



Publisher
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February 19, 2001

Chairman Talmadge Heflin
P. O. Box 2910
Austin, Texas 78768

RE: Transcript from the Jan. 31, 2001 emergency meeting called by the TLC

Mr. Chairman:

I would like to voice my concerns and objections regarding the TLC's recent request to delete all information pertaining to the total number of tickets printed and the total number of prizes printed from their marketing piece referred to as the "Sell-In-Sheet." I consider this information to be the foundation of each game and should be available for players prior to purchasing any ticket.

Before I continue, I feel I need to introduce myself and give you a brief summary of my involvements with the TLC. I am the owner and publisher of a bi-weekly publication titled *The Lotto Report*, founder of - www.lottoreport.com and co-founder of GET REAL.

As such, since 1993, I've received from the Open Records division of the TLC, all press releases issued, sell-in-sheets of upcoming scratch games, game closing notices and a current report showing the number of unclaimed tickets - among other things. I have received this material every other Friday by way of fax or overnight express. In addition, until this past year, I received daily faxes from the TLC which consisted of drawing results, payout information and press releases.

My troubles began in August 1999 when the TLC made its first proposal to add 4 balls to Lotto Texas. I opposed this plan and so did the people of Texas - through my web site. In fact, if you will recall, in October, 1999, Ms. Linda Cloud announced she'd heard from thousands of people so she opted to not change the game "at this time." Little did I know then that her intent was to simply "re-organize" and propose it again. It appeared the re-organized plan entailed getting "something in writing" so they could show "someone" was "for" the proposed changes which would enable them to add the 4 balls. After all, the attempt they made in Sept. 1999 resulted in only ten to twenty total correspondences in favor of the changes.

As you know, in March 2000, the TLC not only proposed adding 4 balls again, but in May 2000 the Commissioners voted and passed the plan. Again, I opposed the plan and so did the People. In fact, the TLC received over 3000 letters, emails and petitions of opposition but this time, they miraculously received 4627 surveys most of which were marked "for" the plan. Incidentally, the majority of these survey's were gathered by G-Tech reps and admittedly signed by store personnel, not players. Counsel posted 3000 names "for" the plan but only 450 names of "opposition" at the Texas Registry. This was in spite of 2864 surveys having no addresses or store numbers on them, in spite of earlier testimony being "re-clarified" and in spite of receiving two forensic reports regarding the surveys. (Forensic reports enclosed & posted on my web site)

Last year, after seeing how the TLC "really" operated, I began researching and digging deep then I'd report my findings to the People via my web site and *The Lotto Report*. Needless to say, I have been "punished" by the TLC as a result.

To give you an idea of what I mean by "punished," here's a few examples:

1. My faxes were cut off last July 2000 because they call me an "activist." I'm still waiting for a decision from the Commissioners. (Documents enclosed & posted on my web site)

2. The TLC refuses to verbally answer questions regarding which ball sets are in reserve - they require that I make an open records request. They tried but failed to get the Attorney General to excuse them for not releasing this to me. (Document enclosed)
3. The TLC refused to quote the breakdown of sales paid out for the new Lotto Texas 6/54, so after a 4 day run-around, Representative Reyna called for me and got the info in 5 minutes AFTER proving she was who she said.
4. They refuse to verbally tell me how many scratch off tickets are actually printed stating I must make an open records request yet this data is published weekly in the *Trends Report* but not error free. (Document enclosed)

I could go on, but I think you get the point. According to Mr. Keith Elkins, what made the TLC so mad at me was a story I wrote about the drawing studio and a press release I sent to the media regarding how retailers really felt about adding the 4 balls. And I might add, both were true stories. (Documents enclosed & both posted on my web site)

And this brings me to the very point of my letter regarding the TLC's latest attempt to avoid disclosure of invaluable information about the scratch tickets and how & why I fear I may be the cause of this action.

In November 2000, I added to my web site the "truth" about the scratch off tickets. By truth, I mean I posted the information the players wanted to know which included the "real" odds, how many tickets were printed (both actual and approximate figures) and how many prizes there were for each prize - among other things. I am the only one who has published this information in such detail. Guess what happened next?

