

DEPARTMENT OF REVENUE

Lottery Commission

1 CCR 206-1 RULES AND REGULATIONS

RULE 10.A - COLORADO LOTTERY ON-LINE GAME "LOTTO"

BASIS AND PURPOSE FOR AMENDED RULE 10.A

The purpose of Rule 10.A is to provide specific game details and requirements for the Colorado Lottery on-line Game "LOTTO" such as type of play, prizes, method of selecting winning numbers, drawings, and the allocation of revenues. The statutory basis for Rule 10.A is found in C.R.S. 24-35-208 (1) (a) and (2), 24-35-212 and 24-35-212.5.

10.A.1

A Colorado Lottery on-line game to be known as "Lotto" is authorized to be conducted by the Director under the following Rules and Regulations and under such further instructions and directives as the Director may issue in furtherance thereof. If a conflict arises between Rule 10 and this Rule 10.A, Rule 10.A shall apply.

10.A.2 Definitions

In addition to the definitions provided in Paragraph 1.2 of Rule 1 and Rule 10, and unless the context in this Rule 10.A otherwise requires:

- a. "Board" means a field of the 42 numbers found on the play slip.
- b. "Direct Prize Category Contribution" means a percentage of net sales allocated to the prize categories as described in Paragraph 10.A.5.d.
- c. "Drawing Pool" means the amount of money available for all prize categories for a specific drawing.
- d. "Grand Prize" means a pari-mutuel prize that is advertised to be paid with per-winner annuities or as a lump sum cash payment, unless otherwise specified by the Lottery.
- e. "Lotto Base Annuity Fund" means a portion of the prize liability established for the accumulation of funds designated to pay for the present value of a guaranteed \$1,000,000 annuity prize.
- f. "Number" means any play integer from 1 through 42 inclusive.
- g. "On-line Shares" means the total number of matching combinations within each prize category as determined for each drawing.
- h. "Play" means the six numbers selected on each Board and printed on the ticket.
- i. "Play slip" means a mark-sense game card used by players of Lotto to select plays. There shall be ten game grids on each play slip identified as A, B, C, D, E, F, G, H, I, and J. A play slip has no pecuniary value and shall not constitute evidence of ticket purchase or of numbers selected.
- j. "Prize Category Contribution" means and refers to contributions for each drawing to the prize categories from the prize pool, including direct and indirect prize category contributions.

- k. "Roll-over" means the amount from the direct prize category contribution from previous drawing(s) in the first prize (Jackpot) category that is carried forward to the first prize category (Jackpot) for the next drawing.

10.A.3 Price of Lotto Ticket

The price of each Lotto play shall be \$1.00 but may be adjusted at the Director, or designee's, discretion.

10. A.4 Play for Lotto

- a. Type of play:

A Lotto player must select six numbers in each play. A winning play is achieved only when 3, 4, 5, or 6 of the numbers selected by the player match, in any order, the six winning numbers drawn by the Lottery.

- b. Method of play:

1. Manual – The on-line retailer may enter the player's selected numbers via the keyboard on the on-line terminal.
2. Play Slip - The player may use an original play slip provided by the Lottery to make number selections. The on-line terminal will read the play slip and issue a ticket with corresponding plays.
 - i. Facsimiles of play slips, copies of play slips, or other materials that have not been printed or approved by the Lottery shall not be used to enter a play.
 - ii. No device shall be connected to an on-line terminal to enter plays, except as may be approved by the Lottery.
 - iii. Unapproved play slips or other devices may be seized by the Lottery.
 - iv. The play slip must be marked by hand. Machine-printed play slips used to enter plays must be approved by the Director. Unapproved machine-printed play slips may be seized by the Lottery.
 - v. Nothing in this regulation shall be deemed to prevent a person with a physical disability who would otherwise be unable to mark a play slip manually from using any device intended to permit such person to make such a mark (for his/her sole personal use or benefit).
3. Quick Pick – The on-line retailer can create ticket(s) using the on-line terminal where the play has been created using a random number generator operated by the on-line terminal.
4. Partial Quick Pick - A player may leave a portion of his/her play selections to a random number generator operated by the on-line terminal. The partial quick pick option can be used with a play slip or manual entry by the retailer.

10.A.5 Prizes For Lotto

- a. The prize amounts for each drawing paid to each Lotto player who selects a matching combination of numbers will vary due to a pari-mutuel calculation. The prize amounts are based

on the total amount in the prize category for that Lotto drawing distributed equally over the number of matching combinations in each prize category.

