

100 MOMENTS

HOT LOTTO

By Don Smith (2005-current)

The Iowa Lottery officially began selling lottery tickets in Iowa in 1985. Over the years the lottery has raised billions of dollars through the sale of lottery tickets. The profits from lottery ticket sales have provided economic opportunities in Iowa and have provided assistance to state programs benefiting Iowans and creating over 150 individuals or groups in becoming instant millionaires.

On December 29, 2010, there was a winning Hot Lotto (HL) lottery ticket won in Des Moines, IA at a Quick Trip on the north side of the city. The ticket was valued at \$16.5 million (annuity) or \$10.8 million in a cash option. Interestingly enough, no one immediately came forward to claim the winning lottery ticket. The Iowa Lottery provided public announcements in an attempt to find the winner(s) of the lottery prize.

On November 9, 2011, a resident and retired attorney residing in Quebec City, Canada,



IS IT YOU? \$16.5 MILLION WAS UNCLAIMED
FOR A YEAR – NOW WE KNOW WHY!

telephoned the Iowa Lottery and claimed to have the winning lottery ticket. The retired attorney provided to the Iowa Lottery a 15-digit code that verified the winning ticket. However, the attorney could not provide the Iowa Lottery officials the accurate details surrounding the purchase of the winning lottery ticket. The attorney later recanted that he was the winner of the (HL) lottery ticket.

The Iowa Lottery then requested the assistance of the Iowa Division of Investigation (DCI) and the Office of the Iowa Attorney General (AG) to investigate. As the expiration of the winning lottery ticket was nearing, people began to speculate as to what may have happened to the individual who bought the winning lottery ticket. Did someone lose the winning lottery ticket or did something nefarious happen?

On December 29, 2011, just two hours before the \$16.5 million lottery ticket was to expire, attorneys from a Des Moines law firm presented

the winning lottery to the Iowa Lottery on behalf of a New York attorney representing a trust. The New York attorney was a trustee for Hexam Investments Trust, a corporation out of the country of Belize and the trust that was claiming the winning lottery ticket.

On January 17, 2012, the New York attorney met with Iowa Lottery officials. The attorney told the Iowa Lottery that the name of trust was misspelled and that the name of the trust on the winning lottery ticket was actually Hexham Investments Trust. The New York attorney disclosed he was not the purchaser of the winning lottery ticket and he was not able to provide Lottery officials with any of the details surrounding the purchase of the winning lottery ticket. The Iowa Lottery declined to release the prize money to the attorney or trust.



VIDEO FROM A CONVEIENCE STORE, WHEN SHARED WITH THE PUBLIC, LED AGENTS OF EDDIE TIPTON

On January 25, 2012, an offer was presented to the Iowa Lottery on behalf of Hexham Investment Trust by the New York attorney that if the Iowa Lottery would release the prize money, the trust would then donate the entire prize winnings to charity. This offer was declined by the Iowa Lottery.

As the investigation continued, the Division of Criminal Investigation (DCI) and the Attorney General's Office traveled to Quebec City, Canada to interview the retired attorney who

had contacted the Lottery in 2011, claiming to be the winner. Investigators received information showing the ticket came from an attorney in Houston, Texas; through Robert Rhodes. The Division of Criminal Investigation (DCI) and the Attorney General's Office traveled to Houston, Texas. The Houston attorney and Robert Rhodes refused to cooperate with investigators and would not disclose any details surrounding the winning lottery ticket.

On October 9, 2014, the DCI released the surveillance footage from the store where the (HL) ticket was purchased. Numerous leads developed and were followed through leading agents to the Houston, TX area.

A tip was received soon after the release of the store audio and video footage of a male in a dark coat purchasing the winning lottery ticket and speaking with the store clerk. The tip came from a Maine lottery official who has worked with a lottery official in Iowa, which lead to Eddie Tipton. Tipton was a security administrator within the Multi-State Lottery Association (MUSL). Tipton was responsible for lottery security (lottery game and system security); he also was responsible for developing the random number generators that produce winning lottery numbers used in lottery games in over 30 states in the United States. Due to the nature of Tipton's job at MUSL he was prohibited from playing the lottery.

Tipton was interviewed by DCI investigators, which lead to further investigation and it was found that Tipton was connected to Robert Rhodes II from Sugarland, Texas. Rhodes II was found to be a close friend and past employer of Tipton in the Houston area. Investigators discovered in 2007 that Rhodes II won \$738,257 in a Wisconsin lottery game.

In September 2015, investigators found that Tipton's brother, Tommy Tipton, a justice of the

peace in Fayette County, TX, and former police officer won a Colorado (HL) lottery ticket drawn on November 23, 2005, in Colorado. Tommy Tipton had an acquaintance claim and collect \$568,990 from the lottery prize for him. Tommy Tipton gave the acquaintance a portion of the lottery prize for claiming and collecting the lottery prize.

