

Minutes of the Lottery Advisory Commission
September 25, 2013

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 10:01 a.m. – 10:30 a.m., on Wednesday, September 25, 2013. Representing the Commission were Mr. Mike Rud (Chairman) and Mr. Russ Hanson; attending by teleconference were Representative Lois Delmore and Representative Joe Heilman. Senator Lonnie Laffen was absent. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Rob Yost, accountant/budget specialist, Mr. Ryan Koppy, sales and marketing manager, and Ms. Sonja Walder, administrative assistant.

Approval of Minutes

Commissioner Delmore made a motion to approve the draft minutes of the July 9, 2013 and August 30, 2013 meetings. Commissioner Hanson seconded the motion. The motion passed 4-0.

Overview of Revenues and Expenses for the Fiscal Year Ended June 30, 2013 and Sales Activity Through August 2013 (unaudited)

Mr. Yost provided an overview of revenue and expenses for the fiscal year ended June 30, 2013 and sales activity through August 2013. Total ticket sales increased \$1.80 million or 6.92% compared to fiscal year 2012. The increase was mainly due to the six Powerball jackpots exceeding \$200 million during the fiscal year; two exceeded \$200 million, two exceeded \$300 million, and two exceeded \$500 million.

Total operating expenses increased \$743,463 or 3.94% compared to fiscal year 2012. Prize expense increased \$767,710 or 5.73% and retailer commissions/bonuses increased \$81,420 or 6.19%. These increases were a direct incremental relation to the increase in ticket sales. Other operating expenses increased 78,631 or 30.56%. This increase was mainly due to the intellectual property (patent purchase) by MUSL.

Ticket sales for July and August 2013 increased \$297,927 or 6.82% compared to the same period last year. The increase was mainly due to a \$448 million Powerball jackpot, \$7.3 million Hot Lotto jackpot, and a successful 2by2 promotion during this period.

Mr. Yost left the meeting at 10:07 a.m.

Overview of Marketing Activity and Short-Term Marketing Plans

Mr. Koppy provided an overview of the marketing activity and short-term marketing plans. Since the Wild Card 2 game change on January 13, 2013, Wild Card 2 sales have increased 8.44% when compared to the 26-week, weekly sales average prior to the game change. Wild Card 2 sales increased 22.46% when comparing fiscal year 2013 to fiscal year 2012. This increase was mainly due to two large Wild Card 2 jackpots of \$501,000 and \$815,000.

Since the Hot Lotto game change on May 12, 2013, Hot Lotto sales increased 11.16% when compared to the 26-week, weekly sales average prior to the game change. Hot Lotto sales increased 6.73% when

comparing fiscal year 2013 to fiscal year 2012. This increase was mainly due to two large Hot Lotto jackpots of \$9.43 million and \$6.81 million.

The 2by2 7-draw promotion ran from August 4 through August 31, 2013. The qualifying purchase was a single play, 7-draw 2by2 ticket for \$7. With the qualifying purchase, players were eligible to instantly win a free 7-draw 2by2 ticket or \$500. Winners were chosen at random. During the promotion, players won \$19,696 in instant prizes and there were five \$22,000 jackpot winners. The promotion was very successful with sales of \$431,085, representing a 60.4% increase when compared to the 26-week, weekly sales average prior to the promotion. Advertising expenses for the promotion were \$21,781 with approximately \$4,630 remaining to be billed.

The Mega Dash promotion will coincide with the Mega Millions game change beginning October 19 through November 16, 2013. A qualifying purchase is five plays of Mega Millions with Megaplier for \$10. With the qualifying purchase, players are eligible to instantly win \$5, \$20, \$100, or \$500. Winners are chosen at random. The budget for promotional costs (point-of-sale materials, production costs, radio, TV, online ads, and Facebook ads) is \$60,000. The budget for prize expense is \$20,000.

The Holiday Subscription Discount promotion will run November 17 through December 31, 2013. The promotion will provide subscribers, both new and current to save up to 10% on all lottery subscriptions. Discounts will be offered online or at Lottery retailer locations (when an application is generated from the lottery terminal and submitted to the Lottery with payment). The budget for promotional costs (point-of-sale materials and radio) is \$6,000.

The North Dakota Lottery will be attending both Pride of Dakota Holiday Showcase events in Fargo, November 22-24, 2013 and Bismarck December 6-8, 2013. Players 18 years of age and older will be able to save up to 10% on all lottery subscriptions. Players purchasing a subscription will receive a spin on the lottery's wheel to win prizes such as t-shirts, coffee cups, pens, or lottery tickets.

The Powerball game will change effective January 19, 2014. The Power Play option with a random multiplier of 2x, 3x, 4x, or 5x will once again be offered. The cost per play will remain \$2 with the option to add Power Play for an additional \$1 per play.

The Lottery's Facebook page currently has 2,997 likes/fans and Twitter has 487 followers. This reflects a 46% increase in Facebook likes/fans and 91% increase in Twitter followers compared to October 2012.

Mr. Kopy left the meeting at 10:20 a.m.