MATCHING COMBINATIONS	PRIZE CATEGORY	ODDS OF WINNING (ONE PLAY)
All six matching numbers in one play	First Prize (Jackpot)	1: 5,245,786
Any five but not six matching numbers in one play	Second Prize	1: 24,287
Any four but not five or six matching numbers in one play	Third Prize	1:556
Any three but not four, five, or six matching numbers in one play	Fourth Prize	1: 37

b. The projected aggregate prize fund for Lotto is Fifty-seven and One-half Percent (57.5%).

c. Prize Categories

1. First Prize (Jackpot) – The total prize category contribution for a drawing may include the following:
 - i. A direct prize category contribution of twenty-two and one-half percent (22.5%) of net sales for the drawing.
 - ii. A contribution from the Lotto base annuity fund equal to the present value of a fixed progressive 25-year \$1 Million annuity. The present value of a \$1 Million annuity shall be based on the an annuity factor as authorized by the Director.
 - iii. A roll-over contribution as defined in Paragraph 10.A.2 I) of this Rule 10.A.
 - iv. An indirect prize category contribution authorized by the Director.
2. Second Prize – The second prize category may include the following:
 - i. A direct prize category contribution of two percent (2%) of the net sales for the drawing.
 - ii. An indirect prize category contribution as authorized by the Director.

A prize amount shall be calculated by dividing the prize category contribution by the number of shares for the prize category. A share is the matching combination, in one play, of any five of the six numbers drawn (in any sequence).
3. Third Prize – The third prize category may include the following:

- i. A direct prize category contribution of seven and one-half percent (7.5%) of the net sales for the drawing.
- ii. An indirect prize category contribution as authorized by the Director.

A prize amount shall be calculated by dividing the prize category contributions by the number of shares for the prize category. A share is the matching combination, in one play, of any four of the six numbers drawn (in any sequence).

4. Fourth Prize – The fourth prize category may include the following:

- i. A direct prize category contribution of ten percent (10%) of the net sales for the drawing.
- ii. An indirect prize category contribution as authorized by the Director.

A prize amount shall be calculated by dividing the prize category contributions by the number of shares for the prize category. A share is the matching combination, in one play, of any three of the six numbers drawn (in any sequence).

5. Additional Lottery Prizes may be awarded as authorized by the Director from the Indirect Prize Category contribution.

6. All prize amounts will be rounded down to the nearest dollar except that no prize amount shall be less than one dollar (\$1).

d. The Lotto base annuity fund shall be adjusted as authorized by the Director.

10.A.6 Payment of Prizes

- a. The holder of a winning ticket may win only one prize per play in connection with the winning numbers drawn and shall be entitled only to the highest prize category won by those numbers.
- b. Players will be given the option of receiving their share of the first prize (Jackpot) over a period of 25 years through a fixed progressive 25-year annuity or a one-time lump sum payment equal to fifty percent (50%) of their share of the annuitized jackpot amount.
- c. The annuitized future value of the first (Jackpot) prize category shall be determined by the current annuity factor.
- d. To determine the annuitized future value of each jackpot share (prize amount), the annuitized future value of the prize category is divided by the shares. A share is the matching combination, in one play, of all six numbers drawn (in any sequence).
- e. If the annuitized future value of each jackpot share (prize amount) results in an initial or first payment of ten thousand dollars (\$10,000) or more and the annuity option has been selected, the prize amount shall be a fixed progressive 25-year annuity. The initial annuity payment shall be 2.5% of the future value of the annuity. Each subsequent annual payment shall increase by 3.7% of the previous annual payment.
- f. If the annuitized future value of each jackpot share (prize amount) results in an initial or first payment of less than ten thousand dollars (\$10,000) the annuity option will not be allowed and the prize amount will be paid in one payment.

10.A.7 Ticket Purchases

- a. Lotto tickets may be purchased only from a Lottery retailer authorized by the Director to sell on-line tickets.
- b. Lotto tickets shall show, at a minimum, the numbers selected, the boards played, drawing date and validation and reference numbers.
- c. The Lottery shall not directly and knowingly sell a combination of tickets to any person or entity that would guarantee such purchaser a First Prize (Jackpot) win.
- d. A player may cancel a ticket and receive a refund of the purchase price for any draw provided the following criteria are met:
 1. The legible ticket is returned to the on-line retailer from whom the player purchased;
 2. It is returned within one (1) hour of purchase;
 3. The retailer is open;
 4. The on-line system is available for wagering; and
 5. The on-line system has not converted to the next drawing period.

