

# CRIMINAL



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## **Episode 160: Hot Lotto** **Air Date: March 12, 2021**

[archival audio from local news segment comes in – anchor says, ‘Well, some very exciting news happened here in Iowa last night. A \$16.5 million winning Hot Lotto ticket was sold here in the Des Moines area’.]

**Phoebe Judge:** On December 23<sup>rd</sup>, 2010, a \$16.5 million Hot Lotto ticket was sold at a Quick Trip gas station on the northeast side of Des Moines, Iowa. The buyer of the ticket had matched all five numbers, plus the Hot Lotto number. The ticket read: 3, 12, 16, 26, 33 and Hot Ball: 11. The news made local headlines all throughout the state after the numbers were drawn six days later. The *Muscatine Journal's* headline read, ‘Someone is suddenly a millionaire’. But then no one showed up with the winning ticket.

**Rob Sand:** The Iowa Lottery was out there saying on a regular basis, ‘Hey folks, check your ticket. Somebody’s got 16 million bucks’ and it was sort of this mystery – *why hasn’t anyone come forward?*

**Phoebe:** This is Rob Sand, Iowa State Auditor.

**Rob:** So, every few months Terry Rich, the head of the Iowa Lottery would have a press conference and remind people, 'Hey, we owe somebody \$16 million, check your tickets. We want to pay this money out.' And no one came, and no one came, and no one came.

**Phoebe:** Actually, some people did come forward.

**Rob:** They would try to say, 'Hey, that was my ticket. I lost it.'

'Okay. Um...' [laughs] 'Can you do any better than that?'

'No... that was my friend's ticket', 'That was my brother's ticket', 'So-and-so bought that and they died, but I'm just sure it was theirs. Those are their lucky numbers. They played those numbers *all* the time.' All kinds of stuff like that.

**Phoebe:** Someone called in to say that his friend who was a religious Hot Lotto player had just died in a car accident. He asked whether he should go to the junk yard to look through the wrecked car. But each time someone called in, the lottery officials would ask for the 15-digit serial number on the back of the ticket. And each time those numbers didn't match the winning ticket.

**Rob:** Privately one thing that [music comes in] the Iowa Lottery had that the public didn't know, the Lottery had was a video of the purchaser. So, the Iowa Lottery is looking at this video and we know, *okay, here's a very heavysset man in a leather... big leather jacket with a very low voice who's walking up to claim these tickets*. So, if any of you had called in and said, 'Hey, it's me, Phoebe. I bought that ticket,' we would have said, 'No, you didn't.' And you might've been confused as to how we knew you didn't, but we could use that to screen people who are trying to get that \$16 million but who we knew hadn't purchased the ticket. Now, of course, if we made that video public it gets a lot harder to use it as a screen 'cause then everybody nudges their heavysset middle-aged friend and it says, 'Hey, that could be you on that video. You should call them and tell them it's you.' And so, we had held that back.

**Phoebe:** By early November, almost eleven months had passed with no winner. The ticket was only valid through the end of December. Mary Neubauer who works for Iowa's Lottery said, 'I was convinced it would never be claimed.' And then she answered a call that came into the Lottery office. It was from a man named Phillip Johnston and he had the correct 15-digit serial number.

**Rob:** So, finally about a month to go before the deadline runs, somebody calls in who knows the serial number. Now, Mary checks the other piece. She's talking to the man and very wisely asks him, 'That must've been a memorable day. You won \$16 million.'

What were you wearing when you bought that ticket?' And this man from Canada, Phillip Johnston says, 'Well, probably what I normally wear – a sports coat and flannel pants.' Of course, Mary has seen the video of the actual purchaser. The actual purchaser again is a very heavysset man, middle-aged, wearing a leather jacket. And Philip Johnson is describing himself to be not that man. So, immediately there's some suspicion there about what's going on.

**Phoebe:** About a month later the man called the second time. This time he told Mary that he had, quote, " fibbed" the first time. [music fades out] He said he was actually a lawyer calling to help his client claim the ticket. But he couldn't disclose the name of his client. He proposed various ways his client could receive the money, but Mary told him that according to Iowa Lottery rules, a winner has to identify themselves. Phillip Johnston stopped calling after that. And then, on the day the ticket was set to expire about two hours before the end of the claim period, two attorneys showed up in person at the Iowa Lottery office with the actual winning ticket in hand. They said the ticket belonged to their client, a man in New York named Crawford Shaw. Crawford Shaw requested that the money be paid to Hexham Investments, a trust in Belize...

**Rob:** ...that is owned by none other than Phillip Johnston. [music comes in]

[to Rob]

**Phoebe:** So, what happens?

**Rob:** So, the Iowa Lottery says, 'This has just gone from weird to double weird. We know this Phillip Johnston guy isn't the actual purchaser. And we have our due diligence to do. So, hey, you need to tell us who bought this ticket and everyone who possessed it along the way. Or we're not going to pay.' They did not get a favorable response. The response was, 'Pay us or we'll sue you. And then the Iowa Lottery to their credit said, 'Go right ahead. Sue us.' Of course, the Iowa Lottery knew [laughs] if this plaintiff files a lawsuit, they get to conduct discovery which means they get to kind of find out who actually *had* possessed this ticket. Or at least find out as much as the people trying to claim it knew.