You got it! In November 2000, they began "forgetting" or "not having" scratch off ticket information to include in my Open Records request. So, on December 12, 2000, I requested to receive the "Instant Game Tentative Schedule" which is a list of projected instant games. I wanted this document so the *Lotto Report* could contain data on the games that are currently on the streets - which lately, it's been lacking due to the fact that the TLC has withheld this information from me. At any rate, on December 27, 2000, they asked for a "Request for Public Information Act Decision" from the Attorney General. I'm sure you know this means they are asking for permission to NOT disclose this information. I've replied to the Attorney General's letter concerning this matter and it is currently pending. (Documents enclosed)

On January 31, 2001, in the Emergency Meeting, the TLC in essence asked for permission to make only ONE major change. And the request was - to exclude how many tickets and how many prizes they print on their "Sell-In-Sheets." And I respectfully request that there be NO consideration given to this request. Players have a right to this information prior to purchasing scratch tickets - just the same as buyers are entitled to mileage information prior to purchasing a car and sellers are required to disclose the information.

In the transcript, I noted the TLC stated that they caught "a discrepancy" during an "audit." But I noticed later, the auditor passed a question stating that she only deals in "black & white." So - my first mental question was, 'What was she doing looking at a "marketing" piece for any numbers to audit?' Also, let me say here that the TLC has always known there was a discrepancy - that's why the sell-in-sheet says "approximately."

As a publisher, I've worked with printers for nearly 30 years now. Let me say that printers generally print more than what's ordered - they allow up to 5% for make-ready's - though occasionally a job can get damaged in its various phases which could make a run short. That's why the TLC stressed that it was an "industry standard" to receive "overs and unders." Further, don't let anybody kid you, printers KNOW exactly how many he has when he shuts his machines down - he has a counter - and his computer knows exactly how many prizes were stamped on the tickets as they went through this phase. It's recorded on the "tape" they refer to that is loaded into G-Tech's computer system. Actually, I thought Security brought this tape back themselves. Another point to ponder, printers generally give itemized statements showing the quantity shipped too.

If the TLC wants to switch to using "actual" rather than "approximate" numbers on their marketing piece, that's fine. However, they should not be allowed to have a "marketing" piece that excludes this invaluable data in place at the retail level. From what I read and interpreted, the TLC plans to post the excluded data ONLY on their web site and after the

game is already selling. With regards to the "Winning Tickets Remaining" piece they say they send out every two weeks, - well, it only shows the top 2 remaining prizes and there's no mention of total prizes for all prizes nor is there a total printed shown. Tell me, how can the Commission receive "current" information, then produce, print and distribute a piece every two weeks when it takes 2 months to get their newsletter out after it's printed? And for the record, I know of several scratch tickets that were printed months in advance that sat in the warehouse waiting to be released too. I wonder, how often does that happen?

Think about the time factor, too, from the time the job is printed, shipped from Atlanta to Austin, then prepared by G-Tech for shipment, picked up by UPS, then prepared again and shipped to 17,000 retailers across the state. Surely one could produce a marketing piece in that time frame. Press time for 20,000 copies of a 4 color, 8 and 1/2" page printed one side on 100lb enamel is 4 hours at most.

Finally, please remember, Mrs. Cloud told you in no uncertain terms that:

1. The state has lost no money as a result of "overs" or "unders" - (Should you ever see how these tickets were printed and how the prizes are stamped on them, you would understand how this could be)
2. No player has been affected.
3. The odds printed on the tickets and the sell-in-sheets were not affected & these calculations were based on the "approximate" figures
4. The prize payouts were not affected in any way and finally, the most important,
5. Mrs. Cloud even admitted, this "may be considered more a current business practice concern than anything else"

So, tell me again, what was the purpose of making this change to the Sell-In-Sheet?

Before approving anything, I respectfully request that you ask one very important question, and that is - "Will the Retailers be able to show and tell an inquiring player how many tickets were printed and how many prizes were printed for each prize - whether it be an actual or an estimated figure - PRIOR to purchasing the ticket?" If the answer is NO, then please don't permit this change. Personally, I wonder if this entire episode is not Ms. Cloud's solution to slumping scratch sales using the theory that what the people don't know, won't hurt.

Respectfully,

Dawn Nettles
Publisher of *The Lotto Report*

Attachments

cc: Governor Rick Perry
Madam Senator Leticia R. Van de Putte
Representative Robert Puente
Senator John Carona
Ft. Worth Star Telegram
San Antonio Express News
WFAA Channel 8 News
KDFW Fox 4 News
Representative Vilma Luna
Representative Joe Driver
Dallas Morning News
Houston Chronicle
Austin American Statesman
KXAS Channel 5 News
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