1 + Bulls-Eye®	1:30.5
Match Bulls-Eye® Only	1:75.1
9 Spot	Overall Odds 1:8.9
Match 8 + Bulls-Eye®	1:3,068,194.8
Match 7 + Bulls-Eye®	1:76,704.9
Match 6 + Bulls-Eye®	1:4,828.9
Match 5 + Bulls-Eye®	1:582.8
Match 4 + Bulls-Eye®	1:122.7
Match 3 + Bulls-Eye®	1:43.8
Match 2 + Bulls-Eye®	1:27.1
Match 1 + Bulls-Eye®	1:31.6
Match Bulls-Eye® Only	1:90.6
10 Spot	Overall Odds 1:8
Match 9 + Bulls-Eye®	1:17,823,422.4
Match 8 + Bulls-Eye®	1:363,069.7
Match 7 + Bulls-Eye®	1:18,461.2
Match 6 + Bulls-Eye®	1:1,773.4
Match 5 + Bulls-Eye®	1:290.4
Match 4 + Bulls-Eye®	1:77.8
Match 3 + Bulls-Eye®	1:33.9
Match 2 + Bulls-Eye®	1:24.9
Match 1 + Bulls-Eye®	1:33.9
Match Bulls-Eye® Only	1:111.4

e. Bulls-Eye® Typical Prize Amounts and Typical Prize Pools

To the extent supported by the wagered prize fund, the following typical prize amounts and typical prize pools will be paid. Players who wager more than \$1 per play can win the typical prize amount multiplied by the total dollars wagered for those prize levels designated with typical prize amounts:

Prize Level	Typical Prize Amount	Typical Prize Pool
1 Spot		
Match Bulls-Eye® Only	\$44	
2 Spot		
Match 1 + Bulls-Eye®	\$55	
Match Bulls-Eye® Only	\$12	
3 Spot		
Match 2 + Bulls-Eye®	\$125	
Match 1 + Bulls-Eye®	\$15	
Match Bulls-Eye® Only	\$6	
4 Spot		
Match 3 + Bulls-Eye®	\$200	
Match 2 + Bulls-Eye®	\$30	
Match 1 + Bulls-Eye®	\$10	
Match Bulls-Eye® Only	\$4	
5 Spot		
Match 4 + Bulls-Eye®	\$500	
Match 3 + Bulls-Eye®	\$60	
Match 2 + Bulls-Eye®	\$12	
Match 1 + Bulls-Eye®	\$6	
Match Bulls-Eye® Only	\$3	
6 Spot		
Match 5 + Bulls-Eye®	\$1,000	
Match 4 + Bulls-Eye®	\$150	
Match 3 + Bulls-Eye®	\$30	
Match 2 + Bulls-Eye®	\$5	
Match 1 + Bulls-Eye®	\$2	
Match Bulls-Eye® Only	\$4	
7 Spot		
Match 6 + Bulls-Eye®	\$6,000	
Match 5 + Bulls-Eye®	\$350	
Match 4 + Bulls-Eye®	\$50	
Match 3 + Bulls-Eye®	\$15	
Match 2 + Bulls-Eye®	\$2	
Match 1 + Bulls-Eye®	\$2	
Match Bulls-Eye® Only	\$4	

8 Spot		
Match 7 + Bulls-Eye®	See (f) below	\$18,500
Match 6 + Bulls-Eye®	\$675	
Match 5 + Bulls-Eye®	\$100	
Match 4 + Bulls-Eye®	\$35	
Match 3 + Bulls-Eye®	\$5	
Match 2 + Bulls-Eye®	\$2	
Match 1 + Bulls-Eye®	\$2	
Match Bulls-Eye® Only	\$4	
9 Spot		
Match 8 + Bulls-Eye®	See (f) below	\$35,000
Match 7 + Bulls-Eye®	\$3,000	
Match 6 + Bulls-Eye®	\$275	
Match 5 + Bulls-Eye®	\$50	
Match 4 + Bulls-Eye®	\$10	
Match 3 + Bulls-Eye®	\$5	
Match 2 + Bulls-Eye®	\$2	
Match 1 + Bulls-Eye®	\$2	
Match Bulls-Eye® Only	\$4	
10 Spot		
Match 9 + Bulls-Eye®	See (f) below	\$200,000
Match 8 + Bulls-Eye®	\$10,000	
Match 7 + Bulls-Eye®	\$750	
Match 6 + Bulls-Eye®	\$100	
Match 5 + Bulls-Eye®	\$35	
Match 4 + Bulls-Eye®	\$5	
Match 3 + Bulls-Eye®	\$2	
Match 2 + Bulls-Eye®	\$2	
Match 1 + Bulls-Eye®	\$2	
Match Bulls-Eye® Only	\$4	

In the event that the wagered prize fund is not sufficient to pay typical prize amounts or typical prize pools, prizes will be reduced as described under “HOT SPOT® ODDS, VALUE, AND PAYMENT OF PRIZES.”

- f. When players match any prize level where typical prize pools are used, they will share the prize. The dollar amount of any shared prizes shall be truncated to whole dollars. If there is only one winning selection for a typical prize pool, that selection will be entitled to the entire prize pool amount.

F. CALIFORNIA LOTTO REGULATIONS

1. PURPOSE

The California State Lottery (Lottery) shall conduct a Lotto game or games pursuant to these regulations. Lotto is the generic name for a draw Lottery game in which a total of six numbers are drawn and players matching some or all of the numbers become entitled to a prize. Lotto includes, but is not limited to, a match five of 47 plus match one of 27 games known as SuperLOTTO Plus®. It may also include a multi-state game known as Mega Millions®, operated pursuant to a Joint Powers Agreement executed with other states.

2. METHOD OF PLAY

The following subsections specify how a player may make his/her Lotto selection(s):

a. Selection Cost

Each Lotto selection shall sell for one dollar. The Commission may authorize a discount to permit the sale of a selection for an amount less than one dollar. Lotto tickets may be purchased only through Lottery-authorized retailers.

b. Making a Selection

(1) To play Lotto, a player makes a selection of unique numbers from the fields of numbers offered in the game for input into a Lottery terminal. The player may individually select his/her numbers, or may select QUICK PICK®. The player may complete a Lottery playslip, or may instruct a retailer to enter his/her selections directly into the Lottery terminal. The player may also choose other options, including Advance Play®. After the player's selections are entered into the terminal, the terminal issues a ticket corresponding to the selection(s) made and options chosen by the player. A ticket may contain multiple Lotto selections, each separately labeled. The retailer will give the player the ticket to keep as proof of purchase and of the selection(s) for that game period.

- (2) If the retailer has a self-serve terminal (SST), the player shall make his/her selection(s) by either inserting a playslip marked with his/her selection(s) into the SST or by touching the appropriate Lotto icon (pad) on the SST and then selecting the number of draws, selection(s) and/or options desired. The SST will issue a ticket which the player shall keep as proof of purchase and of his/her selection(s) for the specified game period(s).
- (3) To use the Advance Play® feature of Lotto, a player may pay for and play his/her selection(s) for up to 20 consecutive draws.
- (4) A Lotto ticket shall be the only proof of a player's Lotto selection(s) or play(s) and the only valid receipt for claiming a prize. A playslip or claim or cash authorization receipt has no pecuniary or prize value and does not constitute evidence of ticket purchase or of numbers selected.

3. DETERMINATION OF LOTTO PRIZE WINNERS

The following subsections specify the determination of a Lotto winner.

a. Draw Procedures

- (1) Draws for SuperLOTTO Plus® shall be held on Wednesday and Saturday of each week. The time, place, and manner of such draws may be changed at the Director's discretion. All draws shall be open to the public.
- (2) Draws for Mega Millions® shall be held on Tuesday and Friday of each week in Atlanta, Georgia under the auspices of the Georgia State Lottery. The time, place and manner of such draws shall be established by procedures approved by all party Lotteries pursuant to agreement of all party Lottery Directors, and in accordance with such security, auditing and other safeguards as the Directors deem appropriate. Any change to the location and time of the draw shall be announced to the public in advance. All draws shall be open to the public.

b. Draw of the Winning Selection

The objective of a draw is to randomly select the winning numbers, five from the main field and one from the Mega number field, with the aid of draw equipment.

Holders and co-owners of valid winning tickets for a given draw bearing the selection(s) drawn in that draw, in whole or in part and irrespective of the order of the numbers drawn, may be entitled to a prize in accordance with these regulations.

c. More than One Winner for Prize Categories

If more than one selection is successful in matching the winning numbers for a Lotto game in a single draw, each selection with the same winning numbers shall share equally in the respective prize pools for that prize category.

d. More than One Prize for a Single Winning Selection

Players are eligible to receive, subject to the validation requirements of these regulations, only the highest category prize for each winning selection. For example, a top prize winner will receive the top prize only, but will not receive any of the prizes in the other prize categories. The Lottery shall not be responsible for tickets claimed by a player in error for a prize lower than the highest prize category won for the selection.

e. Determination of Valid Claims

(1) In all cases, the determination of prize winners shall be subject to the general ticket validation and authentication requirements set forth in these regulations, Lottery rules, regulations, policies and procedures, and the requirements set out on the playslip or in play brochures, if any.

(2) A ticket is a bearer instrument until signed on the back by the ticket holder or co-owner.

4. NUMBER, VALUE, AND PAYMENT OF PRIZES

a. SuperLOTTO Plus®

(1) The matrix for SuperLOTTO Plus® shall be composed of five numbers drawn from a main field of 47 and one Mega number drawn from a field of 27.

(2) Odds

Matching Numbers	Odds
All 5 of 5 + Mega (Top Prize)	1:41,416,353
All 5 of 5	1:1,592,937
Any 4 of 5 + Mega	1:197,221
Any 4 of 5	1:7,585
Any 3 of 5 + Mega	1:4,810
Any 3 of 5	1:185
Any 2 of 5 + Mega	1:361
Any 1 of 5 + Mega	1:74
None of 5, only Mega	1:49
Overall odds of winning	1:23

- (3) Unless augmented, the available SuperLOTTO Plus® prize pool will be approximately 48.5% of total sales for the draw period immediately preceding the draw at which the prize winners are determined, including sales for Advance Play® tickets purchased in prior draw periods for this draw period. SuperLOTTO Plus® prize pool allocations for the separate categories shall be apportioned on the following basis:

Matching Numbers	Percentage of Prize Fund⁴
All 5 of 5 + Mega (Top Prize)	60.50% ⁵
All 5 of 5	3.00%
Any 4 of 5 + Mega	1.50%
Any 4 of 5	2.50%
Any 3 of 5 + Mega	2.25%
Any 3 of 5	11.00%
Any 2 of 5 + Mega	6.00%
Any 1 of 5 + Mega	5.75%
None of 5, only Mega	4.50%
Reserve Prize Fund	3.00%

(4) Value and Payment of SuperLOTTO Plus® Top Prizes

(a) Value of the SuperLOTTO Plus® Jackpot

The value of the SuperLOTTO Plus® jackpot shall be the last amount announced by the Lottery as the jackpot for that particular draw.

⁴ The Director has the discretion to augment any of the prizes for promotional purposes as long as the listed percentage of the prize pool is allocated to each category.

⁵ The preliminary top prize pool shall be allocated at 60.50 percent of the prize fund. The final top prize pool allocation may vary as a result of augmentation.

(b) Payment of Jackpot Prizes

Investment of prize funds in order to pay the SuperLOTTO Plus® jackpot shall be made on the first business day following the draw or as soon as feasible. Investments shall be made pursuant to Lottery established policies and procedures. Annuities shall be competitively bid but in no case shall the sum of the annuity payments be less than each winner's share of the jackpot.

Jackpots shall be paid in accordance with these regulations and the graduated payment schedule set forth below. The initial payment will be made upon completion of internal validation procedures. The second and each subsequent payment shall be made on or about the anniversary of the date when the prize was won until the total jackpot is paid out:

Year	Annuity Payment as a % of Announced Jackpot	Year	Annuity Payment as a % of Announced Jackpot
1	2.50%	14	3.90%
2	2.70%	15	4.00%
3	2.80%	16	4.10%
4	2.90%	17	4.20%
5	3.00%	18	4.30%
6	3.10%	19	4.40%
7	3.20%	20	4.50%
8	3.30%	21	4.60%
9	3.40%	22	4.70%
10	3.50%	23	4.80%
11	3.60%	24	4.90%
12	3.70%	25	5.00%
13	3.80%	26	5.10%
Total Percentage for All Years: 100%			

(c) Cash Value of Top Prize

- (i) SuperLOTTO Plus® jackpot claimants will have up to 60 days after the date they become entitled to the jackpot prize to irrevocably elect to receive the cash value of the prize instead of annuity payments. A claimant becomes entitled to a prize when the Lottery has completed its procedures for authentication and validation of the winning ticket and has authorized payment.
- (ii) If a claimant elects to receive the cash value during the 60 day election period, the claimant will receive a single payment equal to the first annuity payment plus the proceeds of the sale of bonds purchased to fund the remainder of the winner's annuity payments, including any market gain or loss based on the original purchase price of the bonds, less brokerage fees, federal tax, and any applicable offsets.
- (iii) No payment will be processed under the 60 day cash option election until the claimant submits a form irrevocably electing the cash option. If a claimant does not elect to receive the cash option within 60 days of entitlement, the claimant will receive annuity payments.
- (iv) For multiple ownership claims, election of the cash option must be unanimous. If group claimants are unable to unanimously elect the cash option, the prize winners will receive annuity payments.

(d) Value and Payment of SuperLOTTO Plus® "Mega Only" Prize

SuperLOTTO® Plus players who successfully match only the Mega number shall receive a pari-mutuel prize for which the minimum amount shall be one dollar, notwithstanding the estimated pool allocation for that draw.

b. Mega Millions®

- (1) The matrix for Mega Millions® shall be composed of five numbers drawn from a main field of 56 and one Mega number drawn from a field of 46.
- (2) The following matrix applies to all Mega Millions® prizes won in California, and to all other Mega Millions® party Lotteries for the grand/jackpot prize only.