Final Approval of the Proposed Administrative Rules for the Powerball and Mega Millions Game Changes, and Miscellaneous Changes to Hot Lotto, Conduct and Play, and Retailer

Mr. Miller indicated there were no written or oral comments submitted and no changes to the proposed administrative rules presented on July 9, 2013. On July 10, 2013 notification of a public hearing and availability of the proposed rules was published in 52 daily and weekly newspapers from July 16-July 22, 2013. A copy of the proposed rules was provided to each member of the Lottery Advisory Commission. Copies of the proposed rules were available at the public hearing, Lottery's office, Lottery's website, and to the public upon request. A public hearing was conducted on August 19, 2013 in Bismarck. The comment period ended August 30, 2013.

**CHAPTER 10-16-02
RETAILER**

10-16-02-07. Sales commission and bonus.

1. The lottery shall credit a retailer's account for:
 - a. A sales commission of five percent of the retail price of a ticket sold or otherwise issued by the retailer;
 - b. A sales commission of five percent of the amount of an initial or renewal subscription sale that is transacted through the lottery on a subscription application form that is issued by the retailer's terminal or procured from the retailer with the retailer's license number on it. The retailer must be currently licensed when the subscription application form is processed by the lottery. There is no sales commission on the value of a prize on a winning subscription play that automatically extends a subscription period according to subdivision a of subsection 10 of section 10-16-03-08.1; and
 - c. A sales bonus for selling a ticket with a winning play, or for an initial or renewal subscription sale described by subdivision b, including an extended subscription period, that has a winning play, for a game as stated below. However, the retailer must be currently licensed when a draw is conducted that results in the winning play of a ticket or when the winning subscription play is validated. If the winning play for POWERBALL® has the power play option, or the winning play for MEGA MILLIONS® has the Megaplier® option, or the winning play for HOT LOTTO® has the triple sizzler option, the retailer's account must also be credited for an additional bonus as stated below:

<u>Prize</u>	<u>Bonus</u>	<u>Additional Bonus</u>
POWERBALL®		
Grand prize	\$50,000	Additional \$50,000 with power play
\$1,000,000	\$5,000	Additional \$5,000 with power play
\$10,000	\$500	Additional \$500 with power play
MEGA MILLIONS®		
Grand prize	\$50,000	Additional \$50,000 with Megaplier®
\$250,000	\$2,500	Additional \$2,500 with Megaplier®
\$10,000	\$500	Additional \$500 with Megaplier®
<u>\$1,000,000</u>	<u>\$5,000</u>	<u>Additional \$5,000 with Megaplier®</u>
<u>\$5,000</u>	<u>\$250</u>	<u>Additional \$250 with Megaplier®</u>

HOT LOTTO®

Grand prize \$5,000 Additional \$5,000 with triple sizzler

~~\$10,000 \$500 Additional \$500 with triple sizzler~~

\$30,000 \$750 Additional \$750 with triple sizzler

\$3,000 \$150 Additional \$150 with triple sizzler

WILD CARD 2®

Grand prize \$2,000

~~\$5,000 \$250~~

\$6,000 \$250

2BY2®

Grand prize

\$22,000 \$500

\$44,000* \$1,000

*Tuesday draw double grand prize winning play on a qualifying multi-draw ticket.

2. The lottery may credit a retailer's account for a fixed or graduated sales commission or bonus for a special promotion, including power play, Megaplier®, and triple sizzler, that the lottery conducts for a certain period of time based on parameters set by the lottery.

History: Effective February 1, 2004; amended effective January 1, 2006; January 3, 2008; January 31, 2010; January 15, 2012; October 19, 2013.

General Authority: NDCC 53-12.1-13

Law Implemented: NDCC 53-12.1-02, 53-12.1-03, 53-12.1-13

**CHAPTER 10-16-03
CONDUCT AND PLAY**

10-16-03-08. Claim of a prize. A prize for a validated winning ticket must be claimed as follows:

1. No prize may be awarded nor is the lottery liable for a ticket not submitted for validation or for an announcement or dissemination by the lottery or any other person of an incorrect number, letter, or symbol drawn.
2. A ticket bought or used to claim a prize in violation of federal or state law, or bought in violation of the lottery law or rules, is void and may not be used to claim a prize.
3. A ticket for a prize must be actually received or, if mailed, postmarked, within one hundred eighty days after the date of a draw for the game for which the ticket was issued. If the final day of the claim period is a Saturday, Sunday, or state holiday, the claim period is extended to the next business day. An unclaimed prize is forfeited and retained by the lottery. However, if the grand prize for the game of POWERBALL®,

MEGA MILLIONS®, HOT LOTTO®, or WILD CARD 2® is unclaimed, the MUSL shall administer the grand prize money.

