



Publisher
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June 11, 2001

Kim Kiplin
Texas Lottery Commission
P. O. Box 16630
Austin, Texas 78761-6600

Re: Very Specific Comments of Opposition - Several Items Including the Proposed Rule

Dear Kim:

I am opposed to the TLC's current proposal regarding paying the advertised amount rather than the percentage of sales withheld for the 6 of 6 winners. I view this proposal as an attempt to cover mistakes and as a failure of the TLC to keep players happy, content and coming back.

If this rule were in effect, what would the TLC do if lotto sales fell below the three, two or one million dollar mark in the first few drawings in a roll? Would the TLC then propose another rule to increase the 6 of 6 percentage of sales which has already been increased from 32% to 37.532%? Or would the TLC just "skim" more off the larger jackpots?

If this rule is adopted, then the TLC will be able to "cover up" those declining sales and could very possibly and easily be placed in a position where it will be forced to take funds "intentionally" from other players jackpots just to offset the losses incurred because someone wants to falsely advertise \$4, \$6, and \$9 million as a "minimum pot" or perhaps the TLC will increase a jackpot to \$40 million that should only be promoted at \$36 million or estimate a jackpot at \$85 million that should be at \$93 million instead? This is only ONE of the many reasons I oppose this change.

"Minimum pot" - there's no such thing in "pari-mutuel" gaming. The definition of pari-mutuel is, "a plan of race-horse betting in which the total amount wagered on all of the horses in a race, less a small fee, is shared in proportion to amounts wagered by the betters who selected the win, place and show horses."

In Lotto Texas language, "pari-mutuel" means the TLC/State keeps 45 PLUS% of all monies wagered for each drawing, the 4 of 6 winners split 6.8805% of money wagered, the 5 of 6 winner split 2.7885% of money wagered, the 6 of 6 winners split 37.532% of money wagered and 6.699% is set aside for the 3 of 6 winners who are to receive a "guaranteed" \$5 each. That leaves 1.1% that the TLC holds in reserve which the TLC states is, "to cover any 3 of 6 overage's" - which incidentally, you rarely have. And of course, I know that the reserve fund has really been used to allow the TLC to "overpay" 6 of 6 winners - something you really NEVER had to do but out of fear of getting sued for false advertising, opted to do. Lotto Texas is a pari-mutuel game - all monies wagered, less a small fee, should be paid out to the players. There should be no reserve, they should be no overpayments, there should be no carryovers - the players play this game in TRUST and this move allows the TLC privileges that we would all like to live under - No accountability - do and pay as you see fit. I strongly oppose this rule change -

There is a disease called "denial," and I think this is the biggest problem of all. Since 1997, the TLC has continued to proceed with maneuvers, all geared at keeping the \$4 million a "minimum jackpot" or a way to subsidize the exaggerated advertised figures, and thus far all attempts have failed. They have failed because all efforts have been aimed at taking away from the players.

Let's review the attempts to keep a "minimum \$4 million jackpot." In 1997, the TLC increased the annual payments from 20 to 25 years. This meant the TLC had 5 years longer to earn additional monies needed to pay a jackpot. You had comments and so did I, but I failed to understand and act upon the players comments. I had no web site then but I know that's when sales, for both the Lotto Report and the TLC, began its BIG decline. This was the reason many people quit playing Lotto Texas and I fully understand that now.

Then, in 1999, after the "5 year increase in annual installments" failed to produce the results you wanted, the TLC proposed to add 4 balls - the intent - to reduce winning and enable the jackpots to increase which ultimately entices sales - but the TLC withdrew it's proposal because of overwhelming objections by players that the TLC couldn't counter - even though the TLC tried.

So the TLC backed off and literally prepared itself to counter objections with "player approval," (survey's) so in March 2000, the TLC once again proposes to add 4 balls. It also proposes to increase the 6 of 6 percentage of sales from 32% to 37.532% for additional guarantees - just in case. In spite of players objections and "questionable" documents showing "player approval," the TLC adopts the proposed rule.