Matching Numbers	Odds	Percentage of Prize Fund
All of 5 of 5 + Mega (Top Prize)	1:175,711,536	63.60%
All of 5 of 5	1:3,904,701	11.00%
Any 4 of 5 + Mega	1:689,065	3.00%
Any 4 of 5	1:15,313	2.00%
Any 3 of 5 + Mega	1:13,781	2.28%
Any 3 of 5	1:306	4.88%
Any 2 of 5 + Mega	1:844	2.44%
Any 1 of 5 + Mega	1:141	4.80%
None of 5, only Mega	1:75	6.00%
Totals	1:39.89	100%

- (3) The Mega Millions® prize fund is expected to be 50% of gross sales, but may be higher or lower based upon the funding required to meet the estimated grand/jackpot prize.
- (4) The number of prize categories and the allocation of the prize fund among the prize categories may be changed, at the Director's discretion, for promotional purposes.
- (5) Value and Payment of Mega Millions® Top Prizes
 - (a) Value of the Grand/Jackpot Prize
 - (i) Before each draw, the Party Lottery Directors will determine the estimated grand/jackpot prize amount for the upcoming draw. Except as otherwise provided in section 14.1.1 of the Mega Millions® Finance and Operations Procedures, the advertised grand/jackpot prize amount will be the basis for determining the amount to be awarded for each Mega Millions® selection matching all five of five winning numbers drawn from the main field of numbers and the single Mega number. For any Mega Millions® annuitized grand/jackpot prize, the prize amount will be the highest

fully funded multiple of \$1 million based solely on the cash value of the grand/jackpot prize as determined in this section. No grand/jackpot prize, when there is only one winning official Mega Millions® ticket, will be less than \$12 million.

- (ii) If in any Mega Millions® draw no Mega Millions® selections qualify for the grand/jackpot prize category, the portion of the prize fund allocated to the grand/jackpot prize category will remain in the grand/jackpot prize category and be added to the amount allocated for the grand/jackpot prize category in the next consecutive Mega Millions® draw.

(b) Payment of the Grand/Jackpot Prize

- (i) Except for a \$12 million (annuity value) jackpot drawing for which the annuity prize is guaranteed, any grand/jackpot prize winning ticket(s) will be the cash equivalent of the estimated annuity jackpot. If the grand/jackpot prize winner elects the annuity option, the investment of prize funds in order to pay the Mega Millions® jackpot will occur. Investments shall be made pursuant to Lottery established policies and procedures. Annuities shall be competitively bid for annual payments, but in no case shall the sum of the annuities be less than each winner's share of the jackpot.
- (ii) The grand/jackpot is an annuity prize will be paid in 26 annual installments. The initial payment will be made upon completion of internal validation procedures. Subsequent annuity payments will be made pursuant to established Lottery policies and procedures.
- (iii) In the event multiple Mega Millions® selections qualify for the grand/jackpot prize category and the annuitized grand/jackpot prize divided by the number of winning game selections is less than \$1 million, each Mega Millions® grand/jackpot prize winner will be paid an amount equal to the cash value of the grand/jackpot prize divided equally by the number of grand/jackpot prize winners. Each

such grand/jackpot prize winner will be paid in a single cash payment.

(c) Cash Value of the Grand/Jackpot Prize

- (i) Mega Millions® grand/jackpot prize claimants will have up to 60 days after the date they become entitled to the grand/jackpot prize to irrevocably elect to receive the cash value of the prize instead of annuity payments. A claimant becomes entitled to a prize when the Lottery has completed its procedures for authentication and validation of the winning ticket and has authorized payment.
- (ii) If a claimant elects to receive the cash value, the claimant will receive a single payment equal to the cash equivalent of the estimated annuity jackpot.
- (iii) No payment will be processed under the 60-day cash option election until the claimant submits a form irrevocably electing the cash option. If a claimant does not elect to receive the cash option, the claimant will receive annuity payments.
- (iv) For multiple ownership claims, election of the cash option must be unanimous. If group claimants are unable to unanimously elect the cash option, the prize will be paid in annuity payments.

(6) Mega Millions Second through Ninth Level Prizes in California – Pari-Mutuel

- (a) California will pay second through ninth level Mega Millions® prizes according to a pari-mutuel distribution of the prize fund aggregated in California for second through ninth prize levels. No other Party Lottery will bear any expense for second through ninth level prizes for official Mega Millions® tickets sold in California, nor will California participate with the other Party Lotteries in the reconciliation of prize liabilities for the second through ninth prize levels as provided in the Mega Millions® Finance and Operations Procedures.

- (b) The second through ninth prize levels for all other Mega Millions® Party Lotteries will be fixed prizes, as specified in the Amended and Restated Mega Millions® Official Game Rules agreed to by all Mega Millions® Party Lotteries.

c. All Lotto Games

(1) Minimum Prize

All Lotto prize categories shall be paid on a pari-mutuel basis, with a minimum prize of one dollar notwithstanding the estimated pool allotment or number of winners.

(2) Value and Payment of Prizes other than Top Prizes

(a) Lotto prizes in all pari-mutuel categories except the top prize shall consist of the cash amounts contained in the prize pool for each prize category at the time of the draw. Payment of such prizes shall be made to the winner(s) in a single cash payment.

(b) Notwithstanding the allocations provided herein, shares in each Lotto prize category shall be rounded down to the nearest dollar from the calculated amount, and each winning selection in each prize category shall be considered to be a single unit equal to one share of that prize category.

(3) Rollover in Absence of Winner

(a) If it is determined that there is no valid winning ticket for a SuperLOTTO Plus® prize category in any given draw, all monies allocated for that prize category shall be carried forward to the subsequent draw and added to the top prize pool amount for that draw, after the category allocations specified in these regulations have been made.

(b) If it is determined that there is no valid winning ticket for a Mega Millions® prize category in any given draw, all monies allocated for that prize category shall be carried forward to the subsequent draw and shall remain in the pool for that prize category.

(4) Augmentation

At the Director's discretion, any prize pool may be increased by an amount specified by the Director upon written notice for any current or subsequent draw period. The Director may use any appropriate funds to augment a prize pool. The amount of the increase may be a variable amount sufficient to guarantee a specified prize.

(5) Claimant Status

Prize winnings may be paid to natural persons or to business entities, including for profit or non-profit corporations and charitable organizations, subject to Lottery rules and regulations. The Director shall have the discretion to require a business entity prize claimant to provide the name of a natural person to whom the prize winnings may be paid.

(6) Multiple Prize Claimants

(a) Top prizes, whether payable as annuity payments or as a cash value payment, may be split and paid to more than one claimant provided the Lottery receives a valid multiple ownership claim form directing such payment. Payment shall be made to each claimant as provided on the multiple ownership claim form.

(b) The Lottery shall issue individual prize payment warrants to no more than 100 top prize claimants on an original multiple ownership claim. If there are more than 100 claimants listed on a multiple ownership claim, the Lottery reserves the right to make payment to a designated group representative, and such payment shall discharge the Lottery from all liability for the payment of the prize to the other claimants.

(c) Except for the top prize, cash or merchandise prizes shall be paid as follows: Where there are multiple claimants, prizes shall be paid to a designated group representative. Such payment shall discharge the Lottery from all liability for payment of the prize to the other claimants. The designated group representative is responsible for distribution of the prize to the other claimants.

(7) Withholdings and Offsets

All prizes shall be subject to federal tax withholding and offsets as provided by state and federal law.

(8) Pari-Mutuel Prize Breakage

All pari-mutuel prize breakage shall be transferred into the special prize fund

G. RAFFLE GAME REGULATIONS

1. PURPOSE

Pursuant to these regulations, the California State Lottery (Lottery) may periodically conduct raffle games. Players may win prizes by matching their raffle numbers to the numbers drawn by the Lottery.

All raffle games will have a fixed start and stop date and will include one or more draws in which numbers are randomly selected from a pool of issued raffle numbers. Raffle numbers will be issued in numerical sequence, and there may be a limit to the count of raffle game numbers issued.

2. METHOD OF PLAY

a. Making a Purchase

A player may purchase a raffle game ticket from either a self service terminal or a retailer clerk-operated terminal.

(1) A player using a self-service terminal must follow the instructions provided on the terminal touch screen and make the appropriate payment to complete a purchase.

(2) A player purchasing a ticket from a clerk-operated terminal makes a purchase by telling the retailer the dollar amount or number of raffle numbers desired, and then paying the clerk when the ticket is presented to the player.

3. DETERMINATION OF RAFFLE GAME WINNERS

Raffle game winners will be determined as follows:

a. Draw Procedures and Drawings

Draws will be conducted pursuant to these regulations and pursuant to methods, policies, and procedures prescribed in writing by the Director prior to the draws. The draw procedures

shall remain confidential to ensure the security, honesty, integrity, and fairness of the drawings.

Raffle draws will be held on the date(s) specified in each raffle's game-specific profiles. The time, place, and day of such draws may be changed at the discretion of the Director.

b. Draw of the Winning Numbers

The draw process is defined as a random selection of one or more raffle numbers from the entire collection of eligible raffle numbers.

c. Determination of Valid Claims

(1) In all cases, the determination of prize award winners is subject to the California State Lottery Act and Lottery regulations.

(2) A ticket is a bearer instrument until signed on the back by the ticket holder.

4. INTERRUPTION (DISRUPTION) OF DRAW(S)

If a draw is interrupted or disrupted due to system problems, the Director shall determine the appropriate corrective action to take. All raffle numbers which were originally eligible for the draw shall remain eligible, and no additional numbers may be added to the pool of eligible raffle numbers for the draw.

5. SUBSEQUENT GAMES, PROMOTIONAL PROGRAMS AND PRIZE AUGMENTATIONS

a. The Commission hereby delegates to the Director the authority to offer subsequent Raffle games if the games are materially similar to those previously authorized by the Commission. The Commission hereby delegates to the Director the authority to implement such promotional programs, including the issuance of free tickets, from time to time as he or she may see fit.

b. If a game profile is not materially similar, the profile must be approved by the Commission prior to commencement of the game. The game profile shall contain at a minimum:

(1) Prize structure;

(2) Special features, if any;

(3) Ticket quantity;

- (4) Retail sales price;
- (5) Dollar amount of mid-tier and low-tier prizes, if any, that may be paid by Lottery game retailers.

H. SCRATCHERS® REGULATIONS

1. PURPOSE

The California Lottery (Lottery) shall conduct instant ticket Lottery games known as Scratchers® games. Scratchers® games shall consist of individual games developed and offered to the public for sale in accordance with these regulations. Scratchers® tickets shall be played by removing the covering from a ticket to expose, among other things, the ticket symbols. Each Scratchers® ticket shall sell for the retail sales price of \$1.00 per ticket unless otherwise authorized by the Lottery Commission. Each Scratchers® ticket shall state the overall estimated odds of winning a prize.

2. SALE OF SCRATCHERS® TICKETS

- a. Only retailers who have contracted with the Lottery are authorized to sell Scratchers® tickets.
- b. Lottery game retailers shall comply with these regulations, the California State Lottery Act, the Lottery's game and retailer regulations, the standard terms and conditions, and any regulations, directives, procedures, and/or instructions of the Lottery or the Director.
- c. The Lottery may utilize instant ticket vending machines to dispense Scratchers® at retailer locations selected by staff as appropriate for utilizing such machines. The Lottery shall select the machines, and unless otherwise specified, all machines shall be the exclusive responsibility of the Lottery. No retailer may select or utilize a machine of its own without written authorization from the Lottery.

3. WORKING PAPERS

- a. Working papers shall be developed for each individual game.
- b. The Director or his or her designee shall execute the working papers on behalf of the Lottery after the game profile has been approved.
- c. The working papers shall contain a detailed description of, among other things: the artwork; ticket symbols; prize structure; playstyle; other game details; dollar amount of high and low-tier prizes;

prizes other than dollar amount, if any; security features; order quantity; packing instructions; and delivery schedule in order to enable the ticket vendor to print the ticket pursuant to an approved game profile.

4. DETERMINATION OF A PRIZE WINNER

- a. The ticket symbols shall be used to determine eligibility for prizes. Valid ticket symbols are set forth in the working papers.
- b. The following are not ticket symbols and shall not be used to determine eligibility for a prize: ticket symbol caption; validation number; retailer validation code; book ticket number; split ticket code; any portion of the ticket graphics; the pattern on any overprint; and any other extraneous data on a ticket.
- c. The player's eligibility to win a prize is subject to the ticket validation requirements provided in these regulations.
- d. For each individual game, the player shall remove the covering on the front of the ticket to find the playstyle and/or ticket symbols. Eligibility to win a prize is based on compliance with the approved playstyle as set forth in the working papers.

5. PROMOTIONAL PROGRAMS AND DRAWS

In addition to the methods of play and prizes authorized elsewhere in these regulations, the Director may, at his/her discretion, authorize promotional programs and prize draws.

6. MULTIPLE PAYEES OF PRIZES

- a. Annuity prizes shall be paid as provided for in these regulations. Where there are multiple claimants, the annuity payments shall be made to each claimant as provided on the multiple ownership claim form.
- b. The Lottery shall issue individual prize payment warrants to no more than 100 claimants on an original multiple ownership claim. In the event that more than 100 claimants are listed on a multiple ownership claim, the Lottery reserves the right to make payment to the designated group representative and such payment shall discharge the Lottery from all liability for the payment of the prize to the other claimants. The designated group representative is responsible for the distribution of the prize to the other claimants.

- c. Lump sum cash or merchandise prizes shall be paid as provided for in these regulations. Where there are multiple claimants, cash or merchandise prizes shall be paid to the designated group representative and such payment shall discharge the Lottery from all liability for payment of the prize to the other claimants. The designated group representative is responsible for distribution of the prize to the other claimants.

7. TICKET RESPONSIBILITY

- a. A ticket is a bearer instrument until signed on the back by the ticket holder.
- b. The Lottery shall not be responsible for lost or stolen tickets.
- c. The Lottery shall not be responsible for a prize indicated on a ticket when a player accepted in error a lower prize from a Lottery game retailer.
- d. The Lottery shall not be responsible for tickets mailed or delivered to any address other than that designated by the Lottery for such purpose or which are delivered late, lost, damaged, incomplete, misaddressed or illegible.

8. PUBLIC DISCLOSURE

In keeping with the spirit and letter of Business and Professions Code sections 17500 et seq., the Lottery shall take reasonable steps to assure players are aware that at the time of a particular purchase, prizes available when the game was initially released to the public may have already been won.

I. DRAW TEST GAMES

1. PURPOSE

To facilitate the recommendation of game improvements that further the purposes of the Act, the Commission hereby delegates to the Director the authority to approve the use of Draw Test Games at any time. The California State Lottery (Lottery) will conduct Draw Test Games pursuant to these regulations.