4. A person who owns or redeems a winning ticket:
 - a. Agrees to be bound by the lottery law, rules, procedure, policy, validation requirements, dispute resolution, and game group game rules related to the game for which the ticket was issued; and
 - b. Agrees that the state, lottery, the MUSL, game group, and their officers, employees, agents, representatives, and contractor are discharged from any liability upon payment of a prize on a ticket.
5. The owner of a winning ticket may win only one prize per play for the winning numbers, letters, or symbols drawn and is entitled only to the prize won by those numbers in the highest matching prize category.
6. A retailer may redeem a ticket only at the business address listed on the license. The retailer may pay a prize in cash or by business check, certified or cashier's check, money order, or combination of methods.
7. A person may redeem a winning ticket for a prize only during the normal business hours of a retailer provided that the lottery's online computer system is operating and a ticket may be validated. If the retailer is normally open for business before or after the hours when the lottery's on-line computer system operates, the retailer shall post the hours at the site when a person may redeem a ticket.
8. To claim a prize for an apparent winning ticket of less than six hundred dollars, a player may:
 - a. Present the ticket to a retailer, regardless of which retailer sold the ticket; or
 - b. Complete the back side of the ticket by entering the person's full name and address and signing the ticket, and present or mail the ticket to the lottery's office.
9. If a ticket has a prize value of less than six hundred dollars, is owned by one person, and is presented to a retailer, the retailer may redeem the ticket and pay the prize to the person who physically possesses an unsigned ticket or to the person whose signature is shown on the ticket. If a person desires to redeem a winning ticket that is signed, the retailer shall request evidential proof of identity from the player before the retailer may validate or pay the prize. If the player does not provide proof of identity, the retailer may not validate the ticket or pay the player a prize and shall return the ticket to the player. For an unsigned ticket or a signed ticket in which the ticket holder is the identified owner, the retailer shall validate the ticket and, for a winning ticket, pay the prize to the player. If the retailer is unable to validate a ticket, the retailer shall provide

the ticket holder with a prize claim form and instruct the ticket holder how to file a claim with the lottery.

10. If an apparent winning ticket has a total prize value of all plays of six hundred dollars or more and one person signed or claims ownership of the ticket, a retailer may not redeem the ticket and shall provide the ticket holder with a prize claim form and instruct the ticket holder how to file a claim with the lottery. The ticket holder shall complete and sign the form and back side of the ticket and present or mail the form and ticket to the lottery. For a validated winning ticket, the lottery shall present or mail a check to the player for the amount of the prize, less withholding of income tax required by federal or state law and any debt setoff according to section 10-16-01-03, unless the payment is delayed according to section 10-16-03-12. The lottery shall pay the prize to the person whose name is on the ticket, notwithstanding the name on the claim form. For a non-winning ticket, the lottery shall deny the claim, notify the claimant, and return the ticket.
11. If more than one person signed or claims ownership of an apparent winning ticket, the retailer shall provide the claimant with a prize claim form and instruct the claimant how to file a claim with the lottery, as follows:
 - a. Each person who claims part ownership of the ticket must complete and sign the prize claim form and designate the person's percentage of ownership and, if subdivision d applies, the one authorized payee;
 - b. At least one of the people who claim ownership must sign the ticket and that signature must be on the prize claim form;
 - c. The prize claim form and ticket must be presented or mailed to the lottery;
 - d. For a validated ticket, if the amount of the prize allocated to each claimant is six hundred dollars or more, the lottery shall present or mail a separate prize check to each claimant. The lottery shall present or mail a check to each claimant for the amount of each player's prize, less withholding of income tax required by federal or state law and any debt setoff according to section 10-16-01-03, unless the payment is delayed according to section 10-16-03-12. If the prize allocated to each claimant is less than six hundred dollars, at the claimant's request, the lottery shall issue a single prize check to the person designated and authorized on the prize claim form to receive payment of the prize on behalf of all the claimants or present or mail a check to each claimant for the amount of each player's prize; and
 - e. Notwithstanding subdivision d, if the claimants desire to designate one person in whose name the entire claim may be made and list the persons to whom the winnings are taxable, the claimants may file, along with a claim prize form, internal revenue service form 5754 (statement by person(s) receiving gambling winnings) with the lottery.

12. The lottery shall pay a prize to a player within a reasonable time after the player's winning ticket is validated by the lottery.
13. Except as provided by rule, if two or more plays win the grand prize, the prize money must be divided equally among the players whose tickets won. Except as provided by rule, for a set prize, each player wins the set amount of a prize regardless of whether two or more players have winning tickets for the prize.
14. The lottery is not liable for a ticket not delivered to the correct address of the lottery or a delay in delivery of a ticket or damage to a ticket while being delivered to the lottery.
15. A player who redeems a winning ticket is solely responsible for any federal or state income tax liability related to the prize.
16. A person's right to a prize is assignable and payment of a prize may be made to a person pursuant to an appropriate judicial order.
17. A prize may not be payable to a trust until after the lottery conducts a debt setoff on the beneficiaries of the trust.
18. If a player redeems an original multi-draw ticket before the ticket's last draw and a retailer returns the original ticket, rather than an issued exchange ticket, to the player, the lottery may not pay another prize on the original ticket until after the exchange ticket expires and has not been redeemed.
19. A winning ticket with a total prize value of all plays of six hundred dollars or more may not be paid to a person who is identified as being in the United States illegally.