**Phoebe:** But Crawford Shaw didn't sue. He just walked away.

**Rob:** Rather than disclosing the actual purchaser, decided it was worth \$16 million to maintain that person's privacy. That is interesting.

[archival audio begins – Hot Lotto spokesperson says, 'Ladies and gentlemen, the Hot Lotto jackpot claim has been withdrawn. We received an official withdrawal note from the lawyers here in Des Moines that represent the Hexham Investment Trust today. So,

I guess I'll just jump right into questions and answers and let you ask whatever.' An audience member responds, 'Pardon my French, but what the hell?']

**Phoebe:** I'm Phoebe Judge. This is Criminal. [music fades out]

The mystery of the unclaimed \$16.5 million Hot Lotto ticket remained unsolved for more than two years. The Iowa Division of Criminal Investigation had looked into it. The attorney general's office had looked into it. But no one had made much progress. And then in 2014 Rob Sand who was working as the assistant attorney general in Iowa was handed the case file. 'Happy birthday', his boss said.

**Rob:** It was this curious little essentially dead end of an investigation with a \$16 million lottery ticket. [music comes in]

**Phoebe:** It wasn't even clear that a crime had been committed. Rob didn't know how to move forward. But included in the case materials he found a DVD: the security video from 2010. He watched it over and over. There are two camera angles. One taken at some distance from the register. You can't make out the person's face at all from this angle, just what he's wearing – jeans and a leather jacket... and his build... the way he moves. The second angle is closer. Shot from above and behind the register. The man has what looks like a sweatshirt hood pulled up over his head and a baseball cap underneath it. He's looking down most of the time, even when he hands the clerk the money. So, no matter how many times Rob Sand watched the video, he just couldn't see much. The video had been kept from the public, but Rob Sand started to think that maybe someone out there wouldn't need to see the man's face to know who he was.

**Rob:** The big thing that we had left to do was releasing the video of the purchaser and asking the public for assistance. To make that video public and to say to people, 'Hey, if you think you know who this is, we want to talk to them.'

**Phoebe:** They put out a news release and new stations broadcast the video across the country.

[audio from security footage of purchaser begins – cashier and purchaser exchange greetings and cashier rings purchaser up for ticket]

**Ed Stefan:** Oh, there's no mistaking at his voice. [music comes in]

**Phoebe:** This is Ed Stefan. He spent years working at the Multi-State Lottery Association. It's called MUSL for short. And when he heard the voice in the video, he knew exactly who it was: Eddie Tipton – his colleague and the head of IT security for the Multi-State Lottery Association. Ed Stefan wasn't the only person who recognized Eddie Tipton on the video clip.

**Rob:** In fact, Noelle one of his coworkers walked into the office one day, walked into the MUSL office. This is right after we released the video. And one of her coworkers says, 'Hey, Noelle, come over here.' And hands Noelle headphones and says, 'Put these on.' And then clicks a button. Noelle is just standing there. Can't see the computer screen that she's looking at. And this person starts playing the video of the purchase. And Noel says to this coworker without seeing the screen, 'Why am I listening to a tape of Eddie talking?'

**Phoebe:** Another colleague at the lottery who was a good friend of Eddie Tipton's also saw the video and recognized Eddie's voice. But he thought it couldn't possibly be his friend. There had to be something wrong. So, he did a little of his own investigating. He used audio software to remove the white noise from the video file. He visited the Quick Trip where the ticket was purchased to measure the height of the shelves and the width of the four tiles. And then he did some sort of analysis to try to show, for example, that the feet of the man in the video were too big or small to be Eddie's... that the man in the video was taller or shorter than his friend. He later said, 'When the FBI guys came in, I wanted to be able to tell them it wasn't Eddie. Once I did this, it was like, *well, it is Eddie.*'

Six days after the video was made public, the Department of Criminal Investigation received a tip that the purchaser was Eddie Tipton. Investigators visited Eddie Tipton at his office at the Multi-State Lottery Association where he told them that on the date the lottery ticket was purchased, he wasn't even in the state of Iowa. He said he'd been visiting family in Texas. They subpoenaed his phone records and bank statements which showed that his story was not quite true. He'd been in Des Moines at the time the ticket was purchased. They also looked at Eddie's LinkedIn profile and saw a familiar name. He'd been endorsed by a man named Robert Rhodes. Investigators had heard this name before from Phillip Johnston, the man who claimed to represent the winning ticket holder back in 2011. Eddie Tipton was arrested and charged with two felony counts of fraud. Multi-State Lottery Association employees are ineligible to play the lottery. And not only did Eddie Tipton work for the lottery...

**Rob:** He also writes the program that actually picks the supposedly random numbers that people want to hit when they're trying to hit the jackpot.