Investigators looked at other state lotteries to see if Eddie Tipton was involved in any fraud in other state lotteries. Investigators discovered that the Oklahoma Lottery had a \$1.2 million (HL) lottery winner from a drawing on November 23, 2011. It was discovered that Tommy Tipton had an acquaintance claim and collect the \$1.2 million winning lottery prize from the Oklahoma Lottery. Tommy Tipton then gave the acquaintance a portion of the lottery prize for claiming and collecting the lottery prize.

Later in the investigation, it was discovered that two of Eddie Tipton's friends, one in Texas and the other in the Des Moines area were each given winning lottery tickets by Tipton. Both friends each won \$22,000 in Kansas Lottery prizes. Those winning tickets were purchased in Kansas for the December 29, 2010 drawing, the same date the \$16.5 million (HL) was won in Iowa.

While working with our other partners in law enforcement from Colorado, Wisconsin, Texas, FBI and forensic specialists in the private sector, a random number generator (RNG) was analyzed to look for nefarious coding within the random number generator. Forensic specialists determined that Eddie Tipton had created a way for the random number generator to pass all security verification protocols prior to lottery drawings using his RNG to draw lottery numbers. Tipton made it possible to predict the outcome of lottery drawings if certain specific perimeters were met, such as the day, month, and time of a lottery drawing.

Investigators determined that Rhodes II had a part in the lottery fraud. Rhodes II was charged with two counts of lottery fraud in Iowa. It was later discovered that Rhodes II and Tipton committed (HL) lottery fraud in Wisconsin on December 29, 2007. Rhodes II collected \$783,257 from the lottery fraud. Rhodes II later plead guilty in Wisconsin to a felony charge of being party to a computer crime. Rhodes II agreed to repay the Wisconsin Lottery \$409,000 in restitution.

On January 15, 2015, Tipton was charged with two counts of lottery fraud in Polk County District Court. The trial for Tipton began on July 13, 2015 and on July 20, 2015, the jury found Tipton guilty on two counts of lottery fraud. Tipton appealed his convictions on the fraud to the Iowa Court of Appeals. On July 27, 2016, the Iowa Court of Appeals made a decision in Tipton's appeal of the two fraud convictions. The court upheld Tipton's conviction for tampering with lottery equipment used in the HL lottery drawing on December 29, 2010. The court overturned the fraud with the intent to influence winnings for timeliness reasons. Tipton then appealed his case to the Iowa Supreme Court in 2017.

On January 9, 2017, Rhodes II plead guilty in Polk County District Court to one count of lottery fraud. Rhodes II agreed to give testimony against Eddie and Tommy Tipton relating to the details of lottery fraud.

On June 12, 2017, Eddie and Tommy Tipton entered into an agreement with the states of Colorado, Iowa and Wisconsin to plead guilty and pay restitution for lottery fraud. Eddie Tipton pleaded guilty to ongoing criminal conduct in Iowa, and in Wisconsin to theft by fraud and computer crime. Tommy Tipton pleaded guilty in Iowa to fraud, and in Colorado to conspiracy to commit theft. The Tipton brothers agreed to pay total restitution of \$2.2 million to Colorado, Kansas, Oklahoma and

Wisconsin lotteries. Eddie Tipton was not able to pull off the redemption of the \$16.5 million (HL) lottery ticket due to the due diligence of the Iowa Lottery.

On June 23, 2017, the Iowa Supreme Court issued its ruling in Eddie Tipton's appeal from his 2015 trial in Polk County. In the ruling, the court determined that the equipment-tampering charge was filed too long after the DCI put out a notice of a potential crime (surveillance video) and would not be moved forward. The court held the action of the New York attorney in attempting to claim the HL lottery ticket was timely enough to allow the fraud charge against Tipton to move forward.

On June 29, 2017, Eddie and Tommy Tipton appeared in Polk County District Court and entered their pleas as part of the agreement with prosecutors from Iowa, Colorado and Wisconsin. In court, Eddie Tipton admitted to writing and installing malicious code on lottery computers that allowed him to predict the winning numbers in some lottery drawings. Eddie admitted he then shared the winning numbers with others to claim lottery prizes. Tommy Tipton admitted in the same court that he claimed prizes in Colorado and Oklahoma using numbers that his brother had provided to him. After entering his guilty plea, Tommy was immediately sentenced to 75 days in jail to be served in Texas.

On August 22, 2017, Eddie Tipton was sentenced in Polk County District Court to serve 25 years in prison for his criminal actions and involvement in lottery fraud. Tipton is currently serving his sentence at the Iowa Clarinda Correctional Facility.