10.A.8 Drawings

- a. The Lotto drawings shall be held as scheduled by the Director and as indicated in the Drawing Guidelines.
- b. The drawings will be conducted by Lottery officials and comply with Colorado Revised Statutes.
- c. Each drawing shall determine, at random, six winning numbers in accordance with Drawing Guidelines. Any numbers drawn are not declared winning numbers until the drawing is certified by the Lottery in accordance with paragraph 10.A.8 d). The winning numbers shall be used in determining all Lotto winners for that drawing. If a drawing is not certified, another drawing will be conducted to determine actual winners.
- d. The drawing shall not be invalidated based on the liability of the Lottery.

10.A.9 Advance Play

Advance play provides the opportunity to purchase Lotto tickets for more than one drawing. Advance play tickets shall be available for purchase in variable increments. The Advance Play feature shall be available at the discretion of the Lottery Director.

10.A.10 Licensee Commission

- a. In addition to the six percent (6%) Commission set forth in Paragraph 10.14 of Rule 10, the Director may provide such additional compensation to the licensees as is deemed appropriate by the Director to further the sale of Lotto tickets, so long as such additional compensation is made equally available to all licensees and does not exceed a total of seven-tenths of one percent (0.7%) of the total amount received by the Division from all Lotto tickets sold or disbursed as of the date the Director determines to provide such additional compensation. The seven-tenths of one percent (0.7%) described above shall consist of the following:

1. Two-tenths of one percent (0.2%) of sales from Lotto tickets lawfully sold or disbursed by an on-line retailer shall be accrued to pay on-line retailers a one percent (1%) cashing bonus for each Lotto prize redeemed by retailers up to and including \$599.99.
 2. One-half of one percent (0.5%) of sales from Lotto tickets lawfully sold or disbursed by an on-line retailer shall be accrued to pay on-line retailers a marketing performance bonus.
- b. In order to receive the marketing performance bonus, each on-line retailer must meet the following criteria:
1. A retailer must be a licensed retailer on the date the marketing performance bonus is declared;
 2. A retailer must sell on-line tickets for the entire period in which the marketing performance bonus is declared;
 3. A retailer must meet or exceed the requirements of the Marketing Performance Bonus Plan for the period for which the marketing performance bonus is declared; and
 4. The requirements of the Marketing Performance Bonus Plan to be met by on-line retailers shall be established by the Lottery Director or his/her designee.
- c. In the event there is a residual resulting from the accrual of the seven-tenths of one percent (0.7%) of sales after the bonuses described in 10.A.10 a) (i) and (ii) have been expensed, the Director may provide additional compensation to licensees as described in 10.A.10 a) or may revert the excess amount thereby decreasing the bonus expense.

10.A.11 Lotto Subscription Play

- a. Lotto subscription play will be available at the discretion of the Director.
- b. Lotto Subscription provides the opportunity to play Lotto by mail using the same number selections for a period of consecutive game draws. Entry into the Lotto Subscription program requires the completion of a Subscription Application for plays between 27 and 104 draws.
- c. Once a subscription application is entered, funds remitted to the Lottery as payment are not refundable, except at the option of the Lottery as indicated in Section 10.A.13 c).
- d. Subscription application shall be made available from the Lottery and at licensed retail locations throughout the State.
- e. Not all Lottery promotions include Lotto subscriptions. However, if a promotion is offered for Lotto subscription, the Lottery reserves the right to limit such offering to one per subscriber or one promotion per subscription application.
- f. The Lotto Subscription program may be ended at the discretion of the Director. The director may announce a date after which no applications for Lotto subscriptions will be accepted (application cutoff date) and a date after which all Subscription Plans shall end (program end date).
- g. All valid Subscription Plans entered on the Lottery's computer file on the application cutoff date, will be valid for the duration of the current Subscription Plan if their Subscription Plan End Dates do not extend beyond the program end date.
- h. If valid Subscription Plans entered on the Lottery's computer file on the application cutoff date exceed the program end date, the plans will be valid until the program end date. These

Subscribers will be reimbursed for unused plays at the prorated value determined by the length of their Subscription Plans.

10.A.12 Subscription Price

- a. The cost of each board is \$1.00 but may be adjusted at the discretion of the Director.
- b. In the event that a subscriber sends in a dollar amount that does not correspond to the board pricing denoted in 10.A.12 a), the Lottery shall proceed in the following manner:
 1. If the received amount is less than required to fulfill the requested subscription length and number of boards, the Lottery shall allocate the payment equally among the number of boards requested at the rate of \$1.00 per board, per drawing.
 2. If the received dollar amount is more than required to fulfill the requested subscription length and number of boards, the Lottery shall add drawings at \$1.00 per board, per drawing to fulfill the subscription.
 3. The Lottery Director reserves the right to reject dollar amounts received that would extend the subscription for longer than one hundred four (104) drawings.