2. SALE PRICE OF DRAW TEST GAME TICKETS AND SHARES

The retail price of each Draw Test Game play shall be determined by the Director or his or her designee for each Draw Test Game and shall be at least one dollar (\$1) and shall not exceed twenty dollars (\$20).

3. DETERMINATION OF DRAW TEST GAME WINNERS

- a. Draw Test Game tickets will be validated and prizes will be paid pursuant to these regulations and methods, policies, and procedures prescribed in writing by the Director. Any draw procedures will remain confidential to ensure the security, integrity, honesty and fairness of the drawings.
- b. A ticket is a bearer instrument until signed on the back by the ticket holder.

4. ODDS, VALUE, AND PAYMENT OF PRIZES

- a. The value of prizes for winning tickets or shares in each Draw Test Game shall be determined by the Director each individual Draw Test Game.
- b. For each Draw Test Game, the overall estimated odds of winning some prize or some cash prize as appropriate for the Draw Test Game shall be printed on each ticket or playslip.

III. OPERATIONAL REGULATIONS

A. RESERVE PRIZE FUND

1. PURPOSE

The California Lottery® (Lottery) may conduct promotions in conjunction with individual Lottery games using reserve prize funds. These promotions will be conducted as a means for increasing sales and distributing prize funds, and will be subject to these regulations, applicable Lottery game regulations and specific reserve prize fund promotion rules as approved by the Lottery Director.

2. RETAILER PARTICIPATION

- a. Only the Lottery or retailers who have contracted with the Lottery are authorized to conduct promotions pursuant to these regulations.
- b. Lottery retailers must comply with state law, Lottery rules and regulations, the terms of their Lottery retailer contract and any Lottery instructions pertaining to the reserve prize fund promotions.

3. RETAILER COMPENSATION AND INCENTIVE BONUS

- a. The Lottery's Retailer Compensation and Incentive Bonus regulations control with regard to promotional compensation and incentive bonuses, if any, paid to participating retailers.
- b. If applicable, retailer compensation specific to a promotion will be set forth in the promotion's rules.

4. PROMOTIONS

- a. The Director or designee may distribute promotional tickets, cash prizes or merchandise pursuant to these regulations.
- b. For purposes of these regulations, "promotion" is defined as an "added value" offer to players sanctioned by the Director. In each case, promotional tickets, cash prizes or merchandise must be linked to a player's Lottery ticket purchase. Reserve prize funds may not be used in give-aways where there is no related Lottery ticket purchase.
- c. The Director or designee must promulgate promotion rules specific to each reserve prize fund promotion conducted.
- d. At a minimum, reserve prize fund promotion rules shall provide the following, as applicable:
 - (1) Purpose of the promotion;
 - (2) Identity of the Lottery game subject to the promotion;
 - (3) Instructions for participation in the promotion;
 - (4) Eligibility requirements;
 - (5) Participation or entry requirements;
 - (6) Alternate methods of participation or entry;
 - (7) Prizes and odds;
 - (8) Date of any drawing(s);
 - (9) Term of the promotion;
 - (10) Disclosure statements;
 - (11) Retailer responsibilities and compensation specific to the promotion;

- (12) Method for notification of participants or winners;
- (13) Method for obtaining a list of winners;
- (14) A statement that promotion participants agree that the Lottery may use their name and likeness for advertising and publicity purposes without compensation; and
- (15) Additional information necessary and pertinent to the promotion.

5. AUGMENTATION

The Director or designee is authorized to augment draw game prize funds from time-to-time with reserve prize funds.

6. MERCHANDISE PRIZES

- a. If merchandise prizes are distributed pursuant to these regulations, the merchandise prizes shall not be exchanged for prize money.
- b. Undistributed merchandise prizes purchased with reserve prize funds as prizes for a specific promotion will be used, if possible, as prizes in a subsequent promotion. If the Lottery is unable to use undistributed merchandise prizes in a subsequent promotion, the Lottery will use its best efforts to sell, return, or auction the merchandise. Funds received from the sale or auction of such merchandise will be returned to the reserve prize fund.

7. DRAWINGS

- a. Promotional drawings will be conducted by Lottery staff pursuant to established procedures.
- b. All draw procedures will remain confidential to ensure the security, integrity, and fairness of the drawing.

8. RESTRICTIONS

The following individuals may not participate in any promotion conducted pursuant to these regulations: members of the Commission; officers or employees of the Lottery; officers or employees of the Office of the State Controller who are designated in writing by the controller as having possible access to confidential Lottery information, programs, or systems; any contractor or subcontractor excluded by the terms of its contract from playing Lottery games; and any spouse, child, brother,

sister, or parent of any of the previously mentioned individuals who reside within the same household as the individual.

9. END OF PROMOTION OR GAME

The Director, at any time, may announce the ending date for an individual promotion or game. If a promotion is conducted in conjunction with a particular game that has ended, no tickets may be sold and no free tickets, if applicable, may be issued past the game's ending date.

B. PRIZE ASSIGNMENT REGULATIONS

1. PURPOSE

These regulations are promulgated for the purpose of implementing Chapter 890, Statutes of 1994, which amended Government Code section 8880.32 as revised by Chapter 363, Statutes of 1995, commencing with section 8880.325, regarding the exceptions to the general rule prohibiting assignment of the rights to a Lottery prize.

2. VOLUNTARY ASSIGNMENT OF PRIZE PURSUANT TO AN APPROPRIATE JUDICIAL ORDER

- a. Except as provided in Government Code section 8880.325(j), in the case of a voluntary assignment of a right to a prize pursuant to an appropriate judicial order of a California superior court or a federal court having jurisdiction over property located in California, the Lottery will make payment to the person or entity designated by the court order provided that a certified or conformed copy of the court order, copies of all documents filed with the court, and all supporting documents listed in section 2.b., below, are filed with the Lottery by personal delivery or mail pursuant to the timeline set forth in section 2.e. below, and provided the court order contains at least the following:

“Prize winner” or “winner” means any person or entity who is receiving a prize payment from the Lottery which may include, but not be limited to, a trustee, beneficiary, heir, assignee or other transferee.

- (1) The winner's name as it appears on the Lottery claim form and the full legal name of the winner, if different;
- (2) The winner's social security number;
- (3) The assignee's name, address, and social security number or tax identification number, if applicable;

- (4) The assignee's citizenship or resident alien number (if applicable);
- (5) The specific prize payments assigned and the date(s) and/or years to be assigned. If the assignee is responsible for the tax withholding and reporting, the statement "less federal taxes and deductions authorized by law" must be stated after the gross prize amount. Otherwise, the statement "after deductions authorized by law" must be stated after the net prize amount.
- (6) The names(s) and mailing address (es) of all party (ies) to the assignment, including intermediary party (ies) if any;
- (7) Findings that expressly identify any non-spouse co-owner, claimant, or lien holder, and the amount of the interests, liens, security interests, assignments, or offsets asserted by other persons or the State against any of the prize payments of the winner, including, but not limited to, payments that are the subject of the proposed assignment and the dates of such interests, if available, represented to the court by the winner in a written declaration signed under penalty of perjury and filed with the Court.
- (8) Findings regarding the interest of a spouse in the prize, if applicable. It shall be the responsibility of the winner to bring to the attention of the court either by sworn testimony or by written declaration under penalty of perjury, the existence or non-existence of a current spouse. If married, the winner must identify that spouse and submit to the court a signed and notarized statement of the spouse consenting to the assignment. If a notarized statement is not presented to the court, the court shall determine, to the extent necessary and as appropriate under applicable law, the ability of the winner to make the proposed assignment without the spouse's consent.
- (9) Findings that the winner has represented to the court either by sworn testimony (if a personal appearance is required by the court) or by written declaration filed with the court under penalty of perjury and that the court has determined the following representations to be true and correct that the winner:
 - (a) Has reviewed and understands the terms and effects of the assignment;

- (b) Understands that he or she will not receive the assigned prize payments or a portion thereof for the payments assigned;
 - (c) Has entered into the agreement of his or her own free will without undue influence or duress and not under the influence of drugs or alcohol;
 - (d) Has had an opportunity to retain and consult with an independent financial and tax adviser(s) concerning the effect of the assignment, who have fully advised the winner about the tax consequences of the assignment; and
 - (e) Has been represented by independent legal counsel, who has advised the winner of his or her legal rights and obligations under the assignment. Evidence of representation by independent legal counsel must include, at a minimum, a declaration under penalty of perjury, from the winner attesting to the fact that he/she has retained and consulted and is represented by an attorney who provided independent legal advice concerning the assignment in question and a declaration, under penalty of perjury, from the attorney consulted, which attests to the fact that he/she was consulted by the winner regarding the identified assignment transaction and rendered independent legal advice to the winner regarding his/her legal rights and obligations under and in connection with the assignment and any supporting or related agreements. The declaration of the attorney must also include the attorney's Bar number and state(s) in which he/she is licensed to practice law.
- (10) Findings that the winner or the proposed assignee has obtained and filed with the court notifications (a) from the Lottery regarding any liens, levies, or claims asserted against the winner, and (b) from the Controller's office regarding any offsets asserted against the winner, as reflected in their respective official records as of the time of the notification. (The date of the notification shall not be more than 20 calendar days prior to the court hearing, unless extended by the court.)
- (11) Statements complying with Government Code section 8880.325(d) (6).

- (12) Findings that the payment of moneys to, or on behalf of, the winner by the assignee in consideration for the assignment of the prize payment(s) shall be made: (i) in full prior to the time when, under the terms of the assignment, the Lottery is required to make the first prize payment to the assignee or, (ii) in two installments, the first being paid prior to the time when, under the terms of the assignment, the Lottery is required to make the first prize payment to the assignee and the second installment being paid within 11 months thereafter; provided that the second installment shall not be in an amount that exceeds the first installment. Notwithstanding the foregoing, any other installment payment schedule is permitted if the installment obligation relating to the installments is guaranteed by a financial institution, as defined in paragraph (2) of subdivision (a) of Section 4981 of the Financial Code, or a brokerage firm that is a member of the Securities Investor Protection Corporation.
- b. Submit copies of all supporting documentation including, but not limited to, assignment, loan, and/or security agreement, and endorsed copy of the Uniform Commercial Code financing statement form and/or UCC-3 form, if applicable, pursuant to the timelines set forth in section 2.e. below.
 - c. The winner shall have a special lien for the balance of any payment due, effective without any further action, agreement, or notice on any of the prize payment(s) assigned by the winner for the payment of moneys from the assignee. This lien shall terminate upon the winner receiving actual payment of the moneys. Notwithstanding the foregoing, if a prizewinner accepts an installment obligation guaranteed by an FDIC or SIPC insured entity, then the lien created by this section shall automatically terminate upon delivery of the installment obligation.
 - d. Upon filing with the Lottery a notarized “consent to release” form signed by the winner authorizing release of the information to an identified third party, a copy of a valid photo I.D., and Social Security Number or IRS W-9 form, the Lottery shall review its records for court orders, assignments, levies or other rights to receive payments applicable to the winner’s payment. Thereafter, the Lottery shall notify the winner and the third party of any court orders, assignments, levies or other rights to receive payments to which the winner’s payment is subject.
 - e. Sufficient notice must be provided to the Lottery prior to the payment date to allow for a change in the payee. The Lottery shall not be responsible for failure to make a payment to an assignee if adequate time is not allowed for the Lottery to process

the change. Sufficient notice is defined as follows: Receipt by the Lottery of a certified copy of a court order in compliance with section 2.a of the regulations, copies of all documents filed with the court, and all supporting documents listed in section 2.b., above, at least 45 calendar days prior to the prizewinner's payment date.

- f. The Lottery will not appear or participate in any hearing unless ordered to do so by a court. Therefore, the Lottery needs no notice of the court proceeding.
- g. The independent counsel representing the winner shall appear as counsel of record on all pleadings filed in any court proceedings. Independent counsel's name and State Bar of California number must appear on all such pleadings.
- h. It is the responsibility of the winner or the winner's spouse or any agent who has legal authority to exercise substituted judgment on behalf of the winner or the winner's spouse to bring to the attention of the court, either by sworn testimony or by written declaration under penalty of perjury, any and all liens or offsets including, without limitation, tax liabilities and withholdings against prize payments. The Lottery will not pay the assignee an amount in excess of the prize payment less such liens, offsets and tax liabilities and withholdings. If the amount of the assignment included in the court order is greater than the winner's prize payment less all liens, offsets, and tax liabilities and withholdings, the Lottery will not confirm the assignment or make payment to anyone until the parties obtain a correct order reflecting the winner's obligations. If the prize payment date is imminent, the Lottery may interplead with the court the prize payment, less liens, offsets, tax liabilities and withholdings, and the fee established by the Commission for processing the assignment.
- i. Payments will be made in accordance with the court order until either the term of the court order ends or a later court order directs payment otherwise. Payment will be made to the name of the assignee designated in the court order and to no other name.
- j. No change in the terms of the assignment pursuant to court order may be made without an appropriate court order. A fee of \$500 payable to the Lottery shall be charged for each assignment regardless of whether one court order covers multiple assignments, including, but not limited to, any secondary or intermediary assignments among assignment or finance companies. The fee of \$500 may either be made payable to the Lottery during the assignment or be offset from the assignee's first Lottery payment.

- k. If a dispute arises between the winner and the assignee or between either the winner or the assignee and a third party, the Lottery may interplead each payment when it becomes due and payable into a court of competent jurisdiction for judicial resolution. The Lottery may recover, as part of the fee charged for processing assignments, its actual legal fees and costs associated with the interpleader.
- l. Prior to the assignment of any prize pursuant to an appropriate judicial order pursuant to this section, the State Controller's Office shall determine whether the prize winner owes any obligation that is subject to offset under Article 2 (commencing with section 12410) of Chapter 5 of Part 2 of Division 3 of Title 2 of the Government Code and shall provide notification of his or her determination to the Lottery.
- m. For prizes paid in annual installments, no winner shall have the right to assign the final three annual prize payments. For prizes paid in weekly installments, no winner shall have the right to assign any prize to be paid during the last three years.