History: Effective February 1, 2004; amended effective April 1, 2006; April 1, 2008; January 31, 2010; January 1, 2011; October 19, 2013.

General Authority: NDCC 53-12.1-13

Law Implemented: NDCC 53-12.1-02, 53-12.1-03, 53-12.1-08, 53-12.1-09, 53-12.1-13

10-16-03-08.1. Subscription.

1. A player may procure a subscription application form from a retailer, lottery's office, or lottery's website.
2. A player may purchase one or more subscriptions for one or more games. Each subscription is limited to one play for a draw for one game. A player may purchase a subscription for thirteen, twenty-six, or fifty-two weeks. A subscription is not refundable or cancelable by a player unless the game group makes a matrix change to the game at which time, ~~at the player's option, the cost of~~ the subscription would be ~~prorated~~ refunded to the player based on the number of draws actually held under the former game matrix in relation to the total number of draws purchased plus the value of an extension.

3. A player shall purchase a subscription only from, and the financial transaction for that subscription must be only with, the lottery. A player may apply for a subscription on the lottery's website or by mail, by telephone, or in person. A player may use cash, check, automated clearinghouse, debit card, or authorized credit card to pay for a subscription.
4. A person must be at least eighteen years of age.
5. A person must have a mailing address within the state of North Dakota when the original or renewal subscription application form was submitted to the lottery.
6. To be valid, a subscription play must be properly and validly registered with the lottery on its subscriber data base at its central computer site which meets the requirements established by the product group and MUSL security and integrity committee. All data on a subscriber is confidential.
7. The owner of a subscription play is the person whose name is validly and properly registered with the lottery. However, the lottery may, based on the owner's request, split a prize among two or more persons ~~provided that the share of each person's prize is equal to or more than six hundred dollars.~~
8. After the lottery properly and validly registers a subscription play, the lottery shall send a confirmation card to the subscriber. The confirmation card is the player's evidence of an actual play in a draw and there is no actual ticket. The confirmation card must include:
 - a. Name and address of the subscriber;
 - b. Assigned subscriber number;
 - c. Name of game. For the game of POWERBALL[®], indication of whether the play has the power play option. For the game of MEGA MILLIONS[®], indication of whether the play has the Megaplier[®] option. For the game of HOT LOTTO[®], indication whether the play has the triple sizzler option;
 - d. Number of and starting and ending dates of the draws;
 - e. Numbers, letters, or symbols of the play;
 - f. Notice that the subscriber is responsible for ensuring that all subscriber information and game play numbers, letters, or symbols are correct; and
 - g. Explanation of how a prize will be awarded.
9. Except as provided by subsection 10, a subscription play is valid for only the date range of draws specified on the confirmation card. The effective date of a new subscription play cannot be sooner than fourteen days from the original date of subscription. The

effective date of a renewal subscription play can begin with the next draw following the end of the current subscription.

10. If the value of a prize on a winning POWERBALL®, HOT LOTTO®, WILD CARD 2®, or 2BY2® subscription play for a draw is:
 - a. Five dollars or less, the lottery shall automatically extend the subscription period by the number of draws equal to the value of the winning play;
 - b. Equal to or more than six dollars and less than six hundred dollars, the lottery shall send the player a check for the prize; or
 - c. Equal to or more than six hundred dollars, the lottery shall contact the player to arrange payment of the prize, less withholding of income tax required by federal or state law and any debt setoff according to North Dakota Century Code section 53-12.1-12.
11. If the value of a prize on a winning MEGA MILLIONS® subscription play for a draw is:
 - a. Less than six hundred dollars, the lottery shall send the player a check for the prize; or
 - b. Equal to or more than six hundred dollars, the lottery shall contact the player to arrange payment of the prize, less withholding of income tax required by federal or state law and any debt setoff according to the North Dakota Century Code section 53-12.1-12.
12. If the owner of a subscription changes the owner's name or address, the owner shall provide the lottery with a notarized letter of the change. If the owner of a subscription dies, the lawful representative of the owner's estate shall provide the lottery with a notarized statement of the death and the lottery shall change the ownership of the subscription to "The Estate of" the owner.

History: Effective November 8, 2005; amended effective January 3, 2008; November 1, 2008; July 1, 2010; October 19, 2013.

General Authority: NDCC 53-12.1-13

Law Implemented: NDCC 53-12.1-01, 53-12.1-02, 53-12.1-03, 53-12.1-08, 53-12.1-13

CHAPTER 10-16-05 HOT LOTTO® GAME

10-16-05-04. Prize pool and payment.

1. The prize pool for all prize categories must consist of fifty percent of each draw period's sales after the prize reserve account is funded.