But where is all that support the TLC had in favor of this change? 4700+ surveys voluntarily came in?? Yet all you've seen is a bigger decline in sales So now comes

April 2001, **less than one year after adding those 4 balls** and after all that talk of happy players and success, the TLC still finds itself in a position to find yet another way to advertise whatever figure they desire but this time the TLC wants a guarantee ... they want to be able to pay the advertised amount no matter what sales justify. And like all other previous attempts, it is at the expense of your players. And those few who actually know about it and understand it, oppose it.

If this rule is adopted, the TLC will literally be stealing money from it's own customers. How long do you think the TLC will be able to survive this kind of talk? If adopted, you will accomplish nothing more than to take the TLC further down.

I oppose this rule change - further - I oppose the attempts put forth to not disclose vital information to the players about the scratch off tickets, I oppose the re-classification of my not being a news organization and its pending status, I oppose the double standards used in paying the Texas 2 Step top prize winners, I oppose paying the advertised amount- but advertising pari-mutuel payouts - for Texas 2 Step, I oppose the 35 red balls in Texas 2 Step and I oppose the TLC's refusal to say who submitted bids to run the lotto games - My guess is that no one else wants to run Texas' games because of all the dirt, misrepresentations and declining sales, so ... I can only conclude that you probably don't have other bids and the TLC didn't want to admit that no one else bothered to submit a bid, therefore you tried to keep it under hat and refused to disclose this data to the media. It will come out eventually. (I've gotten to know how ya'll operate especially when you have something to hide or shameful - like your refusal to tell me what percentage of sales was due to be split for each prize level last year.)

Speaking of G-Tech, since the TLC posted a link on their web site promoting a new G-Tech service that provide players with free emails of news and drawing results - twice a week - tell me, is G-Tech going to turn those names over to whoever gets the contract or is G-Tech going to continue to provide the service for the players in Texas in the event they aren't awarded the contract? Isn't this a conflict of interest somehow?

Also, please tell me why the TLC refers their web site visitors to go elsewhere for drawing results? Doesn't anyone know this is an attraction your web site offers and without it, many people may have no purpose to visit your web site again? Gosh, no offense intended, but this was not a smart marketing move. You have no idea how many comments I've received from people who are laughing at the TLC's stupidity on this move alone. Would you look at the number of companies who post the drawing results simply to attract visitors or to keep their products in a persons "thought process?"

Regarding the recent “double standard” used in paying the Texas 2 Step winners. The first drawing - the 3 winners split exactly 22.78% of sales but every winner since then has been paid only the advertised jackpot figure. The TLC broke its own NEW written rule when you paid 22.78% of sales and not the advertised \$200,000 on the very first game. Why was this? Was it because you wanted that first advertised payout to be higher than \$66,666 so you could entice spending or perhaps plant implied thoughts in player minds about the game?

This same “accused” implied principle was used when the TLC referred to having “5 million winning scratch tickets” on their “Ask the Director” page when for the most part, that’s an extremely exaggerated statement. Another good “implied” example is one I can take from the last Commissioners meeting. Fortunately, Commissioner Clowe caught and actually commented on it. This is how players feel too.

CHAIRMAN CLOWE: Let's get it on the record. State it for us, all the uses --

MR. SANCHEZ: Net present value is -- for example, using the -- we have a \$25 million jackpot that we're going to pay in 25 years. We buy investments that would yield sufficient moneys to pay the prize winners. So, for example, that will cost us, just in the example, maybe 20 million. That is, to me, what I consider an interpretation -- that the net present cash value that we will pay, 20 million to yield 25 million in 25 installments. So basically, with the comptroller, the treasury, we put the order in. For example, it's a \$25 million jackpot, and they yield -- how many investments -- 24 investments, individual investments. And then, depending on the market, depending on the rates, that will determine what the actual cost of those investments will be. And that, to me, is the net present cash value that we will pay.

COMMISSIONER WHITAKER: What's the nature of the confusion that you have picked up?