3. NON-VOLUNTARY, COURT-ORDERED DISPOSITION OF PRIZE

- a. This section shall apply to all prize assignments that are not for the purposes provided in sections 2, 4, 5, and 6.
- b. The right to a Lottery prize or any portion thereof may be assigned:
 - (1) Pursuant to an appropriate judicial order appointing a conservator or a guardian for either:
 - (a) The protection of the prizewinner; or
 - (b) The adjudication of the rights to or ownership of the prize.
- c. The Lottery shall make payment pursuant to such court order provided that:
 - (1) A certified copy of the court order is filed with the Lottery by personal delivery or mail pursuant to the timelines set forth in section 3.d. below; and
 - (2) The court order provides at least the following:
 - (a) The winner's name as it appears on the Lottery claim form and the full legal name of the assignor, if different;

- (b) The winner's social security number;
 - (c) The assignee's name, social security number or tax identification number, and mailing address;
 - (d) The assignee's citizenship or resident alien number, if a natural person, if applicable;
 - (e) The specific prize payments assigned and the date(s) and/or years to be assigned. If the assignee is responsible for the tax withholding and reporting, the statement "less federal taxes and deductions authorized by law" must be stated after the gross prize amount. Otherwise, the statement "after deductions authorized by law" must be stated after the net prize amount.
 - (f) Statement complying with Government Code section 8880.325(d) (6):
- d. Sufficient notice must be provided to the Lottery prior to the payment date to allow for a change in the payee. The Lottery shall not be responsible for failure to make a payment to an assignee if adequate time is not allowed for the Lottery to process the change. Sufficient notice is defined as follows: Receipt by the Lottery of a certified copy of a court order in compliance with section 3.c. (2) of these regulations at least 45 calendar days prior to the prizewinner's payment date.
 - e. The Lottery will not appear or participate in any hearing unless ordered to do so by a court. Therefore, the Lottery needs no notice of the court proceeding.
 - f. For the appropriate case, it shall be the responsibility of the winner to bring to the attention of the court, by declaration under penalty of perjury, the existence or non-existence of a current spouse and, if applicable, the winner must identify that spouse and produce for the court a signed and notarized statement of the spouse consenting to the assignment. If no consent is produced, the court shall determine the interest of the non-consenting spouse in the prize.
 - g. It is the responsibility of the winner or the winner's spouse or any agent who has legal authority to exercise substituted judgment on behalf of the winner or the winner's spouse to bring to the attention of the court, by declaration under penalty of perjury any and all liens, offsets, including, without limitation, tax liabilities and withholdings, against prize payments. The Lottery will not pay the

assignee an amount in excess of the prize payment less such liens, offsets and tax liabilities and withholdings unless the court expressly orders the Lottery to do so after making findings regarding the interests of the other creditors. In the absence of such express order, if the amount of the court-ordered payment is greater than the winner's prize payment less all liens, offsets, and tax liabilities and withholdings, the Lottery will only pay the amount in excess of all other claims to the payment. If the prize payment date is imminent, the Lottery may interplead with the court the prize payment, less liens, offsets, tax liabilities and withholdings, and the fee established by the Commission for processing the assignment.

- h. If the Lottery determines that the court order is complete and correct in all respects, the Lottery will send to the winner and the assignee(s) a written confirmation of the court-ordered assignment and payments will be made in accordance therewith until either the term of the order ends or a later court order directs payment otherwise. Payments will be made payable to the name of the assignee designated in the court order and to no other name.
- i. No change in the terms of the assignment may be made by a winner or an assignee without an appropriate court order.
- j. If a dispute arises between the winner and the assignee(s) or between either the winner or the assignee(s) and a third party, the Lottery may interplead each payment due into a court of competent jurisdiction for judicial resolution. The Lottery may recover, as part of the fees charged for processing assignments, its actual legal fees and costs associated with the interpleader.

4. ASSIGNMENT OF PRIZE AS COLLATERAL FOR A LOAN

- a. Except as provided in Government Code section 8880.325(j), any prize payable in annual or weekly installments or any portion thereof may be assigned as collateral to a person or entity to secure a loan pursuant to Division 9 (commencing with section 9101) of the California Commercial Code as provided in Government Code section 8880.325. If such arrangement is conditional upon the payments being made by the Lottery directly to the lender or an assignee of the lender, then the procedure and requirements provided for in the VOLUNTARY ASSIGNMENT OF PRIZE PURSUANT TO AN APPROPRIATE JUDICIAL ORDER section of these regulations, with the exception of subparagraph a. (12) must be observed. In such cases, for purposes of obtaining the court order, the lender shall be treated in the same manner as the assignee and the financing arrangement shall be treated in the same manner as the assignment. All other

assignments of prize payments as collateral shall be subject to all of the following:

- (1) Any loan secured by the assignment of a Lottery prize shall not apply to the last three annual prize payments if the prize is paid in annual installments or to any prize to be paid during the last three years (if the prize is paid in weekly installments) from the Lottery to the prize winner.
- (2) Subject to subsection (1) above, in the event of a default under the loan or security agreement, the secured creditor's rights shall be limited to receiving the regular payments made by the Lottery on the prize winner's interest until the obligation is paid in full or the prize has been paid in full, whichever occurs first. Notwithstanding Division 9 of the Commercial Code (commencing with section 9101), the secured creditor shall not have the right to sell or assign the prize winner's rights to payments to itself or to any other person. This section shall not limit the secured creditor's right to sell, assign, or transfer the obligation of the debtor and related security interest to a third party.
- (3) The prize winner and secured creditor may agree and jointly instruct the Lottery to have all prize payments deposited directly into an account maintained by the prize winner at a federally insured financial institution located within the state of California. This account may be subject to the secured creditor's lien. Upon receipt of these instructions, the Lottery shall continue to deposit all payments due the prize winner into the account until the Lottery receives notification from the secured creditor and prize winner that the payments are to be made at an account maintained at another financial institution or that the secured creditor releases or terminates the security interest in the prize winner's payments. The joint instruction provided for herein, must be on a form approved by the Lottery, or the Director or his or her designee as provided in subparagraph (5), below, and the signature of the winner must be notarized.
- (4) For the purpose of perfecting the security interest of the secured creditor, the right of the prize winner to receive payments is deemed to be a contract right that is perfected by the filing of the applicable UCC financing statement with the Secretary of State.

- (5) A copy of the security agreement, an endorsed copy of the applicable UCC financing statement, an endorsed copy of the UCC-3 form, (if applicable) and the joint instruction to deposit the prize winner's payments directly into an account at the financial institution (if applicable) shall be filed with the Lottery at least 45 calendar days prior to the prizewinner's payment date. In the case of a married winner, the applicable UCC financing statement must be accompanied by either a signed and notarized Lottery "Consent and Joinder of Spouse" form or a certified copy of a valid, current court order determining the interest of the spouse in the prize.
- (6) Notwithstanding the security interest granted a secured creditor, all prize payments shall be made payable to the prize winner and the payments shall be sent directly to the prize winner, except as follows:
 - (a) The prize winner's payments, still payable to the prize winner, shall be sent directly to the financial institution designated pursuant to subsection (4) above.
 - (b) The prize winner's payments, in whole or in part, shall be sent directly to the secured creditor pursuant to an order of a court of competent jurisdiction, directing the Lottery to make the payments, in whole or in part, directly to the secured creditor. Payments made to the secured creditor pursuant to court order shall be limited to the amount due and payable as of the time of the payment by the Lottery. In cases in which the court order is approving a loan secured by prize payments and direct payment to the secured creditor is a condition precedent to the loan transaction, the requirements of the VOLUNTARY ASSIGNMENT OF PRIZE PURSUANT TO AN APPROPRIATE JUDICIAL ORDER section of these regulations, with the exception of subsection a. (12), must be met.
 - (c) The prize winner's payments, in the event of a default under the security agreement or obligation it secures, shall be sent directly to the secured creditor pursuant to an order of a court of competent jurisdiction determining that the payments are to be made directly to the secured creditor.

- (7) Upon the termination or release of the security interest, the secured creditor shall file with the Lottery an endorsed or filed copy of the UCC-3 financing statement terminating the security interest.
- (8) Prior to assignment of any prize as collateral to secure a loan pursuant to this subdivision, the State Controller's Office shall determine whether the prize winner owes any obligation that is subject to offset under Article 2 (commencing with section 12410) of Chapter 5 of Part 2 of Division 3 of Title 2 of the Government Code and shall provide notification of his or her determination to the Lottery and to the Secretary of State.
- (9) Notwithstanding any other provision of law, the prize winner, by the act of entering into an agreement to assign any prize as collateral to secure a loan, is deemed to have waived any statutory period of limitations that otherwise would bar collection by the state of prize payments due after expiration of the term of the secured loan for obligations that accrue subsequent to the assignment of the prize as collateral.
- (10) Upon filing with the Lottery a notarized "consent to release" form signed by the prize winner authorizing release of the information to an identified third party, the Lottery shall review its records for court orders, assignments, levies or other rights to receive payments applicable to the prize winner's payment. Thereafter, the Lottery shall notify the prize winner and the third party of any court orders, assignments, levies or other rights to receive payments to which the winner's payment is subject.
- (11) Upon filing with the Lottery an endorsed UCC financing statement, and additional UCC form (if applicable), and executed security agreement, a secured creditor may obtain information from the Lottery regarding the prize which is the collateral for the loan without the approval of the debtor.
- (12) If a dispute arises between the winner and any other person or entity claiming a right to all or any portion of the prize, the Lottery may interplead those full or partial payments which are the subject of the conflicting claims into a court of competent jurisdiction for judicial resolution. The Lottery may recover, as part of the fee charged for processing assignments, its actual legal fees and costs associated with the interpleader.

(13) A fee of \$500 payable to the Lottery shall be charged for processing the assignment of a prize as collateral pursuant to the preceding provisions.

(14) All terms used in this section shall have the same meaning which they have under the California Commercial Code.

5. ASSIGNMENT OF PRIZE TO A REVOCABLE TRUST DURING THE LIFE OF THE WINNER

- a. During the winner's lifetime, the winner may assign his or her rights to all or a portion of a prize to a qualifying trust which is a revocable living trust established by the winner for the benefit of the winner as a beneficiary and governed by the laws of the State of California and which may become irrevocable, in whole or in part, upon the death of either the winner or any co-grantor as defined by the provisions of the trust instrument.
- b. To be effective, the assignment, amendment to the assignment, or revocation of the assignment to a qualifying trust must be executed by the winner, in the presence of a notary public, on a form approved by, and filed with, the Lottery during the winner's lifetime. The initial assignment, amendment to the assignment, or revocation of the assignment must be signed by the winner's spouse and the spouse's signature must be notarized or must be accompanied by a certified copy of a valid, current court order determining the spouse's interest in the prize.
- c. During the winner's lifetime, provided that the assignment is properly completed and executed by the winner and timely filed with the Lottery and unless and until the assignment is properly and timely amended or revoked by the winner, as described above, the assigned portion(s) of the winner's next payment and payments thereafter shall be made to the trustee(s) of the qualifying trust and any non-assigned portions of the winner's next payment and payments thereafter shall be made to the winner. An assignment, amendment, or revocation as described in this section shall be deemed to have been timely filed if it is received by the Lottery at least 45 days prior to the prizewinner's payment date.
- d. Upon the death of the winner the Lottery shall pay the remaining payments in accordance with the "DISPOSITION OF PRIZE UPON THE DEATH OF THE WINNER", below, provided that the prize payments were effectively assigned (as described above) during the winner's lifetime to a qualifying trust.

- e. If the co-grantor predeceases the winner, and the prize payments were effectively assigned (as described above) to a qualifying trust, the remaining prize payments will be paid in accordance with the DISPOSITION OF PRIZE UPON THE DEATH OF A CO-GRANTOR OR SPOUSE section, below.
- f. A fee of \$500 shall be charged by the Lottery for processing each assignment to a trust pursuant to this section.

6. DISPOSITION OF PRIZE UPON THE DEATH OF THE WINNER

- a. If a winner fails to return the yearly confirmation letter which is sent out by the Lottery prior to mailing each payment, the Lottery will hold the payment until contacted by: (1) the winner; (2) the trustee of a qualifying trust as provided in the ASSIGNMENT OF PRIZE TO A REVOCABLE TRUST DURING THE LIFE OF THE WINNER section; (3) the personal representative of the testate or intestate estate of a deceased prize winner; (4) a person or persons filing an affidavit pursuant to sections 13000 et seq. of the California Probate Code; or (5) a person or persons designated under an appropriate judicial order adjudicating rights to the ownership of the prize and the Lottery has determined the proper payee(s) or has interpleaded the payment into a court of competent jurisdiction for judicial resolution. The Lottery may recover, as part of the fee charged for processing assignments, its actual legal fees and costs associated with the interpleader.
- b. If the winner has assigned his or her rights to a prize to a qualifying trust as provided in the ASSIGNMENT OF PRIZE TO A REVOCABLE TRUST DURING THE LIFE OF THE WINNER section, then upon the death of the winner, it is the responsibility of the surviving or successor trustee(s) of the qualifying trust to timely and properly notify the Lottery of the winner's death. It is also the responsibility of the trustee(s) of the qualifying trust, using Lottery-approved forms and affidavits, to timely and properly notify Lottery of the proper disposition of the payments under the provisions of the qualifying trust, and provide the Lottery a complete copy of the qualifying trust. Until such notice is provided, the Lottery shall hold the payments.

If all or a portion of the qualifying trust becomes irrevocable upon the winner's death, the Lottery shall make payment(s) to the trustee(s) of the remaining revocable and/or irrevocable trust(s) or subtrust(s).

- c. If during the winner's lifetime a Lottery-approved beneficiary designation form has been properly and timely filed with the Lottery and provided that it is effective upon the winner's death, the Lottery shall make payments to beneficiaries in accordance with the designation. To be effective, a beneficiary designation form must comply with the following requirements.
- (1) Be made on a form approved by the Lottery.
 - (2) Be executed during the winner's lifetime and be notarized.
 - (3) Be filed with the Lottery during the winner's lifetime.
 - (4) Be the current, effective designation.
 - (5) In the case of a married winner, the beneficiary designation form must be accompanied by a notarized Lottery "Consent and Joinder of Spouse" form bearing the notarized signature of the winner's spouse, or be accompanied by a certified copy of a valid, current court order determining the spouse's interest in the prize.
 - (6) If the primary designee predeceases the winner, payments will be made as follows:
 - (a) To the surviving primary designee(s) and any remaining share of the prize as provided below.
 - (b) If there are no surviving primary designee(s) then the payment will be made to the secondary designee(s).
 - (c) If there are no surviving designees then the payment will be made as provided in subsection d., below.
 - (7) Upon the death of a winner, in the absence of a valid assignment to a revocable living trust or a valid beneficiary designation, the winner's prize shall be paid as follows:
 - (a) To the personal representative of the testate or intestate estate of a deceased prize winner upon receipt by the Lottery of a certified copy of the court order and letters appointing an executor, administrator, or other personal representative of the estate of the deceased prize winner or a certified copy of the final order of distribution. The certification date on the copy of the letters or final order of distribution must be within 60 days of the date that the document is received by the Lottery.

