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CHARGES FILED IN HOT LOTTO[®] JACKPOT INVESTIGATION, LOTTERY ISSUES STATEMENT

CLIVE, Iowa – Iowa Lottery CEO Terry Rich released the following statement Thursday following an announcement by the Iowa Division of Criminal Investigation that charges have been filed in the case of the Hot Lotto jackpot won in December 2010 in Des Moines:

“We’re disappointed to learn that someone who has worked as a vendor in the lottery industry has been charged in this case. At the same time, we’re gratified that the thorough procedures and protocols we’ve developed to protect the security and integrity of our games worked to prevent the payment of a disputed prize.

This truly is one of the strangest situations in the history of lotteries. We believe this is the largest lottery jackpot ever to be claimed, only to have that claim later withdrawn.

The charges in this case focus on possible fraud attempts as the prize was being claimed. We have strong security procedures in place to protect and ensure the integrity of our games. And we absolutely believe this case indicates that those processes worked to protect lottery players, lottery games and lottery prizes.

It was the right thing for our lottery to refuse to pay this jackpot prize unless or until basic security questions about it could be answered – and they never were. There will always be people who try to beat the system. We have and will continue to update our security procedures as we identify vulnerabilities to protect against them.”

ADDITIONAL HISTORY AND BACKGROUND

In December 2010, a man bought a Hot Lotto ticket at a convenience store on Des Moines’ north side. That ticket went on to win the multi-million-dollar jackpot on the line in the Hot Lotto drawing on Dec. 29 of that year. For nearly a year, the prize went unclaimed.

Then, with less than two hours to go before the prize would have expired on Dec. 29, 2011, the winning ticket was presented by lawyers on behalf of a New York investment trust that had been established to benefit a corporation in the country of Belize. Neither the two lawyers who presented the ticket nor anyone associated with Hexham Investments Trust of Bedford, N.Y., would provide the basic details necessary to verify that the ticket had been legally purchased, legally possessed and legally presented. Those involved said they could not identify the jackpot winner or the man who purchased the winning ticket.

That standard information is routinely requested from jackpot winners in Iowa as part of the lottery's security processes to comply with both state law and lottery game rules. Such details are usually received within minutes at the time a winning ticket is presented.

On Jan. 26, 2012, Crawford Shaw, a New York attorney who identified himself as the trustee of Hexham Investments Trust, withdrew the claim to the jackpot. The Iowa Lottery requested that the Iowa Attorney General's Office and the Iowa Division of Criminal Investigation open a criminal investigation into the matter.

The money from the jackpot, which totaled nearly \$10.8 million in cash, was returned to the lotteries in the Hot Lotto game in proportion to the sales from each jurisdiction. The Iowa Lottery received about \$1.4 million back and gave the money away in a special summer promotion called "Mystery Millionaire" in 2012.

WHAT IS HOT LOTTO?

Hot Lotto got its start in April 2002 and has jackpots that start at \$1 million. Today, the game is offered in Iowa, 13 other states and the District of Columbia. In May 2013 the game's jackpot became an all-cash prize paid in a lump-sum amount with all state and federal withholding taxes paid for the winner. Players in Hot Lotto choose five balls from a pool of 47 and another number, called the Hot Ball[®], from a separate pool of 19. Plays cost \$1, and Hot Lotto drawings are held on Wednesdays and Saturdays.

WHAT IS MUSL AND HOW IS IT ASSOCIATED WITH THE IOWA LOTTERY?

The Multi-State Lottery Association (MUSL) is a lottery vendor organization based in Urbandale, Iowa. It was established in 1987 to handle the day-to-day functions in multi-state games on behalf of many U.S. lotteries, including the Iowa Lottery. MUSL is officially defined as a government-benefit, non-profit association entirely owned and operated by its 37 member lotteries. MUSL is overseen by its board of directors, which is made up of the directors of all its member lotteries.

As a vendor organization, MUSL administers seven lottery games, including Hot Lotto. Among other responsibilities, MUSL carries out lottery game drawings and hosts the websites of many U.S. lotteries. MUSL has 13 staff members, and Eddie Tipton has worked there since 2003, currently serving as its director of information security. Under Iowa law, a person working in that area is among those barred from playing the lottery or claiming a lottery prize because they have access to confidential information about lottery games.

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