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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Texas Lottery Commission
Austin, Texas

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

Our procedures and findings are as follows:

- A. Obtain from the Texas Lottery Commission the "Texas Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2007 through March 31, 2008 and attach those as Exhibits I and II, respectively. Prove the mathematical accuracy of the schedules and note any exceptions.
 1. **Finding** – No exceptions were noted although the reports attached as Exhibits I and II detail the activity beginning April 3, 2007 through March 31, 2008, since April 3, 2007 was the first draw date of the period.
- B. Randomly select five (5) draw dates from the period (as agreed to by member lotteries).
 1. **Finding** – The following dates were selected for testing:
 - April 17, 2007
 - July 27, 2007
 - October 2, 2007
 - January 29, 2008
 - March 18, 2008

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

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

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

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

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

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

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

1. **Finding** – November 2007 and February 2008 Expired Prize Settlement reports were selected for examination and no exceptions were noted.

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

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

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

1. **Finding** – The amount listed in the "Cash Options Amount" column in the "Texas Draw Activity" report was agreed to the Commission's cash disbursement subsidiary records. The actual payment to the prize winner was less than the amount listed in the "Texas Draw Activity" report due to federal income tax withholding. The amounts listed in the "Annuitized JP Amount" column in the "Texas Draw Activity" report equaled the par value of the jackpot annuities purchased plus the gross initial payments to each winner. The Commission's cash disbursement subsidiary records reflected the purchase prices of the jackpot annuities plus the initial payments to the winners, less applicable federal income tax withholdings.

I. For each purchase (if any) of investments associated with the jackpot prizes:

- i. Review broker confirmations to verify that investments are funded in accordance with allowed investment vehicles per the multi-state rules, regulations or procedures.
 - ii. Obtain the bid sheets and supporting documentation and verify the investments were purchased through a competitive bidding process involving a minimum of three brokerage firms.
1. **Finding** – Steps I(i) and I(ii) are not applicable for the Texas jackpot prize winner who elected a cash option payment for the January 1, 2008 draw.

No exceptions were noted for Step I(i) for the draw dates of July 6, 2007 and August 31, 2007.
No exceptions were noted for Step I(ii) for the draw date of July 6, 2007.

There were multiple winners for the August 31, 2007 draw and it appears that winners in Texas and Virginia each selected the annuity option. According to the Finance and Operations Procedures for Mega Millions, Section 4.2, "In the event there are multiple Grand/Jackpot Prize winners from different states and more than one Party Lottery elects to annuitize their prizes on the first business day following the drawing, only one Party Lottery shall purchase the securities to fund the Grand/ Jackpot Prizes, with separate delivery instructions for each state." In accordance with this rule, the Virginia Lottery was the Purchasing Party Lottery. Further, per Section 5.2, "The Purchasing Party Lottery shall be responsible for procuring adequate securities to fund the annuitized Grand/Jackpot Prize(s)." Based on this information, the Virginia Lottery was responsible for the procedure listed in Step I(ii) for the August 31, 2007 draw.

J. Obtain the Security Purchase report which lists the results of the security purchase and verify that the information reported to the group is accurate, including the annuity factor for the non-winning bidders.

1. **Finding** – Step J is not applicable for the Texas jackpot prize winner who elected a cash option payment for the January 1, 2008 draw. No exceptions were noted for the draw dates of July 6, 2007 and August 31, 2007 although the non-winning bids were unavailable for the latter draw since the Virginia Lottery was the Purchasing Party Lottery.

K. Compare the total of the period transfers from the Texas Lottery Commission to the Virginia Lottery for settlement of the fixed prize liability as shown in the Texas Lottery Commission's cash disbursement subsidiary records to the amount listed in the "Qtrly/Yrly Settlements Transfers In (Out)" column on the "Fixed Prize Analysis" report attached as Exhibit II and ensure they are in agreement.