The Lottery reserves the right to require updated certification of the letters as it deems necessary.

- (b) As provided under Part 1 (commencing with section 13000, "Collection or Transfer of Small Estate without Administration") and Part 2 (commencing with section 13500, "Passage of Property to Surviving Spouse without Administration") of Division 8 of the Probate Code.
- (c) To a person or persons designated under an appropriate judicial order adjudicating rights to the ownership of the prize pursuant to the subsection NON-VOLUNTARY, COURT-ORDERED DISPOSITION OF PRIZE.
- (d) Before making payment under this provision, the Lottery must be provided with the beneficiary (ies') name(s), address (es) and social security number(s) or federal employer identification number(s).

7. DISPOSITION OF PRIZE UPON DEATH OF A CO-GRANTOR OR SPOUSE

If the winner has assigned his or her rights to a prize to a qualifying trust as provided in the ASSIGNMENT OF PRIZE TO A REVOCABLE TRUST DURING THE LIFE OF THE WINNER section, then upon the death of any co-grantor, it is the responsibility of the surviving or successor trustee(s) of the qualifying trust to timely and properly notify the Lottery of the co-grantor's death. It is also the responsibility of the trustee(s) of the qualifying trust, using Lottery-approved forms and affidavits, to timely and properly notify Lottery of the proper disposition of the payments under the provisions of the qualifying trust.

If all or a portion of the qualifying trust becomes irrevocable upon a co-grantor's death, the Lottery shall make payment(s) to the trustee(s) of the remaining revocable and/or irrevocable trust(s) or subtrust(s).

8. DELEGATION OF AUTHORITY TO DEVELOP FORMS

The Commission grants to the Director or the Director's designee authority to develop forms consistent with the governing statute and these regulations for the purpose of implementing these provisions.

9. EFFECT OF SUBSEQUENT LEGISLATIVE CHANGES

To the extent that these regulations incorporate statutory provisions, they shall be modified by subsequent amendments to those provisions.

C. RETAILER REGULATIONS

1. PURPOSE

These Retailer Regulations are promulgated by the California Lottery (Lottery) Commission as authorized in the California Lottery Act, Government Code, Title 2, Division 1, Chapter 12.5, Article 5, to establish guidelines for examining the qualifications and criminal history of applicants and current retailers as authorized in Article 4, and to establish requirements for retailer compliance with the Lottery's Americans with Disabilities Act (ADA) program.

2. MINIMUM QUALIFICATIONS FOR RETAILER

A retailer, at a minimum, shall meet the following qualifications:

- a. Shall be a person, organization or business entity including, but not limited to, an existing commercial establishment, corporation, franchise, public entity, trust association, partnership, joint venture, or civic or fraternal organization;
- b. Shall be associated with a person, organization, or business located and licensed in California and not exclusively engaged in the business of selling Lottery products;
- c. Shall be at least 18 years of age;
- d. Shall not be a member of the Commission, an officer or employee of the Lottery, an officer or employee of the Office of the State Controller who is designated in writing by the Controller as having possible access to confidential Lottery information, programs or systems, or any Lottery contractor and his/her subcontractor excluded by the terms of their contract from playing Lottery games or any spouse, child, brother, sister, or parent of that person who resides within the same household as the person; and
- e. Shall be approved as suitable to be a retailer pursuant to the Lottery application and selection process specified herein and as further developed and implemented by the Director pursuant to these regulations.

3. APPLICATION FOR RETAILER CONTRACT

a. Forms, Information, and Documentation

- (1) The Director shall develop all forms and related documents including, but not limited to, an ADA survey and certification form, a contract application form, release form to obtain a credit report and/or any other background information relating to the applicant required for the Retailer application process. The application shall state that an applicant must disclose prior criminal arrests or convictions, even if the record was expunged as provided in Penal Code Section 1203.4, et seq., any pending criminal charges, and all personal and/or business-related disciplinary actions by a federal or state administrative agency. The application shall state that failure to disclose this information can result in disapproval of an application or termination of a contract.
- (2) An applicant shall, under penalty of perjury, complete, sign, date and submit all forms and related information and documents required by the Director. By signing and submitting the application form, the applicant agrees to allow the Lottery to conduct credit checks and a background investigation of the applicant to use in determining his/her suitability to be a retailer.
- (3) An applicant shall respond to the disclosure requirements on the application form.
- (4) An applicant shall disclose: 1) sole owners and their spouse(s); 2) each general partner and their spouse(s); 3) officers of a non-publicly held corporation and board of directors; 4) persons holding ten percent or more of the capital or stock of a non-publicly held corporation and their spouse(s); 5) persons holding ten percent or more of the capital or stock of a limited liability company or limited partnership.
- (5) An applicant shall submit to the Lottery the required application and/or administrative fees, as determined by the Director.
- (6) The applicant shall provide additional information if requested by the Lottery.

b. Fingerprints

- (1) The Director shall obtain fingerprints of applicants, as provided below, to examine the qualifications and criminal history of all applicants and current retailers as provided in Government Code Section 8880.38. The Director is authorized to develop policies and procedures to implement these provisions.
- (2) For sole proprietorship or partnership applicants, fingerprints shall be obtained from the owner and each partner who owns or controls 10% or more of the interest in the business.
- (3) For corporate applicants who are publicly traded, i.e., a corporation whose stock is listed on a stock exchange in this state or in New York City, New York, and who are required by law to file periodic reports with the Federal Securities and Exchange Commission, fingerprints shall be obtained from the managing or controlling officer or designee as approved by the Lottery.
- (4) For corporate applicants who are not publicly traded, as defined in (3) above, fingerprints shall be obtained by any person(s) who owns or controls 10% or more in the corporate stock, the managing officers of the corporation, the chairman of the board of directors, and the board members.
- (5) For civic, fraternal, non-profit or public entity applicants, fingerprints shall be obtained from the person or person(s) authorized to act on behalf of the applicant.

c. Selection of Retailers

- (1) The Director shall evaluate the applicant's qualifications including, but not limited to, competency, integrity, and character by considering among other things: (a) applicant's financial responsibility, solvency, integrity, and/or reputation; (b) accessibility of the place of business or activity to the public; (c) security of the premises; (d) sufficiency of existing retailers to serve the public convenience; (e) current and/or projected volume of ticket sales; and (f) compliance with the ADA section of these regulations.
- (2) The Director shall determine the number of retailers by tradestyle which shall be sufficient to best serve the public convenience in the same geographical area.

- (3) The Director may, at his/her discretion, approve an applicant to sell specific Lottery products for a specified time period or on a probationary basis.
- (4) The Director shall notify the applicant of its selection as a retailer and, if necessary, request other information and documents necessary to execute a contract.
- (5) If the applicant is selected to contract with the Lottery on a probationary basis at the Director's sole discretion, the Director shall notify the applicant of its selection and of the terms and conditions of the probation and request other information and documents necessary to complete the probationary contract process. The retailer's failure to comply with the terms and conditions of the probation shall result in termination of the probationary contract. The selection of a retailer for a contract on a probationary basis is not appealable under these regulations.

d. Disapproval of Applicant to be a Retailer

- (1) In examining an applicant for consideration to contract with the Lottery, the Director shall consider the guidelines set forth in sub-Section 6.f of these Regulations along with the remaining provisions of this sub-Section 3.d.
- (2) Applicants may be disapproved for any of the following reasons:
 - (a) The applicant provided false or misleading information in the application process including, but not limited to, failure to disclose a prior criminal arrest or conviction even if the record was expunged as provided in Penal Code Section 1203.4 et seq. or failure to disclose a personal and/or business-related disciplinary action by a federal or state administrative agency.
 - (b) The applicant has sustained a criminal conviction or pled nolo contendere to an offense punishable as a felony or to an offense punishable as a misdemeanor where the underlying facts in the original investigation and/or crime involve dishonesty, integrity, moral turpitude, or any gambling-related conduct.

- (c) The applicant or its employee(s), representative(s), or agent(s) has (have) engaged in or permitted business practices or engaged in personal conduct that is dishonest, illegal, or criminal.
- (d) The applicant has outstanding monetary delinquencies owed to any federal, state and/or local government(s).
- (e) The applicant failed to supply fingerprint identification acceptable to the Lottery and classifiable by the Federal Bureau of Investigation or the California Department of Justice.
- (f) The applicant failed to supply any information required on the application.
- (g) An inspection of the applicant's business premises indicates that the premises: (i) are not suitable for the conduct of the sale of tickets; (ii) would not offer a secure ticket sales location; and/or (iii) are not readily accessible to the public.
- (h) The applicant is the subject of a current prosecution, pending charges, has a conviction under appeal, and/or has an outstanding warrant against it.
- (i) The applicant's competence, character, integrity, and/or reputation are such that it would not be in the best interest of the public or the Lottery for tickets to be sold by the applicant.
- (j) The applicant's financial responsibility or solvency is such that it would not be in the best interest of the public or the Lottery for tickets to be sold by the applicant.
- (k) The best interest of the Lottery would be undermined if the Lottery contracted with the applicant.
- (l) The applicant's competence, character, integrity and/or reputation is such that to enter into a contract with the retailer might jeopardize the integrity, security, honesty, or fairness essential in the operation and administration of the Lottery or Lottery games.

(m) The applicant is not in compliance with the Lottery's ADA compliance program.

(3) If the applicant is disapproved as a retailer, Lottery's notice of disapproval shall be mailed to the applicant and shall state: (a) the reason(s) and facts upon which the Lottery based its decision to disapprove applicant as a retailer; (b) that applicant may file a written appeal, as provided in the APPLICANT AND RETAILER APPEAL PROCESS section; and, (c) the deadline for filing an appeal.

4. RETAILER CONTRACT TERMS AND CONDITIONS

- a. The contract between the Lottery and a retailer shall contain such terms and conditions as determined by the Director including a provision requiring compliance with the Lottery's ADA compliance program.
- b. Retailer shall comply with all applicable laws, the Lottery Act, all regulations promulgated by the Commission, directives, policies, and/or instructions issued by the Director, and all contract terms and conditions, all of which may be amended, issued, or re-issued from time-to-time.

5. TERMINATION OF CONTRACT BY RETAILER

A contract may be terminated by the retailer any time upon 30 days written notice to the Lottery. The notice of termination shall be deemed filed with the Lottery upon the date postmarked by the U.S. Postal Service or the date stamped as received by the Lottery, whichever is earlier.

6. CONTRACT SANCTIONS BY LOTTERY

- a. The Director, at his/her discretion and depending upon circumstances, may issue a warning letter to a retailer directing or instructing it to take appropriate steps or otherwise be subject to action against the contract.
- b. If the Director determines that a retailer shall be placed on probation the retailer shall be notified in writing of the action, the reasons therefore, and the terms and conditions of the probation. A retailer who agrees to probation waives the right to file an appeal, if subsequently terminated, for failing to meet the terms of probation. The terms of probation may include:
 - (1) Suspension- A sanction or an interim measure where for a temporary period of time the Lottery retailer is ineligible to sell Lottery products.

- (2) Monitoring Assessment Cost- The Deputy Director of Security and Law Enforcement of the California Lottery, when probation is considered, may estimate the reasonable cost of monitoring the retailer for compliance with the terms of probation and such cost may be passed on to the retailer as a required term of probation.
 - (3) Any other conditions reasonably related to protecting the integrity of the Lottery.
- c. Lottery may terminate a contract upon 30 days prior written notice unless exigent circumstances exist, as determined by the Director, in which case the Director, at his or her discretion, may terminate this contract without notice or with a shorter notice period. The notice of termination shall state: (i) the effective date of the contract termination; (ii) the law, regulation(s), and/or contract provision(s) violated; (iii) the facts upon which the Lottery relied for its decision to terminate; (iv) the retailer may exercise its right to submit a written appeal as provided herein; and, (v) the final date for submitting a written appeal.
- d. The reasons for contract termination include those stated in the retailer contract, addendum, and amendment(s), if any, and the following:
 - (1) The retailer has provided false or misleading information in obtaining a retailer contract and certificate of authority including, but not limited to, failure to disclose a prior criminal arrest or conviction even if the record was expunged as provided in Penal Code Section 1203.4, et seq., or failure to disclose a personal or business-related disciplinary action by a federal or state administrative agency.
 - (2) The retailer has sustained a criminal conviction or pled nolo contendere to an offense punishable as a felony or to an offense punishable as a misdemeanor where the underlying facts in the original investigation and/or crime involve dishonesty, integrity, moral turpitude, or any gambling-related conduct.
 - (3) The retailer conducts or conducted itself in a manner which adversely affects the security, honesty, fairness or integrity of the Lottery or Lottery games including, but not limited to, acts of dishonesty and/or moral turpitude.

- (4) The retailer or its employee(s), representative(s), or agent(s) has engaged in or permitted business practices or the retailer has engaged in or is engaging in personal conduct that are indicative of dishonest, illegal, or criminal activity, on or off the premises, that would tend to reflect unfavorably upon the public's perception of the integrity, security, honesty or fairness of the Lottery, Commission, or Lottery games.
 - (5) The best interests of the Lottery would be undermined by the retailer's continuing to sell tickets or shares.
 - (6) The retailer has participated in the sale of non-California Lottery tickets or has participated or assisted in the sale of Lottery tickets outside the State of California.
 - (7) The retailer is not in compliance with the Lottery's ADA compliance program.
- e. The above reasons shall apply to each of the retailer's contracts regardless of location.
- f. General Guidelines for Examining Applicants and Retailers
- (1) The California Lottery Act at Government Code Section 8880.38 authorizes the examination of the qualifications and criminal history of all applicants and current retailers. The Director is authorized to develop policies and procedures based on these guidelines and shall consider these guidelines when conducting his/her examination and relevant mitigating and/or aggravating circumstances when approving or disapproving a contract or taking other action against the contract. Each applicant or retailer shall be examined on a case-by-case basis in accordance with these regulations and established policies and procedures.
 - (2) In determining whether to disapprove or approve an applicant or take administrative action against a retailer's contract, the following shall be considered:
 - (a) The nature and severity of an offense.
 - (b) The underlying facts of the crime or other illegal conduct even if the charges were reduced to lesser charges.
 - (c) The length of time which has passed from the date of the offense or conviction to the date of the Lottery's examination.