2. The prize money allocated to the gross grand prize pool must be divided equally by the number of plays that win the grand prize. If the gross grand prize is not won in a draw, subject to any restrictions by the game group, the prize money allocated for the gross grand prize must roll over and be added to the gross grand prize pool for the next draw.
3. The prize pool percentage allocated to set prizes must be carried forward to a subsequent draw if all or a portion of it is not needed to pay the set prizes awarded in the current draw.
4. The lottery may not pay a grand or set cash prize until after it receives authorization from the MUSL. The lottery may pay the prize before it receives the funds from the MUSL.
5. A gross grand prize winner will receive a withholding taxes paid prize where the lottery pays the prize winner a net prize amount, which consists of the lottery reducing the gross grand prize amount by the required federal and state withholding taxes, and withholding and depositing on behalf of the prize winner the required federal and state withholding taxes on the gross grand prize amount and the lottery paying the prize winner the residual amount (subject to any setoff requirements). The withholding taxes paid prize may be higher or lower than the advertised grand prize amount.
6. The advertised grand prize amount will be publicly announced as the grand prize for the drawing. The advertised grand prize amount is not the gross grand prize amount. The advertised grand prize is the minimum cash amount the prize winner receives, on a pari-mutuel basis, after the lottery reduces the gross grand prize amount by the required federal and state withholding taxes (subject to any setoff requirements). The calculation of federal and state withholding taxes for the advertised grand prize amount is based on a resident United States citizen with a valid social security number.

History: Effective February 1, 2004; amended effective April 1, 2006; April 1, 2008; May 12, 2013; October 19, 2013.

General Authority: NDCC 53-12.1-13

Law Implemented: NDCC 53-12.1-13

10-16-05-06. Triple sizzler option.

1. The triple sizzler option is a limited extension of the HOT LOTTO® game and is conducted according to the game group's game rules. The option offers the owner of a qualifying play a chance to multiply the amount of a set prize.
2. A qualifying play is a single HOT LOTTO® play for which the player pays an extra one dollar for the triple sizzler option. The triple sizzler option does not apply to the gross grand prize. A qualifying play which wins one of the eight set prizes will be multiplied by three. The game group may change the multiplier number three for a special promotion.
3. A prize awarded must be paid as a lump sum set prize. Instead of the normal set prize amount, a qualifying triple sizzler play will pay the amounts shown below:

<u>Matches Per Play</u>	<u>Prize</u>	<u>3x</u>
5 white + 0 orange	\$30,000	\$90,000
4 white + 1 orange	\$3,000	\$9,000

4 white + 0 orange	\$100	\$300
3 white + 1 orange	\$50	\$150
3 white + 0 orange	\$6	\$18
2 white + 1 orange	\$6	\$18
1 white + 1 orange	\$3	\$9
0 white + 1 orange	\$2	\$6

Rarely, under the game group's limitation of liability rules, a set prize amount may be less than the amount shown. In that case, the triple sizzler prizes will be a multiple of the new set prize amounts. For example, if the match 5+0 set prize amount of thirty thousand dollars becomes twenty-seven thousand dollars under the game group's rules, a triple sizzler player winning that prize amount would win eighty-one thousand dollars (\$27,000 x 3).

History: Effective January 3, 2008; May 12, 2013; October 19, 2013.

General Authority: NDCC 53-12.1-13

Law Implemented: NDCC 53-12.1-13

CHAPTER 10-16-04 POWERBALL® GAME

10-16-04-04. Prize pool and payment.

1. The prize pool for all prize categories must consist of fifty percent of each draw period's sales after the prize pool accounts and prize reserve account is accounts are funded.
2. The prize money allocated to the grand prize pool must be divided equally by the number of plays that win the grand prize. If the grand prize is not won in a draw, subject to any restrictions by the game group, the prize money allocated for the grand prize must roll over and be added to the grand prize pool for the next draw.
3. If there are multiple grand prize winning plays during a draw, each player selecting the annuitized option prize, then a winning play's share of the guaranteed annuitized grand prize must be determined by dividing the guaranteed annuitized grand prize by the number of winning plays.
4. A grand prize must be paid, at the election of the winning player made within sixty days after the player becomes entitled to the prize, with either a per winning player annuity or cash payment. If the payment election is not made by the player within sixty days after the player becomes entitled to the prize, then the prize must be paid as an annuity prize. An election for an annuity payment made by a player may be changed to a cash payment at the election of the player until the expiration of sixty days after the player becomes entitled to the prize. Otherwise, the payment election is final. Shares of the grand prize must be determined by dividing the cash available in the grand prize pool equally among all winning plays of the grand prize. A player who elects a cash payment must be paid the share in a single cash payment. A player who elects an annuitized prize must be paid annually in thirty graduated payments with the initial payment being made in cash, followed by twenty-nine payments (increasing each year) by a rate determined by the game group funded by the annuity. Annual payments after the initial

payment must be made by the lottery on the anniversary date or if this date falls on a nonbusiness day, then the first business day following the anniversary date of the draw of the grand prize winning numbers.

5. The lottery may not pay a grand or set cash prize until after it receives authorization from the MUSL. The lottery may pay the prize before it receives the funds from the MUSL.
6. The prize pool percentage allocated to set prizes must be carried forward to a subsequent draw if all or a portion of it is not needed to pay the set prizes awarded in the current draw.

History: Effective February 1, 2004; amended effective November 8, 2005; April 1, 2008; January 15, 2012; January 19, 2014.

General Authority: NDCC 53-12.1-13

Law Implemented: NDCC 53-12.1-13

10-16-04-06. Power play option.