10.A.13 Subscription Application Requirements

- a. To be accepted for entry without changes, applications must include the signature of the person applying for the subscription and each board must contain six unduplicated play numbers that are selected from the range of 1 through 42. The same numbers may be used on more than one board.
- b. An application may be accepted with corrective entries required as follows:
 1. If more than six (6) numbers are marked on any board, the first six (6) numbers in ascending sequence will be accepted. All other numbers will be disregarded.
 2. If fewer than six (6) numbers are marked on any board, the Lottery's computer will assign, at random, additional number(s) in order to process the application.
 3. If no numbers are marked on any board being played, the Lottery's computer will assign, at random, additional number(s) in order to process the application.
- c. An application may be rejected if the payment received with the subscription application is not acceptable to the Lottery, i.e., check not signed. Both the payment and the application will be returned to the subscriber with a letter of explanation.
- d. An application may be terminated after initial acceptance if, after the subscription plan start date, the Lottery is notified that the payment received for the subscription is invalid, i.e., a check returned for insufficient funds. In such event, the subscription shall be deemed invalid and no prizes, if won, will be paid to the subscriber.
- e. A Subscription Confirmation Card will be mailed to the subscriber after the Lottery has processed the information received on the subscriber's application. This Subscription Confirmation Card includes the effective dates of the subscription and is confirmation that the Lottery has correctly recorded the subscriber's name, numbers selected and number of drawings for the subscription.
- f. It is the responsibility of the subscriber to notify the Lottery if confirmation of a subscription is not received. It is the responsibility of the subscriber to review all information pertaining to the

subscription listed on the Subscription Confirmation Card upon receipt. It is the responsibility of the subscriber to notify the Lottery if the information listed on the Subscription Confirmation Card is incorrect. If there is a discrepancy, the Colorado Lottery Subscription Unit in Pueblo, Colorado, must receive WRITTEN notification of corrections from the subscriber by the date specified on the Subscription Confirmation Card. If notification is not received by the Lottery, the numbers on the Subscription Confirmation Card shall be the subscriber's official play.

- g. Six weeks prior to the Subscription Plan end date, the subscriber will be mailed a subscription renewal application containing the subscriber's name, subscriber's address, member number, current subscription numbers, number of subscription boards currently being played, number of drawings for each board and the subscription plan end date. If the subscriber wishes to continue with the subscription with no interruptions, a subscription entry renewal must be received by the Lottery at least three (3) weeks (or six (6) draws) prior to the subscription plan end date of the current subscription entry. The Lottery will make every reasonable effort to process renewal applications received to ensure no interruption in the subscriber's plan; however, the Lottery is not responsible for an interruption in the subscriber's plan if a renewal application is not processed in sufficient time.
- h. On a renewal application, in the event no numbers are marked in any board being played, the Lottery will automatically reassign the numbers currently being played for that board. If less than six (6) numbers are marked in any board, the Lottery will assign at random additional number(s) in order to process the application.
- i. If more than six (6) numbers are marked in any board on the renewal application, the first six (6) numbers in ascending sequence will be accepted. All other numbers will be disregarded.
- j. On a renewal application, if the payment option is not marked, the Lottery will automatically reassign the option currently recorded on the Lottery subscription file. The Subscriber will have the opportunity to accept or change this option at the time the Subscription Confirmation Card is received by the subscriber.
- k. The Colorado Lottery reserves the right to suspend or cancel any drawing or the game itself, change the prize structure, frequency of drawings, or drawing dates. In the event of such changes, all subscribers will receive participation in the revised game, equivalent in value to the remainder of their subscription or a refund, at the sole option of the Lottery.

10.A.14 Valid Subscription Entry

To be a valid entry the application and game numbers selected by the player must be entered on the appropriate Lottery computer file, which is the official record of subscription entry.

10.A.15 Payment of Subscription Prizes

- a. All second through fourth tier prizes won, less applicable tax withholding and any offset as provided in section 26-13-118 C.S.R, will be paid by warrant to the name appearing on the Subscription Confirmation Card. The prize warrant will be mailed directly to the player.
- b. In the case of a subscription ticket winning the Jackpot Prize, the Lottery will notify the subscriber, who must then come to the Lottery to claim the prize. For payment of the Jackpot prize, refer to Rule 10.15 f) 2. and Rule 10.A.6.
- c. A group subscription entry will be treated as a single share in the prize category and shall also be determined as one share when determining if a prize should be paid in accordance with Rule 10.9 e) and Rule 10.A.6.