- (d) The applicant's or retailer's documented pattern or tendency to engage in criminal activity.
- (e) The occurrence of the criminal activity or offense on the applicant's or retailer's business premises.
- (f) The relationship of the criminal activity or offense to the Lottery's operations or to the retailer's contractual obligations to sell Lottery tickets.
- (g) The court-imposed penalty and/or terms of probation.
- (h) A federal or state administrative agency's disciplinary action against the retailer or applicant.
- (i) The potential that the offense or criminal activity could endanger the integrity of the administration and operation of the Lottery in the public's perception.
- (j) The best interests of the Lottery to meet its statutory obligation.
- (k) The rehabilitation of the applicant or retailer, as demonstrated to the satisfaction of the Director. A false representation to the Lottery by either affirmative statement or omission for the purpose of obtaining a retailer contract shall be evidence of a lack of rehabilitation.
- (l) In determining whether to disapprove an application or terminate a contract, the following provisions shall apply:
 - (i) Felony conviction. As a general rule, an applicant will be disapproved or a retailer will be terminated if ten years have not elapsed from the date of a felony conviction. However, the Director may determine that extraordinary circumstances exist which warrant an exception to the general rule.
 - (ii) Misdemeanor conviction or documented criminal offense involving dishonesty, integrity, moral turpitude or gambling. As a general rule, an applicant will be disapproved or a retailer will be terminated if six years

have not elapsed from the date of such conviction or offense. However, the Director may determine that extraordinary circumstances exist which warrant an exception to the general rule.

- (m) If the retailer fails to meet the sales requirements established for the retailer by the Director, the Lottery may, at its discretion, terminate the contract or place the retailer on probation.
- (n) When the Director determines that, due to a change in the type of games to be played, a change in the method by which games are to be played, a change in the method that the Lottery will use in servicing or contracting with retailers, or for any other reason, that is in the best interest of the Lottery to terminate or change retailers, the Director may terminate the retailer contracts at any time upon 30days written notice to the retailer of that type, class, or location, provided that at the same time, the Director terminates all other retailer contracts for that type, class, or location. The affected retailers shall be notified, in writing, of the Director's decision, the effective date of the action, and that they may not appeal the Director's decision.

7. APPLICANT AND RETAILER APPEAL PROCESS

- a. This appeal process consists of a written appeal submitted to the Director by the applicant or retailer or his/her representative. The written appeal shall state the factual and/or legal arguments and mitigating and rehabilitation information supporting the applicant's or retailer's appeal and shall include supporting information or documentation, if any.
- b. The appeal shall be filed with the Director at the address stated in the notice no later than 15 calendar days from the date that the Lottery mailed the notice. An appeal shall be deemed received by the Lottery if it is postmarked by the U.S. Postal Service or stamped received by the Lottery no later than 15calendar days from the date of the mailing of the Lottery's notice, whichever occurs earlier. A retailer's failure to submit a timely appeal shall constitute a waiver of any and all rights to appeal the Director's decision to terminate.
- c. The applicant or retailer must provide any additional facts, documentation, or information requested by the Director.

- d. The applicant or retailer shall be notified, in writing, of the Director's final decision to grant or deny the appeal, the reason(s) therefore, and the effect of the decision on the disapproved application or the termination of the retailer's contract(s) within 60 calendar days, and up to an additional 15 calendar days, from the Director's receipt of the appeal, documentation, and/or the additional documentation or information requested by the Director, whichever occurs later. The Director's decision on the appeal shall be final and conclusive.

8. RETAILER RESPONSIBILITIES UPON TERMINATION

- a. Payment of Funds owed to Lottery

Retailer shall pay all funds owed to the Lottery, by a method authorized and date specified by the Lottery.

- b. Return of Lottery Property

Upon termination of the contract, or notification of the pending removal of computerized gaming equipment and/or Scratchers® vending machine for failing to meet sales requirements established for the retailer by the Director, the retailer may be required to: immediately surrender to an authorized Lottery representative the retailer's certificate of authority and all Lottery property; return to the Lottery all unsold Lottery products; and take such further action as required by the Director.

9. GOVERNING LAW

All matters contained in these regulations are governed by the California Lottery Act; applicable state and federal law and regulations; Lottery regulations, procedures, directives, decisions, policies, and instructions; and the terms and conditions of the retailer contract.

10. LOTTERY SALES DIRECTLY TO THE PUBLIC

- a. The Lottery is authorized to distribute, disseminate, and sell Lottery tickets or shares, and pay prizes of five hundred ninety-nine dollars (\$599) or less, directly to the public.
- b. The Director shall establish procedures for the acquisition of tickets or shares to be distributed, disseminated, or sold by the Lottery and for the security and accountability of such tickets or shares and disbursements for the payment of prizes.

11. RETAILER CONTRIBUTION PROGRAMS

The Director may establish retailer contribution programs that in his or her discretion may reimburse up to one-half of the amount a retailer or group of retailers pays to purchase and/or maintain equipment used in the sale of Lottery products provided:

- a. The equipment is obtained from a Lottery approved supplier.
- b. The equipment furthers the purpose of the Lottery.
- c. The Director establishes a set of written program participation rules.
- d. The funds for use in the program have been approved and set aside in the Lottery's annual budget.

12. COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT

a. Definitions

As used in this section:

- (1) "ADA" means that certain law commonly known as the Americans with Disabilities Act of 1990 (Pub.L. 101-336, 104 Stat. 327, 42 United States Code secs. 12101-12213), as amended from time-to-time.
- (2) "ADA retailer compliance form" means a form prepared by the Lottery and used to survey retailers and applicants in connection with the policy set forth in this section.
- (3) "Disability" means the term as defined in the ADA at 42 United States Code Section 12102, subdivision (2), as amended from time-to-time. "Disabilities" shall mean the plural of "disability."
- (4) "Lottery playcenter" means a stand-alone device from which Lottery customers may obtain Lottery materials including, but not limited to, computerized game playslips and Lottery-related information.
- (5) "Point of purchase" means the specific site within the retailer location where Lottery products are sold including, but not limited to, a sales counter, a self-service terminal or machine, or a retailer activated terminal at a sales or customer service counter. "Points of purchase" mean more than one point of purchase.

- (6) “Readily achievable” means easily accomplishable and able to be carried out without much difficulty or expense, as defined in the ADA and its implementing regulations. (See also sec. 13.c. (2).)
- (7) “Retailer location” means the premises at which one or more points of purchase or Lottery playcenters may be located.

b. Lottery Commission Policy

- (1) No retailer shall discriminate against any individual on the basis of disability in the full and equal enjoyment of Lottery product, programs, services, and activities. Lottery products, programs, services, and activities shall be accessible and usable by individuals with disabilities to the extent required by law. All retailers shall provide reasonable accommodation to individuals with disabilities by assisting them in the purchase of Lottery products and participation in Lottery programs, services, and activities and by allowing service animals and guide dogs.
- (2) Retailers are responsible for ensuring at their own expense that individuals with disabilities are provided with unobstructed access to and from retailer locations, points of purchase, and Lottery playcenters.

c. Compliance

- (1) Every retailer must provide reasonable accommodation to individuals with disabilities by assisting them in accessing Lottery programs, services, and activities and in purchasing and redeeming Lottery tickets and products.
- (2) The retailer location must have an accessible path of travel to all Lottery products that the retailer is authorized to sell, any associated Lottery materials, and Lottery playcenters. The retailer is responsible for taking readily achievable steps to remove architectural barriers that may interfere with access to Lottery products and associated materials.
- (3) Factors to be considered in determining whether an action is readily achievable may include, but are not necessarily limited to:
 - (a) The nature and cost of the action;
 - (b) The overall size, type of operation and financial resources of the retailer and, if applicable, its parent entities;

- (c) The number of persons employed at the retailer location;
 - (d) The effect on expenses and resources;
 - (e) The impact of the action upon the operation of the retailer location; and
 - (f) The legitimate safety requirements that are necessary for the safe operation of the retailer location.
- (4) A retailer shall, where barrier removal is not readily achievable, make Lottery products, programs, services, and activities available through alternative methods which are themselves readily achievable. (See factors listed in above.) Examples of alternatives to barrier removal include, but are not limited to, providing curb service or offering Lottery products and associated materials at accessible sites within the retailer location. All claims that barrier removal is not readily achievable must be verified by an ADA consultant approved by the Lottery. Retailers shall continuously provide an alternative method of accessibility to individuals with disabilities.
- (5) Any facility that was designed and constructed for first occupancy on or after January 26, 1993, must be fully accessible to individuals with disabilities as provided in the ADA.

d. ADA Retailer Compliance Form and Inspection

- (1) Retailers and applicants shall complete an ADA retailer compliance form at intervals and in a format to be determined by the Director. The Director shall determine accessibility standards for retailers and applicants and such standards may vary between retailers. When completing the ADA retailer compliance form, retailers and applicants shall certify whether they are in compliance with this policy.
- (2) Any retailer or applicant who certifies on its ADA retailer compliance form that it is in compliance with this section is subject to random, unannounced inspections by Lottery at any time during the retailer's or applicant's hours of operation to determine whether the statement is accurate.

e. Contract Termination or Disapproval

- (1) Any retailer found to have made a false certification on its ADA retailer compliance form shall be terminated in accordance with these regulations. Any applicant found to have made a false certification on its ADA retailer compliance form shall be disapproved.

- (2) Any retailer who is not in compliance with this section will be terminated in accordance with these regulations unless the retailer certifies that it will become compliant with this section within 180 days and provides a plan with a schedule detailing how and when it will achieve compliance. The plan shall address the steps that the retailer will take to remove architectural barriers. The retailer shall be terminated, in accordance with these regulations, if it does not fully implement its plan during the time period.

f. Complaints Regarding Non-Accessibility

Any complaints regarding non-accessibility of Lottery products, programs, services, and activities to individuals with disabilities shall be directed to Lottery headquarters for investigation. The name and address of the alleged non-compliant retailer should be provided to the Lottery for use in the investigation.

D. RETAILER COMPENSATION AND INCENTIVE BONUS REGULATIONS

1. PURPOSE

These regulations are promulgated by the California State Lottery (Lottery) Commission to establish the compensation to be paid to game retailers.

2. COMPENSATION

a. Draw Games

- (1) The Lottery will compensate retailers for selling draw game tickets or shares as follows:
 - (a) 4½% of the retail sales price for each ticket issued from a self-service ticket dispensing machine.
 - (b) 6% of the retail sales price for each ticket issued from a retailer clerk terminal (RCT).
- (2) The retailer handling fee for issuing Fantasy 5 replay tickets will be \$.06 for each replay ticket issued from the retailer's draw game terminal, regardless of the type of terminal.

b. Scratchers®

- (1) Retailer compensation for selling Scratchers® tickets is 6% of the retail sales price for each ticket sold by the retailer at his/her authorized Lottery game retailer location.

- (2) The retailer handling fee for issuing free Scratchers® tickets is 6% of the retail sales price for each free Scratchers® ticket issued by the retailer in response to the redemption of a valid Scratchers® ticket with a “free ticket” prize.

3. INCENTIVE BONUS

- a. The Lottery may pay an incentive bonus to retailers based on attainment of sales volume or other objectives as approved by the Lottery Director for any of the Lottery’s games. Retailers who participate in and meet the objectives and requirements of an authorized incentive bonus program will receive a bonus payment according to these regulations and the terms and conditions of the program.

- b. Retailers will be paid an incentive bonus of .5% on prizes as specified below.

(1) Draw Games

- (a) A retailer who sells a valid winning Fantasy 5 five of five ticket or a valid winning Daily Derby grand prize ticket will receive a bonus payment equal to .5% of the value of the player's winnings.
- (b) A retailer who sells a valid winning SuperLOTTO Plus® jackpot prize ticket will receive a bonus payment equal to .5% of the annuitized jackpot value of the player’s winnings, regardless of the payment option indicated on the winning ticket.
- (c) A retailer who sells a valid winning Mega Millions® grand/jackpot prize ticket will receive a bonus payment equal to .5%, up to a maximum of \$1 million, of the annuitized grand/jackpot value of the player’s winnings.
- (d) A retailer who sells a valid \$1 million winning Raffle grand prize ticket will receive a bonus payment equal to .5% which is \$5,000 per winning ticket.
- (e) The determination of what constitutes a valid winning ticket will be made solely by the Lottery in accordance with applicable law and Lottery regulations and procedures.

- (2) Scratchers®
 - (a) A retailer who sells a valid Scratchers® ticket resulting in the payment of an instant prize of \$1 million or more will receive a bonus payment equal to .5% of the value of that prize.
 - (b) The determination of what constitutes a valid winning ticket will be made solely by the Lottery in accordance with applicable law and Lottery regulations and procedures.
- (3) Promotions
 - (a) This section applies to promotions for any Lottery game.
 - (b) A retailer who sells a Lottery game ticket in connection with an authorized Lottery promotion that results in a participant winning a promotional prize of \$1 million or more will receive a bonus payment of .5% of the value of the promotional prize.
 - (c) Bonus payments provided in this section are subject to the Director's approval of each promotion, and are subject to official promotion rules.

c. Payment of Incentive Bonus

Any incentive bonus payment is contingent upon and subject to the following:

- (1) The prize winner must have complied with all rules and regulations for the applicable game or promotion, and his/her ticket or entry must be determined a valid winning ticket or a valid winning promotion entry by the Lottery.
- (2) The retailer must be current (i.e., not delinquent) in any payments(s) that he/she owes to the Lottery. If a retailer is delinquent in payments to the Lottery, the Lottery may deduct the total amount of the delinquency from any bonus payment.

4. CASHING BONUS

- a. For Scratchers®, retailers will be paid a cashing bonus of 1% of the value of the prizes the retailer pays to players for cashing valid winning tickets with prize amounts of \$1 to \$599 on a single ticket.

- b. For draw games, retailers will be paid a cashing bonus of 3% of the value of each prize paid to players for cashing valid winning tickets with aggregate prize amounts from \$99 to \$599.
- c. The determination of what constitutes a valid winning ticket will be made solely by the Lottery in accordance with applicable law and Lottery regulations and procedures.