1. The power play option is a limited extension of the POWERBALL® game and is conducted according to the game group's game rules. The option offers the owner of a qualifying play a chance to multiply or increase the amount of a set prize.
2. A qualifying play is a single POWERBALL® play for which the player pays an extra one dollar for the power play option. Power play does not apply to the grand prize.
3. A qualifying play which wins one of the seven lowest set prizes (excluding the match 5+0 prize) will be multiplied by the number selected, two through five, in a separate random power play drawing. The match 5+0 prize, for players selecting the power play option, shall be paid two million unless a higher limited promotional dollar amount is announced by the game group or unless a lower dollar amount is announced by the game group under its limitation of liability rules.
4. A prize awarded must be paid as a lump sum set prize. Instead of the normal set prize amount, a qualifying power play ~~which wins one of the eight lowest set prizes (excluding the jackpot)~~ will pay the amounts shown below when matched with the power play number drawn:

	<u>POWERBALL® Pays Instead</u>	
<u>Matches per Play</u>	<u>Set Prize Amount</u>	<u>Prize Amount With Power Play Purchase</u>
5 white + 0 red	\$1,000,000	\$2,000,000

Prize Amounts With Power Play Purchase and Multiplier

<u>Matches per Play</u>	<u>Set Prize</u>		<u>5X</u>	<u>4X</u>	<u>3X</u>	<u>2X</u>
	<u>Amount</u>					
4 white + 1 red	\$10,000	\$40,000	\$50,000	\$40,000	\$30,000	\$20,000
4 white + 0 red	\$100	\$200	\$500	\$400	\$300	\$200
3 white + 1 red	\$100	\$200	\$500	\$400	\$300	\$200
3 white + 0 red	\$7	\$14	\$35	\$28	\$21	\$14
2 white + 1 red	\$7	\$14	\$35	\$28	\$21	\$14
1 white + 1 red	\$4	\$12	\$20	\$16	\$12	\$8
0 white + 1 red	\$4	\$12	\$20	\$16	\$12	\$8

Rarely, under the game group’s limitation of liability rules, a set prize amount may be less than the amount shown. In that case, the eight lowest power play prizes will be changed to an amount announced after the draw. For example, if the match 4+1 set prize amount of ten thousand dollars becomes five thousand dollars under the game group’s rules, a power play player winning that prize amount when a “5” has been drawn would win ~~twenty~~ twenty-five thousand dollars (\$5,000 x 5).

6. The following table reflects the probability of the power play numbers being drawn:

<u>Power Play</u>	<u>Probability of Prize Increase</u>
<u>5X - Prize won times 5</u>	<u>1 in 10</u>
<u>4X - Prize won times 4</u>	<u>1 in 10</u>
<u>3X - Prize won times 3</u>	<u>1 in 3.33</u>
<u>2X - Prize won times 2</u>	<u>1 in 2</u>

Power play does not apply to the grand prize. A power play match 5+0 prize is set at two million dollars, regardless of the multiplier selected. The game group may elect to run limited promotions that may modify the multiplier features.

History: Effective February 1, 2004; amended effective November 8, 2005; April 1, 2008; January 4, 2009; November 1, 2010; January 15, 2012; January 19, 2014.

General Authority: NDCC 53-12.1-13

Law Implemented: NDCC 53-12.1-13

**CHAPTER 10-16-08
MEGA MILLIONS® GAME**

10-16-08-01. Game description. To play MEGA MILLIONS®, a player selects five different white numbers, between one and ~~fifty-six~~ seventy-five, and one additional gold number (Mega Ball®) between one and ~~forty-six~~ fifteen. The additional number may be the same as one of the first five numbers selected. The price of a play is one dollar. A grand prize is paid, at the election of a winning player or by a default election made according to these rules, either on an annuitized pari-mutuel basis or as a cash

lump sum payment of the total cash held for the prize pool on a pari-mutuel basis. A set prize (cash prize of ~~two hundred fifty thousand~~ one million dollars or less) is paid on a single-payment cash basis. Draws are held every Tuesday and Friday.

History: Effective January 31, 2010; amended effective October 19, 2013.

General Authority: NDCC 53-12.1-13

Law Implemented: NDCC 53-12.1-13

10-16-08-02. Expected prize pool percentages and odds. The minimum grand prize is ~~twelve~~ fifteen million dollars and is paid on a pari-mutuel basis. Except as provided by rule, a set prize must be paid according to these matches per play and prize amounts with these expected prize payout percentages:

Matches Per Play	Prize	Prize Pool Percentage		Odds*** **
		Allocated to Prize		
5 white + 1 gold	Grand prize*	63.60% <u>65.15%</u>		1:175,711,536 <u>1:258,890,850</u>
5 white + 0 gold	\$250,000**	12.80% <u>10.82%</u>		1:3,904,701
	<u>\$1,000,000</u>			<u>1:18,492,204</u>
4 white + 1 gold	\$10,000**	2.90% <u>1.35%</u>		1:689,065
	<u>\$5,000</u>			<u>1:739,688</u>
4 white + 0 gold	\$150**	1.96% <u>1.89%</u>		1:15,313
	<u>\$500</u>			<u>1:52,835</u>
3 white + 1 gold	\$150**	2.18% <u>.93%</u>		1:13,781
	<u>\$50</u>			<u>1:10,720</u>
<u>3 white + 0 gold</u>	<u>\$5</u>	<u>1.31%</u>		<u>1:766</u>
2 white + 1 gold	\$10	2.38% <u>2.11%</u>		1:844 <u>1:473</u>
	<u>\$5</u>			
3 white + 0 gold	<u>\$7</u>	<u>4.58%</u>		<u>1:306</u>
1 white + 1 gold	\$3	4.26% <u>7.08%</u>		1:141 <u>1:56</u>
	<u>\$2</u>			
0 white + 1 gold	\$2	5.34% <u>9.35%</u>		1:75 <u>1:21</u>
	<u>\$1</u>			

Overall odds of winning a prize on a one dollar play are ~~1:39.89~~ 1:14.71.

**The grand prize is pari-mutuel and will be divided equally by the number of ~~jackpot-prize winners~~ plays winning the grand prize.*

*** For any drawing, if prize liability exceeds the lesser of 300% of MEGA MILLIONS® sales or 50% of draw sales plus \$50,000,000, then these prizes become pari-mutuel.*

******* Reflects the odds of winning and probable distribution of winning tickets in and among each prize tier, based on the total number of possible combinations.

History: Effective January 31, 2010; amended effective October 19, 2013.

General Authority: NDCC 53-12.1-13

Law Implemented: NDCC 53-12.1-13

10-16-08-03. Prize pool and payment.

1. The prize pool for all prize categories must consist of up to fifty-five percent of each draw period's sales after the prize reserve account is funded.
2. The prize money allocated to the grand prize pool must be divided equally by the number of plays that win the grand prize. If the grand prize is not won in a draw, subject to any restrictions by the game group, the prize money allocated for the grand prize must roll over and be added to the grand prize pool for the next draw.
3. If there are multiple grand prize winning plays during a draw, each player selecting the annuitized option prize, then a winning play's share of the annuitized grand prize must be determined by dividing the annuitized grand prize by the number of winning plays.
4. A grand prize must be paid, at the election of the winning player made within sixty days after the player becomes entitled to the prize, with either a per winning player annuity or cash payment. If the payment election is not made by the player within sixty days after the player becomes entitled to the prize, then the prize must be paid as an annuity prize. An election for an annuity payment made by a player may be changed to a cash payment at the election of the player until the expiration of sixty days after the player becomes entitled to the prize. Otherwise, the payment election is final. Shares of the grand prize must be determined by dividing the cash available in the grand prize pool equally among all winning plays of the grand prize. A player who elects a cash payment must be paid the share in a single cash payment. A player who elects an annuitized prize must be paid annually in ~~twenty-six~~ thirty graduated annual payments with the initial payment being made in cash, followed by ~~twenty-five~~ twenty-nine payments by the best available rate obtained through a competitive bid of qualified bidders. Annual payments after the initial payment must be made by the lottery within seven days of the anniversary date on which the bonds were purchased to fund the annuity.
5. The lottery may not pay a grand or set cash prize until after it receives authorization from the MUSL. The lottery may pay the prize before it receives the funds from the MUSL.

- The prize pool percentage allocated to set prizes must be carried forward to a subsequent draw if all or a portion of it is not needed to pay the set prizes awarded in the current draw.

History: Effective January 31, 2010; amended effective December 1, 2010; October 19, 2013.

General Authority: NDCC 53-12.1-13

Law Implemented: NDCC 53-12.1-13

10-16-08-04. Megaplier® option.

- The Megaplier® option is a limited extension of the MEGA MILLIONS® game and is conducted according to the game group's game rules. The option offers the owner of a qualifying play a chance to multiply or increase the amount of a set prize.
- A qualifying play is a single MEGA MILLIONS® play for which the player pays an extra one dollar for the Megaplier® option. Megaplier® does not apply to the grand prize.
- A qualifying play which wins one of the ~~seven lowest~~ set prizes will be multiplied by the number selected, two through ~~four~~ five, in a separate random Megaplier® drawing. ~~The match 5+0 prize, for players selecting the Megaplier® option, shall be paid one million dollars unless a higher limited promotional dollar amount is announced by the game group or unless a lower dollar amount is announced by the game group under its limitation of liability rules.~~
- A single number from a series of ~~twenty-one~~ fifteen numbers is selected according to the following frequency: two number 2s, ~~seven~~ four number 3s, ~~and twelve~~ three number 4s, ~~and six~~ number 5s. The game group may change one or more of the multiplier numbers ~~or the match 5+0 Megaplier® prize amount, or both,~~ for a special promotion.
- A prize awarded must be paid as a lump sum set prize. Instead of the normal set prize amount, a qualifying Megaplier® will pay the amounts shown below when matched with the Megaplier® number drawn:

MEGA MILLIONS® Pays Instead

Matches per Play	Set Prize Amount	Prize Amount With Megaplier® Purchase
5 white + 0 gold	\$250,000	<u>\$1,000,000</u>

Prize Amounts With Megaplier Purchase and Multiplier

Matches Per Play	Set Prize Amount	<u>5X</u>	4X	3X	2X
<u>5 white + 0 gold</u>	<u>\$1,000,000</u>	<u>\$5,000,000</u>	<u>\$4,000,000</u>	<u>\$3,000,000</u>	<u>\$2,000,000</u>

4 white + 1 gold	\$10,000 <u>\$5,000</u>	<u>\$25,000</u>	\$40,000 <u>\$20,000</u>	\$30,000 <u>\$15,000</u>	\$20,000 <u>\$10,000</u>
4 white + 0 gold	\$150 <u>\$500</u>	<u>\$2,500</u>	\$600 <u>\$2,000</u>	\$450 <u>\$1,500</u>	\$300 <u>\$1,000</u>
3 white + 1 gold	\$150 <u>\$50</u>	<u>\$250</u>	\$600 <u>\$200</u>	\$450 <u>\$150</u>	\$300 <u>\$100</u>
<u>3 white + 0 gold</u>	<u>\$5</u>	<u>\$25</u>	<u>\$20</u>	<u>\$15</u>	<u>\$10</u>
2 white + 1 gold	\$10 <u>\$5</u>	<u>\$25</u>	\$40 <u>\$20</u>	\$30 <u>\$15</u>	\$20 <u>\$10</u>
3 white + 0 gold	<u>\$7</u>		<u>\$28</u>	<u>\$21</u>	<u>\$14</u>
1 white + 1 gold	\$3 <u>\$2</u>	<u>\$10</u>	\$12 <u>\$8</u>	\$9 <u>\$6</u>	\$6 <u>\$4</u>
0 white + 1 gold	\$2 <u>\$1</u>	<u>\$5</u>	\$8 <u>\$4</u>	\$6 <u>\$3</u>	\$4 <u>\$2</u>

Multiplier numbers do not apply to the grand prize ~~or to the match 5+0 prize.~~

Rarely, under the game group's limitation of liability rules, a set prize amount may be less than the amount shown. In that case, a Megaplier® prize will be a multiple of two through ~~four~~ five for the new set prize amount ~~for the seven lowest set prizes.~~ For example, if the match 4+1 set prize amount of ~~ten~~ five thousand dollars becomes two thousand dollars under the game group's rules, a Megaplier® player winning that prize amount when a "4" has been drawn would win twenty eight thousand dollars (~~\$5,000~~ \$2,000 x 4). ~~The match 5+0 prize may be reduced as announced by the game group.~~

6. The following table reflects the probability of the Megaplier® numbers being drawn:

Megaplier®	Probability of Prize Increase
<u>5X - Prize won times 5</u>	<u>6 in 15</u>
4X - Prize won times 4	12 in 21 <u>3 in 15</u>
3X - Prize won times 3	7 in 21 <u>4 in 15</u>
2X - Prize won times 2	2 in 21 <u>2 in 15</u>

History: Effective January 31, 2010; amended effective September 14, 2010; December 1, 2010; October 19, 2013.

General Authority: NDCC 53-12.1-13

Law Implemented: NDCC 53-12.1-13

Commissioner Delmore moved to approve the final rules as presented. Commissioner Heilman seconded the motion. The motion passed 4-0. The recommendation will be presented to Attorney General Stenehjem for approval prior to moving forward with the rule adoption process.

Omnibus Items

Mr. Miller provided a sales update for Powerball and Mega Millions since the \$2 Powerball game launched on January 15, 2012. North Dakota Powerball sales increased 26.1% and North Dakota Mega Millions sales increased 6.7%. The average Powerball sales increase for all lotteries was 29.6%. The average Mega Millions sales increase for all lotteries was .6%. North Dakota Powerball sales are below the average by 3.5%. North Dakota Mega Millions sales are above the average by 6.1%.

The Notice of Intent to Award a Contract for an online gaming system and services vendor was issued on September 6, 2013 to Scientific Games. The Lottery is currently in contract negotiations with Scientific Games. Upon final approval of contract terms with Attorney General Stenehjem, a contract will be awarded.

The Lottery will be attending and setting up a display booth at the North Dakota Petroleum Marketers Convention and Trade Show on October 30, 2013 in Grand Forks. Scientific Games is planning to attend and provide demonstration of new equipment, including terminals and ticket checkers.

The Office of the State Auditor will begin the Lottery's financial audit for the period ending June 30, 2013 on September 26. The opinion from the auditors should be issued in early December.

Mr. Miller will be attending the NASPL Annual Conference in Providence, Rhode Island the week of September 30 - October 4, 2013. There will be NASPL, MUSL, and Powerball group meetings; trade show allowing exhibitors to display their products; general sessions with key-note speakers; breakout sessions discussing industry topics; and awards reception/dinner.

Adjournment

Commissioner Hanson made a motion to adjourn. Commissioner Delmore seconded the motion. The motion passed 4-0. Meeting adjourned at 10:30 a.m.