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

L. Compare the balance listed as the Texas Lottery Commission's receivable as of March 31, 2008 for the fixed prizes as shown on the "Fixed Prize Analysis" report attached as Exhibit II to the Texas Lottery Commission's financial accounting records and to the Mega Millions Prize Settlement Report as of March 31, 2008 and ensure they are in agreement.

1. **Finding** – The Commission's financial accounting records agreed to the receivable balance as shown on the "Fixed Prize Analysis" report and the Mega Millions Prize Settlement Report as of March 31, 2008 after taking into consideration a timing difference of \$385,445, which resulted from an adjustment for the March 28, 2008 draw activity that was posted to the financial accounting records on April 1, 2008.

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

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

Maxwell Locke + Ritter LLP
January 7, 2009

	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
NY	4/03/2007	1,829,822	206,457	306,429		
	4/06/2007	2,192,638	253,249	352,742		
	4/10/2007	1,207,205	416,163	310,018		
	4/13/2007	1,324,182	156,802	266,079		
	4/17/2007	1,156,849	135,147	150,159		
	4/20/2007	1,261,455	153,999	226,705		
	4/24/2007	1,249,097	132,691	218,910		
	4/27/2007	1,412,612	171,035	210,104		
	5/01/2007	1,433,042	409,745	223,456		
	5/04/2007	1,624,119	436,060	269,087		
CA	5/08/2007	1,685,436	178,783	255,816		
	5/11/2007	2,016,943	223,506	355,361		
	5/15/2007	1,076,953	110,772	128,338		
	5/18/2007	1,153,983	427,666	263,016		
	5/22/2007	1,126,331	424,254	311,151		
VA	5/25/2007	1,260,245	142,579	207,318		
	5/29/2007	1,174,727	384,240	205,646		
	6/01/2007	1,148,904	130,792	205,062		
	6/05/2007	1,054,570	357,407	180,667		
	6/08/2007	1,173,924	387,426	181,009		
	6/12/2007	1,135,072	416,259	258,959		
	6/15/2007	1,286,775	157,473	235,245		
	6/19/2007	1,283,137	150,996	291,576		
	6/22/2007	1,440,229	435,758	293,629		
	6/26/2007	1,462,820	207,094	272,833		
TX	6/29/2007	1,786,951	217,235	363,610		
	7/03/2007	2,019,761	223,646	307,987		
	7/06/2007	2,293,293	576,311	454,448	128,000,000	
	7/10/2007	1,107,928	111,684	167,828		
	7/13/2007	1,213,576	135,857	199,267		
	7/17/2007	1,157,900	112,391	216,212		
	7/20/2007	1,306,354	152,862	176,999		
	7/24/2007	1,269,948	169,801	206,450		
	7/27/2007	1,444,820	148,765	199,263		
	7/31/2007	1,427,870	144,494	223,604		
	8/03/2007	1,641,527	164,458	264,096		
	8/07/2007	1,657,770	193,564	248,796		
	8/10/2007	2,034,565	217,393	403,178		
	8/14/2007	2,205,252	519,462	483,242		
	8/17/2007	2,591,098	312,977	449,249		
	8/21/2007	2,977,360	552,633	506,073		
	8/24/2007	4,453,616	751,967	722,016		
	8/28/2007	5,542,396	679,398	808,489		
	8/31/2007	10,228,666	2,000,719	1,862,648	82,500,000	
	9/04/2007	1,104,030	369,644	167,687		
MD/NJ/TX/VA	9/07/2007	1,324,622	145,374	206,262		
	9/11/2007	1,273,863	167,819	260,380		
	9/14/2007	1,465,937	719,426	451,643		
	9/18/2007	1,401,298	146,501	205,008		
	9/21/2007	1,649,344	417,343	250,792		
CA	9/25/2007	1,164,102	384,553	236,481		
NJ	9/28/2007	1,254,504	415,693	315,283		