5. PAYMENT WHEN A GAME OR INCENTIVE BONUS PROGRAM IS TERMINATED

a. Termination of a Game or Promotion

- (1) The Director may, at any time, announce a termination date for a Lottery game, games, or promotion after which date no further tickets or shares may be sold.
- (2) If the Lottery terminates a game, games, or promotion, retailers will be paid compensation and/or bonuses earned up to and including the last day of sale for the terminated game, games, or promotion.

b. Termination of an Incentive Bonus Program

- (1) The Director may, at his or her discretion, terminate an incentive bonus program at any time.
- (2) If the Director terminates an incentive program, retailers will receive any bonus payment owing, as provided in these regulations and in the terms and conditions for the incentive bonus program, through the termination date.

6. PILOT ALTERNATIVE COMPENSATION AGREEMENTS

The Director may enter into alternative compensation agreements with Lottery retailers to accommodate pilot testing new business models aimed at the retention and recruitment of existing and new chain accounts and trade styles. The Director shall notify the Chair of the Commission prior to entering into such pilot alternative compensation agreements. Such pilot alternative compensation agreements can be used to pay retailers different sales commissions, incentive bonuses and cashing bonuses than those specified in Sections 2, 3, 4 and 5 of the Retailer Compensation section of these regulations.

7. ALTERNATIVE COMPENSATION AGREEMENTS

The Commission finds there is a need to develop alternative business models to engage in partnerships with certain retailers.

If the model results in an overall compensation plan to the retailer that is less than 5% of tickets or shares sold, then the Lottery Director is delegated discretionary authority under California Government Code §8880.51 to negotiate and enter into such business compensation structures, upon consent of the Commission Chairperson.

8. GOVERNING LAW

These regulations are governed by the California State Lottery Act (Gov. Code sec. 8880.00, et seq.), state and federal law, Lottery regulations, procedures, directives, decisions, and instructions and the terms and conditions of the Lottery game retailer contract.

E. COMPETITIVE BIDDING PROCEDURES

1. COMPETITIVE BIDDING PROCEDURES: Government Code section 8880.56(b) (1)

a. These procedures are adopted pursuant to Government Code section 8880.56(b) (1) which requires the California State Lottery Commission to, "...adopt and publish competitive bidding procedures for the award of any procurement or contract involving an expenditure of more than one hundred thousand dollars (\$100,000). The competitive bidding procedures shall include, but not be limited to, requirements for submissions of bids and accompanying documentation, guidelines for the use of requests for proposals, invitations to bid, or other methods of bidding, and a bid protest procedure."

2. PROCUREMENT POLICY AND METHODS

a. Except as provided by subpart b, below, the Lottery and its prime contractors shall use a competitive process to procure goods or services to ensure obtaining the best value for the Lottery. Factors to be considered in evaluating bidders may include but not be limited to price, quality, competence, experience, past performance, efficiency, reliability, financial viability, durability, adaptability, timely performance, integrity, and security.

b. The Director and prime contractors may procure goods or services without utilizing competitive procedures where any of the following circumstances exist:

(1) The time available is not sufficient for a competitive process because a contract for goods or services is necessary for the immediate preservation of the integrity and security of Lottery or state property or in the event of an urgent and compelling circumstance;

- (2) The goods or services to be acquired will be obtained through an interagency or intergovernmental agreement with a federal, state, local, or other government entity, or a state college or university;
 - (3) The goods or services are being acquired using a standard US General Services Administration Agreement or a State of California, Department of General Services Master Services Agreement, Multiple Award Schedule, Master Rental Agreement, or other such agreement, as authorized by law from time to time, which establishes a list of pre-qualified bidders who have agreed to contract terms and prices with a state, county, local or federal agency;
 - (4) The Director has determined that the nature of the goods or services to be procured compel issuing a solicitation to only one or two potential bidders, for reasons including but not limited to:
 - (a) A market survey indicating that fewer than three qualified bidders are available to provide the needed goods or services; or
 - (b) The property the Lottery seeks to acquire is in limited distribution or licensed or available only from a particular potential bidder;
 - (5) The contract is solely for the retention of expert advice, counsel or project management, including, but not limited to, contracts for accounting, auditing, statistical or marketing research and analyses, legal services, organizational consulting including information technology consulting, and specialized training services, project review or planning.
 - (6) The goods or services are being acquired through a subcontract to a competitively bid prime contract that identified the goods or services at the time of prime contract award.
- c. Whenever an exception procedure in subpart (b) (1) through (b) (5) is used in a prime contract, the Director shall prepare a memorandum explaining the applicable circumstances and shall provide written notice to the Chairman of the Commission.

3. FORM OF THE SOLICITATION

a. Pre-Solicitation Process:

- (1) Whenever the Lottery wants to evaluate the availability, durability, adaptability or other specifications of goods or services in advance of seeking to procure such goods or services, the Director may elect to utilize a pre-solicitation process to identify potential bidders or possible solutions to the need being addressed. The Director may opt to use any or all of the following methods to acquire information:
 - (a) Oral presentations;
 - (b) Pre-solicitation notices;
 - (c) Pre-solicitation conferences;
 - (d) Requests for information;
 - (e) Site visits; or
 - (f) Any other method the Director deems appropriate in his/her discretion.

b. Solicitation Documents for Contracts with an Estimated Value of \$100,000 or More:

The Lottery will utilize a written or electronic solicitation for procurements if the estimated value of the resulting contract is \$100,000 or more. The solicitation shall include a description of the goods or services sought, the evaluation factors, how and to whom to respond, and any necessary details relating to unique aspects of the procurement. All solicitations shall provide that the Lottery retains the right to reject all bids received.

c. Available Selection Processes:

When procuring goods or services, the Director may utilize any form of process and solicitation appropriate to the need.

- d. For competitive solicitations with an estimated value of \$100,000 or more, the Lottery may place a notice of the availability of the solicitation on its web page or in hard copy in appropriate and available media when time permits or when the Lottery wishes to update or augment a list of available vendors. The Lottery shall make solicitations available, either in hard copy or electronically, to those potential bidders that have notified the Lottery of their interest in solicitations for particular goods or services.

- e. Competitive Process for Contracts Expected to be Valued under \$100,000:

If a procurement is expected to result in a contract valued at less than \$100,000, the Lottery may use the process described in this subsection. The Lottery may gather and document information and price quotations by telephone, electronic mail, written document, or personal contact with potential bidders. The Lottery staff member obtaining the information shall keep a record of all contacts with potential bidders and all potential bidder-provided information. The record of information shall include the potential bidder's name, the time and date of receipt, offered price, and any information relevant to a determination that the potential bidder is able to provide the necessary goods or services.

Potential bidders who have been contacted about procurements valued over \$10,000 must submit written confirmation of acceptance of the terms and conditions relevant to the proposed contract, including, but not limited to, price, agreed upon deliverables, duration of the contract, and the name of the person authorized to enter into a contract on behalf of the potential bidder.

4. SMALL AND MICRO BUSINESS PARTICIPATION

In accordance with the Small Business Procurement and Contract Act (Government Code Section 14835 et seq):

- a. If a procurement is to be awarded to the responsible bidder offering the lowest price, the evaluation price preference to a small business or micro business shall be 5% of the lowest price offered by a responsible, non-small business bidder.

For these procurements, non-small business bidders that meet the specific small or micro business subcontractor participation goal as may be outlined in the solicitation document shall receive 5% price evaluation preference. Those non-small business bidders who subcontract less than the participation goal shall receive a pro-rated portion of the 5% price evaluation preference based upon the percentage of small or micro business subcontractor participation commitment.

- b. If a procurement is to be awarded based on price and non-price related factors, the preference given to small business or micro business bidders will be 5% of the price evaluation portion of the evaluation based on the lowest price offered by a responsible, non-small business bidder .

For these procurements, non-small business bidders that meet the small or micro business subcontractor participation goal as may be outlined in the solicitation document shall receive a 5% preference on the price evaluation portion of the evaluation based on the lowest price offered by a responsible, non-small business bidder.

Those non-small business bidders who subcontract less than the participation goal shall receive a pro-rated portion of the 5% preference on the price evaluation portion of the evaluation based on the lowest price offered by a responsible, non-small business bidder.

- c. If a procurement is to be awarded by a method other than that set forth in “a.” or “b.” above, the preference given to small business or micro business bidders will be 5% of the numerical value the Lottery deems appropriate for a particular procurement against which the 5% will be applied, including, but not limited to, the lowest price offered by any bidder.

For these procurements, non-small business bidders that provide for small or micro business subcontractor participation goal as outlined in the solicitation document shall receive 5% of the numerical value the Lottery deems appropriate as referenced above.

Those non-small business bidders who subcontract less than the participation goal shall receive a pro-rated portion of the 5% preference based upon the percentage of participation commitment. Only non-small business bidders who provide for small business or micro business subcontractor participation are eligible for this preference.

- d. The Lottery may award a contract for goods or services or information technology that has an estimated value of greater than \$5,000 but less than \$200,000 for construction contracts and less than \$100,000 for all other contracts, exclusively to a small business, micro business, or disabled veterans business enterprises by gathering price quotations from two or more such business.
- e. The successful bidder’s small business participation goal shall become part of its contract with the Lottery. The Lottery’s Contracts and Procurement Services Section, Small Business Program, shall monitor compliance by contractors of the small business participation by requiring annual reports on such participation.

- f. The Lottery will set an annual overall departmental goal for the extent of small and micro business participation in its contracts.

5. DISABLED VETERAN BUSINESS ENTERPRISE PROGRAM

In accordance with Military and Veterans Code, section 999.2 et. seq. the State of California has established a Disabled Veteran Business Enterprise (DVBE) Participation Program and an annual 3% DVBE participation requirement.

The Lottery's Contracts and Procurement Services Section, Small Business and DVBE Program, will determine whether to include the DVBE participation requirements in solicitations based on the availability of subcontracting opportunities within the scope of services of a particular contract.

For those solicitations, bidders will be required to meet the minimum 3% DVBE participation requirement or make and document their good faith outreach efforts to attain DVBE participation.

The successful bidder's DVBE participation requirement shall become part of its contract with the Lottery. The Lottery shall monitor contractor compliance of DVBE participation by requiring annual reports.

6. OTHER REQUIREMENTS

- a. Notwithstanding Government Code section 8880.69, if the Director finds it is in the best interest of the Lottery, Lottery solicitations and contracts may include requirements imposed by laws, as amended from time to time, and mandated for government contracts generally, such as requirements for drug-free workplace initiatives, non-discrimination policies, and compliance with the Americans with Disabilities Act.

- b. The Director may exempt any solicitation from the requirement that bidders submit disclosures based on a finding that the materials, supplies, services or equipment sought are common to the ordinary operation of state agencies. In making such findings, the Director shall consider factors including but not limited to the following:

- (1) Whether any vendors of the items sought are available for contracting pursuant to the California Multiple Awards Schedule;

- (2) Whether any vendors of the items sought have entered into Master Services Agreements with the State of California;

- (3) Whether other state agencies currently utilize or have utilized in their operations at any time during the last five years the materials, supplies, services or equipment sought in the solicitation.
- c. Whenever the Director exempts a specific solicitation from organization disclosures based on a determination that the items are common to the ordinary operation of state agencies, such determination shall be documented in writing and approved by the Director.
- d. Whenever a solicitation includes a requirement for disclosures, information submitted by bidders may be supplemented by a bidder at any time prior to contract award and may be the subject of a request for clarification by the Lottery at any time during the solicitation's term.
- e. Nothing in this section shall be construed to limit the Lottery's authority to investigate any bidder's competency, integrity and qualifications at any time throughout the bidding process.

7. CHANGES

- a. A solicitation may be canceled or modified at any time by written amendment. Prior to the time for bid submission, written amendments will be made available to potential bidders who were provided with the solicitation. Subsequent to the time for initial offer submission, written amendments will be made available to actual bidders that have submitted offers. If the solicitation is cancelled after the offers have been opened, the Director shall document the reasons for the cancellation.
- b. The Lottery may clarify solicitations and may ask bidders to submit clarifications of offers at any time, including after initial offers are due.
- c. The initiation of a pre-solicitation process, the release of a solicitation, or the activation of any procurement process does not mean, and shall not be construed to mean, that the Lottery must enter into a contract with any party whatsoever. The Lottery reserves the right to cancel any and all elements of a procurement at any time up to the time of actual execution of the contract with a successful bidder.

8. NOTICE OF AWARD

- a. The Lottery shall notify all bidders of the selection of the successful bidder or apparent successful bidder, as applicable.
- b. Subsequent to the announcement of the selection of the successful bidder or apparent successful bidder, the Director and the successful bidder or apparent successful bidder may, in the Director's sole discretion, negotiate terms of the contract the bidder accepted when it submitted its offer if the negotiation results in additional value for the Lottery.

9. PUBLIC INSPECTION OF PROPOSAL/BID: EXEMPTION FOR PROPRIETARY OR CONFIDENTIAL INFORMATION

Except for material clearly identified as proprietary or confidential by a bidder or by the Lottery, all offers and all evaluation and scoring sheets will be made available to bidders within two business days after the apparent successful bidder or successful bidder has been announced, whichever occurs first. This information will be made available to the public commencing no earlier than two business days after (i) the time for protest has passed and no protest has been filed; (ii) a timely protest has been finally resolved; or (iii) the solicitation has been canceled, whichever is latest. Proprietary or confidential portions of the bids will be sealed and stored with the remainder of the bids in Lottery files, and will be subject to any requirements, restrictions or other limitations noted in the solicitation.

10. PROTESTS

- a. Initiation of a Protest:
 - (1) Any bidder or potential bidder may file a protest against the solicitation for the grounds stated in (a) below. Any bidder may file a protest of the selection of the apparent successful bidder or successful bidder for the grounds stated in (b) below. The only permissible grounds for protest are:
 - (a) Competition was improperly restricted; or
 - (b) Written procedures for the award of the contract were not followed.
 - (2) A protest asserting the grounds in 10.a. (1) (a) must be filed prior to the date offers are due.