Break in conversation then it continues

CHAIRMAN CLOWE: When people opt for the cash option. My take on the players is that's what they ask for. And they have seen the advertised amount, which is the annual payout, and they get a substantial reduction in the amount of money that they receive. I think that's where the point of confusion comes up. Now, my --

MS. CLOUD: The actual difference is basically around 50 percent, about half of the annuitized jackpot amount. It is roughly that. It's not that, exactly. That's why it has to be on the net value at the time the purchase is made.

CHAIRMAN CLOWE: And that's the amount that I had in my mind when people have asked me; not the difference in 20 to 25 million. I think it's a lot more than that.

MS. CLOUD: It is

CHAIRMAN CLOWE: Close to 50 percent.

These examples are NOT exceptions, for the most part, they represent how the commission tries to portray themselves at large in most of their communications. And I strongly oppose this behavior too.

I oppose your refusal to accept phone calls and emails for public comment too. I heard your reasons but they weren't good enough. As you know, usually people won't take the time to write a letter - it's not that important to them. Much like the very reason the TLC came up with the Quick Pick option - players didn't want to fill out playslips either - remember? You told Commissioner Criner that you “invite comments” but your “actions” - both written and verbal, implies that you don't really want comments. Otherwise, you wouldn't be refusing phone calls and discarding emails from your players.

I oppose the TLC attempting to make this kind of rule change without making an effort to let players in on it. No one knows or understands what the "brackets" and "underlines" means on the posted rule change found on the TLC's web site. And the idea that its all there in one GREAT BIG paragraph discourages reading too. This is the internet - you have access to space, hard returns and color. The layout of this proposal is not legible for people to understand. Of course, I think its intentional too.

Regarding my fax suspension. The Commissioners said they would take it up in the future if I want to comment after Keith testified. Well, I commented last July, Aug, Sept, October, Nov. and December yet no-one addressed my issues directly. My rebuttal is posted on my web site for you read. Just go to the table of contents page, scroll down and click on the 12-18-00 Commissioners meeting if you want to know what I have to say in response. I will be sending a printed version of this testimony to each of the 3 commissioners and perhaps ya'll would be kind enough to place this on a future agenda to re-discuss my status.

I realize fully that I ask questions and report the truth in a fashion the TLC does not approve, I expose information the TLC would rather not have so freely disclosed and I realize fully it is because of my disclosure of:

the cameras in the drawing studio,
the press release about the retailers support,
the opposition of adding those 4 balls
the exposure of questionable surveys from G-Tech,
the scratch off ticket odds - they were not accurate,
the 6 of 6 winner overpayments,
the double standards practiced in the Texas 2 Step game,
false testimony by Linda Cloud,
non-disclosure of vital game information
plus many other things I've disclosed about the TLC

- that I go against the grain and that is precisely why the TLC suspended my faxes. I won't be present at your meeting when and if you ever schedule it, but I'll know the outcome. And FYI, this very issue has been my motivating factor - the TLC should not be allowed to set a criteria and then judge me based on your own biased definitions - especially when I met all written criteria - all media should be treated equally as should all 6 of 6 winners - and look at what you are attempting to do to them. WOW.

Well, Kimberly, you said you wanted specifics so I've taken my valuable time once again to let the TLC know what I object to from four different positions - one as a player, one as recognized news-organization, one as a tax paying Texas citizen, and finally, one as a non-recognized news organization.

I look forward to what I believe will be a short return reply from you stating nothing about the issues mentioned above. You will probably state they are rhetorical.

Sincerely,

Dawn Nettles

Recognized by the TLC as the Publisher of a non-recognized Texas lottery publication since 1993 that's not considered printed media (according to the TLC) even though I pay a printer every two weeks and see it for myself. Member of Society of Professional Journalists & Listed in the Texas Media Directory

cc: Commissioner Clowe Governor Rick Perry
Commissioner Whitaker Representative Joe Driver
Commissioner Criner Senator Carona