	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
MD	10/02/2007	1,140,178	120,667	123,853		
	10/05/2007	1,319,386	157,778	174,829		
	10/09/2007	1,049,183	114,234	136,676		
	10/12/2007	1,191,023	113,612	153,239		
	10/16/2007	1,129,531	407,749	192,797		
	10/19/2007	1,288,569	684,318	311,763		
	10/23/2007	1,228,814	142,573	239,017		
	10/26/2007	1,410,558	168,133	227,725		
	10/30/2007	1,377,608	176,680	152,961		
	11/02/2007	1,615,854	169,255	321,476		
NY	11/06/2007	1,057,661	99,087	179,961		
	11/09/2007	1,156,040	133,648	161,099		
	11/13/2007	1,104,912	115,176	189,652		
	11/16/2007	1,267,415	157,357	207,227		
	11/20/2007	1,250,542	135,649	212,027		
	11/23/2007	1,268,540	399,706	233,329		
	11/27/2007	1,344,973	154,385	222,835		
	11/30/2007	1,574,374	447,947	299,092		
	12/04/2007	1,623,505	422,084	268,038		
	12/07/2007	1,911,787	468,245	329,265		
IL/NJ	12/11/2007	2,118,509	484,991	370,912		
	12/14/2007	2,621,034	857,320	787,481		
	12/18/2007	2,930,892	565,436	495,793		
	12/21/2007	1,353,907	164,377	235,007		
	12/25/2007	1,045,608	114,380	216,677		
	12/28/2007	1,341,864	392,265	229,077		
	1/01/2008	1,223,391	155,139	195,501		
	1/04/2008	1,204,841	109,873	141,132		
	1/08/2008	1,140,515	132,164	192,077		
	1/11/2008	1,300,210	146,910	291,946		
TX	1/15/2008	1,249,408	383,421	232,465		
	1/18/2008	1,400,393	425,682	280,851		
	1/22/2008	1,380,167	165,525	290,649		
	1/25/2008	1,576,531	195,245	303,393		
	1/29/2008	1,600,200	414,027	252,826		
	2/01/2008	1,875,581	702,562	410,941		
	2/05/2008	2,185,322	243,430	367,915		
	2/08/2008	2,587,043	301,461	429,451		
	2/12/2008	2,822,909	818,194	607,261		
	2/15/2008	3,548,570	420,111	607,897		
GA	2/19/2008	4,482,398	1,502,333	717,427		
	2/22/2008	5,971,127	1,081,895	1,498,742		
	2/26/2008	1,173,602	639,462	186,758		
	2/29/2008	1,319,812	404,991	327,796		
	3/04/2008	1,287,381	660,548	304,087		
	3/07/2008	1,454,669	148,971	345,723		
	3/11/2008	1,408,783	168,350	244,762		
	3/14/2008	1,599,131	264,534	339,763		
	3/18/2008	1,496,278	169,731	262,902		
	3/21/2008	1,779,935	519,457	371,525		
	3/25/2008	1,817,147	433,492	253,958		
	3/28/2008	2,259,599	792,002	406,557		
* Totals *		182,036,631	35,524,885	33,072,419		20,024,272.00

	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Receivable (Payable)
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California					
Georgia	644,919-	40,240,428	38,093,118	1,223,810	278,581
Illinois	49,755-	39,181,049	38,527,978	1,181,381	578,065-
Massachusetts	55,450-	23,247,020	22,063,291	1,235,071	106,792-
Maryland	54,984-	20,700,076	22,078,050	1,258,133-	174,825-
Michigan	280,268-	36,224,937	35,619,347	257,256	68,066
New Jersey	441,435-	51,484,322	51,822,074	1,255,565-	476,378
New York	933,566	81,454,680	88,118,312	4,766,592-	963,474-
Ohio	592,853-	34,727,728	35,778,914	1,497,008-	147,031-
Texas	495,018	35,524,885	33,072,419	2,479,385	468,099
Virginia	589,452	29,842,118	28,344,520	1,214,792	872,258
Washington State	101,628	12,341,165	11,450,385	1,185,603	193,195-
** Totals **		404,968,408	404,968,408		