- (3) A protest asserting the grounds in 10.a. (1) (b) must be filed within five business days after the grounds for protest is known or should have been known by the protestor. Such a protest must be initiated by the protestor filing a written notice of the intent to protest no later than five business days after the bidder receives notice of the announcement of the apparent successful bidder, or successful bidder, whichever occurs first.
- (4) Within five business days after the filing of a notice of intent to protest asserting grounds in 10.a.(1)(b), the protestor shall file a detailed statement of protest, which shall include a complete and detailed explanation of the basis for the protest, specific facts and citations to law, and the record supporting the allegations.
- (5) All protest documents must be received by the Lottery at its Sacramento headquarters' office no later than 3:00 p.m. PST on the last day of the applicable protest period. The envelope containing protest documents or the cover page to a protest shall be clearly labeled to the attention of the Director and must state: "Protest to the (title of the solicitation), and solicitation (number), DO NOT OPEN IN MAILROOM." Protests received after this date and time will not be considered.
- (6) Faxed protests will be accepted if the cover page is clearly labeled to the attention of the Director and states: "Protest to the (title of the solicitation), and solicitation (number), CONFIDENTIAL – for Director's review only." Faxed protest documents will be considered received when the final page of the transmission is received by the Lottery. Protestor bears responsibility for ensuring that protests are timely received.
- (7) In addition to the protestor, the Director may in his or her discretion permit others to participate in the protest process.

- b. In his or her sole discretion as to the best interests of the Lottery, the Director may proceed with a contract award while a protest is pending. In addition, the Director may direct a contractor to commence work while a protest is pending.

- (1) Resolution of the Protest:

The Director may resolve a protest, in his or her sole discretion, by reviewing the written protest documents and, if deemed necessary by the Director, by conducting a hearing.

- (a) If the Director elects to resolve the protest by reviewing written documents only, the Director will issue a written ruling on the protest within 15 business days from the date the Lottery receives the detailed statement of protest. The Director may extend this period by written notice to the protestor and other participants, but in no case will the time to issue a written ruling be extended by more than one additional 15 business day period. Prior to issuing the written ruling, the Director may request additional information, facts, or arguments, from the protestor, Lottery staff, or any other participant or other individual or entity in order to assist in resolving a protest. Non-confidential information that is received from a source outside the Lottery on the issues to be resolved in the protest will be made available to all participants.
- (b) If the Director elects to conduct a hearing, the Lottery will notify the participants of that decision in writing. Such notice of hearing will include a date, time, and place for the hearing, and will be sent to the protestor and other participants not less than seven business days in advance of the hearing, unless the protestor agrees to a shorter notice period. The Director may, in his or her discretion, change the date, postpone or continue the hearing, or elect to resolve the protest in writing after considering the availability of the parties and the issues raised.
- (c) Hearings on protests will be conducted by the Director, or by a hearing officer retained by the Lottery for that purpose. The hearing officer may be an administrative law judge from the California Office of Administrative Hearing, or other qualified individual selected by the Director. The protestor

and other participants may participate in the hearing in the manner permitted by the Director or hearing officer.

- (d) Any hearing conducted pursuant to these rules will be open to the public, unless the Director or hearing officer determines that information subject to the confidentiality provisions of the solicitation may be discussed, in which case all or a portion of the hearing may be closed. The technical rules of evidence will not apply. Evidence that is of a type on which responsible persons are accustomed to rely upon in the conduct of serious affairs may be admitted. The Director or hearing officer may limit evidence to specific questions or issues, and may limit the admission of irrelevant, cumulative or extraneous evidence. The Director or hearing officer may, but is not required to, allow written or oral argument of the points in dispute.
- (e) The notice of hearing will advise of the right to have the hearing recorded and transcribed and that the protestor or participant making the request will assume the cost of such recording or transcription. A copy of the transcript must be provided, without cost, to other participants.
- (f) Where a hearing officer conducts the hearing, his or her recommended decision must be sent to the Director within ten business days from the conclusion of the hearing. The recommended decision will be provided to all participants in the hearing. The Director will have the discretion to request additional evidence after receiving the hearing officer's recommendation, will advise all participants of any additional information received, and may provide copies of non-confidential information as appropriate. The Director must issue his or her decision within thirty business days of receiving the hearing officer's recommendation or ten business days from receipt of the additional information or rebuttal, whichever is later.
- (g) When the Director conducts the hearing protest, the Director's decision must be issued within ten business days of the close of the record in the hearing.

11. DEBARMENT

It is the Lottery's policy to protect the state's interests by ensuring that contracts and subcontracts are awarded to responsible entities or individuals who provide the Lottery with the best value. As one method of implementing this policy, the Lottery, through its Director, may protect the Lottery's and state's interest by debarring a non-responsible bidder or contractor.

The Lottery may not enter into or continue a contract with a bidder or contractor that is debarred or suspended by any local, state, or federal agency unless the Director determines in writing that, due to exigent circumstances, it is in the Lottery's best interest to do so.

In addition, the Lottery, in its sole discretion, may debar a non-responsible bidder or contractor and its partners, principals, members, directors, officers, managing employees, agents, successors-in-interest, parent companies, or other affiliates from bidding on or entering into contracts with the Lottery, from participating as subcontractors on any Lottery contracts, or from providing services, materials, equipment, goods, or supplies under Lottery contracts for the term of the debarment for any of the reasons listed below. A debarment will include all known affiliates and successors-in-interest of a business entity, unless otherwise stated in the debarment decision.

At the Director's discretion, bidders and contractors may be suspended from bidding on or entering into contracts pending the outcome of a debarment investigation and final decision.

Notwithstanding the debarment or proposed debarment of a bidder or contractor, the Lottery may continue contracts or subcontracts already in existence at the time the bidder or contractor was debarred or proposed for debarment if approved in writing by the Director.

a. Grounds for Debarment

- (1) Unsatisfactory performance of a contract or any history of inexcusable failure to perform contract requirements;
- (2) Refusal to honor a binding offer;
- (3) Knowingly and intentionally supplying false information or failing to disclose material information in order to obtain a contract;
- (4) Knowingly and intentionally conferring or offering to confer any gift, gratuity, favor, or advantage, present or future, upon any Lottery Commissioner or employee of the Lottery;

- (5) Conviction, plea of guilty, plea of nolo contendere, or pending criminal investigation related to any felony charge of fraud, bribery, collusion, conspiracy, payment of kickbacks, federal or state antitrust laws, or other criminal offenses in connection with the bidding upon, award of, or performance of any contract for goods or services;
- (6) Any admission to a bidding crime by a contractor, whether made individually or through one or more of its officers or partners;
- (7) Conviction of, or pending criminal investigation related to, any offense which indicates a lack of moral or ethical integrity and which reasonably relates to or reflects upon the business practices of the contractor;
- (8) Violation of state ethics laws;
- (9) Failure to comply with terms and conditions of existing contracts;
- (10) Commission of any other offense indicating a lack of business integrity or business honesty that seriously and directly affects the present responsibility of the contractor; or
- (11) Any other cause of so serious or compelling a nature that it affects the present responsibility of the bidder or contractor.

b. Term of Debarment

- (1) Debarment must be for a period commensurate with the seriousness of the cause(s), and the duration of the debarment must be specified in writing in the Director's final decision. In cases of multiple offenses by the same bidder or contractor arising out of separate occurrences, the Lottery may order additional periods of debarment.
- (2) At the Lottery's discretion, a debarment decision may be modified, but only if it is in the Lottery's interest, as determined by the Director. Mitigating circumstances which may be considered in making a debarment decision or in modifying a debarment term include, but are not limited to: (i) degree of culpability; (ii) length of debarment necessary to protect Lottery interests; (iii) restitution paid; (iv) cooperation with law enforcement authorities; and (v) repudiation of any criminal or unethical activity prior to the completion of such activity.

c. Debarment Procedures

A bidder or contractor may be suspended immediately upon decision of the Director, but will be afforded notice and the opportunity to submit rebuttal information to contest the debarment as set forth below.

- (1) Commencement of Proceedings: Anyone may submit to the Director, in writing, a complaint, proposal to debar, or information that would support the debarment of any contractor or bidder.
- (2) Notice: After the Director has received and reviewed the information, investigated the allegations, and made a determination based upon adequate evidence to debar, he or she shall notify the bidder or contractor in writing, stating with specificity the reasons for the proposed debarment. The notice shall also inform the bidder or contractor of the opportunity for rebuttal.
- (3) Opportunity for Rebuttal: Bidders or contractors must within 15 business days respond in writing to the proposed debarment and submit any and all documentation or other rebuttal evidence to the Director. All rebuttal documents must be received by the Lottery at its Sacramento headquarters no later than 3:00 p.m. on the last day of the applicable rebuttal period. The envelopes containing rebuttal documents shall be clearly labeled on the outside to the attention of the Director and must state: "Rebuttal to Debarment, DO NOT OPEN IN MAILROOM." Rebuttal documents received after this date and time will not be considered.
- (4) Final Decision: A final decision must be issued by the Director in writing within 15 business days of receiving the bidder's or contractor's rebuttal information or responses to subsequent requests by the Director for information, whichever is later. The decision must include: (i) the allegation(s) considered; (ii) the evidence presented; (iii) any findings of credibility; (iv) the Director's decision; (v) the basis for the decision; (vi) the duration of the debarment; and (vii) information about the appeal procedures set forth below.
- (5) Referrals to Law Enforcement: The Director may refer cases that involve possible criminal activity to law enforcement authorities, as appropriate.

- (6) Appeal: A debarred bidder or contractor may appeal the Director's decision to the chair of the California Lottery Commission. Bidders or contractors must submit appeal documents and other evidence within 15 business days after the Director's decision has been issued. All appeals must be received by the Lottery at its Sacramento headquarters no later than 3:00 p.m. on the last day of the applicable appeal period. The envelopes containing appeal documents must be clearly labeled on the outside to the attention of the chair of the California Lottery Commission and must state: "Debarment Appeal, DO NOT OPEN IN MAILROOM." Appeal documents received after this date and time will not be considered.
- (7) The chair will determine whether there was a rational basis and adequate evidence for the Director's decision, in which case the Director's decision will be upheld. If the chair does not find the evidence adequate to support the decision or there is no rational basis for the decision, the chair may, as appropriate, request additional information or reverse the Director's decision. The bidder or contractor will be notified in writing of the chair's decision within a reasonable period of time after the Lottery receives the appeal.

12. CONTRACT APPROVAL BY LOTTERY COMMISSION

- a. Any contract with an estimated value of \$250,000 or more cannot be finalized without Commission approval.
- b. Any amendment to a contract which was previously approved by the Commission cannot be executed without commission approval if the amendment extends the term of the contract by 25% or six months, whichever is shorter, or if funds are added to the contract that increase the total amount obligated by more than 10%.
- c. If circumstances require work under a particular contract to commence prior to the next Commission meeting, the Director may authorize the execution of the contract with simultaneous notification to the Chairman of the Commission. The Director's execution of the contract shall be presented to the Commission for ratification at the next regularly scheduled commission meeting. The Director shall prepare for the contract file a memorandum explaining the rationale for the expedited procedure.
- d. The Director may not terminate any contract that was approved by the Commission in the first instance without ratification of the termination by the Commission. Notwithstanding the need for Commission ratification, the Director may notify the contractor of

the termination and the reasons therefore, and may direct the contractor to cease working on the contract prior to Commission action. In the event of an emergency termination, the Director shall notify the Chairman of the Commission of the action taken. The contractor subject to termination may appear at the Commission meeting at which the termination will be considered and present relevant information to the Commission.

13. LEASING OF PREMISES FOR LOTTERY BUSINESS:

a. The Director may enter leases of properties in such locations and under such terms and conditions as he or she deems necessary in order to efficiently accomplish the business of the Lottery. The process for entering and managing leases shall include:

(1) The Director of Security shall conduct such reviews as he or she deems appropriate to ensure that the leased premises and the parties to the lease are consistent with the obligation to ensure security and integrity of the Lottery. The Director of Security may require criminal history and other background investigation of any of the principals involved in the lease, including property owners, contractors and subcontractors;

(2) The Director may contract with real estate professionals, including but not limited to personnel of the Department of General Services or other public agency, as he or she deems necessary to assist the Lottery with the acquisition of property and to determine available properties, advise on lease terms, and otherwise ensure that leased properties offer overall value to and meet the needs of the Lottery. Any real estate professional selected to participate on behalf of the Lottery shall be subject to audit or other review to ensure that terms are negotiated at fair market value and at arm's length.

b. The lease agreements shall include:

(1) A provision permitting early termination by the Lottery in circumstances including:

(a) A lack of funding or change in the Lottery's enabling authority which makes performance of the lease terms by the Lottery unfeasible.

(b) A change in the landlord or leased premises which results in a threat to the security and integrity of the Lottery.

- (2) A provision requiring the Landlord to continuously update the Lottery of any change in ownership of the property or personnel with access to the leased premises for the express purpose of permitting the Lottery to approve of such individuals after requiring such additional background investigation as the Lottery deems appropriate.
- c. Prior to entering any lease or amending an existing lease, the Director shall obtain the consent of the Commission if the cost is \$250,000 or more. In the event a lease or lease amendment must be accepted and executed prior to the next scheduled Commission meeting in order to preserve favorable terms or due to business necessity, the Director may proceed to finalize the lease or lease amendment with the consent of the Chairman of the Commission. In such an event, the Director shall report on the leased property and the terms of the lease at the next Commission meeting. The report shall include a description of the property search, the term of the lease, the rates negotiated for the leased space, and any other factors that were considered in determining that lease or lease amendment was favorable and quick action was necessary.
- d. Any purchase or sale of real property requires advance Commission approval. Staff will prepare and present to the Commission a cost benefit analysis of the proposed transaction. In addition, anyone proposing to sell a property to the Lottery must agree to a background investigation as the Lottery deems appropriate.

14. WHEN AMENDMENTS BECOME EFFECTIVE

In the case of the new game-related regulations or amendments to game-related regulations which are substantive in nature, additions or changes shall become effective immediately upon publication. The date of publication is defined as the date on which the language adopted by the Commission is published, i.e., printed in final form and available to the public. In the case of all other regulations, substantive additions or changes shall become effective 15 days after the date of publication.

F. EMPLOYEE RECOGNITION

1. The Director may establish an employee recognition program for California Lottery employees. Any such program shall be similar to those implemented by other state agencies or departments, as well as the State Merit Award program offered by the Department of Personnel Administration. The Director may authorize payment of recognition expenditures or costs with administrative funds. Any award granted by the Director under the provisions of this section shall not exceed in value, those allowed by the California Government Code section 19823, as amended from time to time.

2. As part of an employee recognition program, the Director may present an award to California Lottery employees with 25 years of state service, and any retiring employee who, on the date of his or her retirement, has completed 25 or more years of state service. The Director may authorize payment of recognition expenditures with administrative funds. Any award granted by the Director under the provisions of this section shall not exceed in value that allowed by the California Government Code section 19849.9, as amended from time to time.