**Phoebe:** Even as he prepared for trial, Rob Sand didn't know how exactly Eddie Tipton had rigged the numbers. [music fades out] He offered Eddie Tipton a plea deal if he would tell investigators how we pulled it off. But Eddie Tipton refused to talk. And the trial began in July of 2015.

**Rob:** The day we started presenting evidence, CBS This Morning did a nationwide broadcast calling into question whether we had enough evidence to prove the case.

**Phoebe:** Rob Sand argued that the jury didn't need to understand how Eddie had chosen the winning numbers. They just needed to recognize the incredible coincidence of the head of IT security for the Multi-State Lottery Association picking the winning numbers with the odds at more than ten million to one. And that a man who had access to everything involved in picking the numbers just happened to get the right ones. He wrote the code that produced the winning numbers. He had direct contact with the random number generating machines. He had to have tampered with the process somehow and tried to get around lottery rules when he wanted to claim the prize.

**Rob:** I wasn't sure if the jury would understand our case that he had rigged it. The defense counsel kept saying, you know, 'This is just... he wants you to imagine this stuff. He can't explain to you how it works. He just wants you to say that it happened.'

**Phoebe:** Eddie Tipton was found guilty of both counts of fraud. One for attempting to fraudulently claim a winning lottery ticket, and the other for manipulating lottery equipment in order to ensure his win.

**Rob:** We got him on the first count because the evidence was pretty clear and inescapable. And we got them on the second count because at the end of the day when you look around, all this mountain of circumstantial evidence that this man's job is to write the program that picks the winning numbers, that he was in the draw room, that he had access to these machines in his office constantly, and could have at any point installed a different software. It was just sort of this inescapable conclusion.

**Phoebe:** Rob Sand tried again to offer Eddie Tipton a deal - this time, a reduced sentence if he would explain how he'd pulled it off. Again, Eddie refused to tell how he'd done it, or even admit that he'd rigged the system at all. Rob Sand thought it was interesting that even after he'd already been found guilty, Eddie Tipton wouldn't go for a reduced sentence. And then he got a phone call. [music comes in]

**Rob:** And I pick up the phone. Some guy says, 'This Rob Sand?'

I said, 'Yeah.'

'Do y'all all know Eddie Tipton's brother won the lottery about ten years ago out west somewhere, maybe Colorado?' [music fades out]

**Phoebe:** Eddie Tipton was convicted of two counts of felony fraud in 2015 and sentenced to ten years in prison. His Multi-State Lottery Association co-worker, an old friend Ed Stefan, says he couldn't believe it. They'd known each other for 30 years. They'd met in a calculus class at the University of Houston and had stayed close. Eddie was in Ed's wedding. And in the early 2000s when Ed needed to hire someone to run

the IT department at the Multi-State Lottery Association, he recommended Eddie for the job.

[to Ed]

So, you're the guy who got them hired?

**Ed:** I am.

**Phoebe:** Did anything in him lead you to believe that this was an inside job that he might be involved?

**Ed:** Oh, definitely not. No. There was no idea of that's possibility one way or the other. No idea that that was even on the table as a possibility quite frankly. There was just no reason to believe any or all of that.

**Phoebe:** Had you noticed over the years that Eddie seemed to have a lifestyle... things, cars, homes, that didn't really match up with the salary that you knew he was making?

**Ed:** Yes. [laughs] Absolutely. So, Eddie and I were tight. And so, he and I actually bought together a 50-ish acre parcel of land, and we split it. And so, he was building his house. I was building my house. And our houses were constructed on adjoining land. And so, Eddie's over here building this McMansion. I mean, his house is incredible. I mean, absolutely astounding. You know, 7,000 square feet, two basements, racquetball court, all this stuff. And I'm like, 'Eddie, dude, like I know what you make. How are you doing this?' [laughs]

**Phoebe:** Assistant Attorney General Rob Sand was asking the same question. When he learned that Eddie Tipton's brother Tommy Tipton had won the lottery in Colorado back in 2005, he started making calls. And learned that Tommy Tipton had been investigated by a Texas FBI agent named Richard Rennison. And Richard Rennison told Rob sand that after he'd won the lottery Tommy Tipton went to a fireworks dealer and tried to launder \$500,000.

**Rob:** Tommy Tipton has half a million dollars of consecutively marked bills. And of course, this makes the fireworks dealer suspicious.

**Phoebe:** The fireworks dealer went to the FBI and the FBI questioned Tommy. He told agent Rennison that he was laundering the money because he didn't want his wife to know he'd won it. He said he'd even gone so far as to ask a friend to claim the prize on his behalf. It was all a little strange, but it was all legal.

**Rob:** They closed their case 'cause they said, 'Well, that's weird. I don't fully understand why you're doing what you're doing, but for someone to be laundering money, that

money has to be dirty. And if you won this in the lottery, then it's not dirty money.' And they closed their case.

**Phoebe:** Still, Rob Sand wondered why Eddie's brother had behaved so strangely and why Eddie still wouldn't tell him how he'd managed to get the winning numbers in Iowa. Plus, two winners in the same family was just too much. He thought it was suspicious enough to make calls to all the other state lotteries in the country...

**Rob:** And say to them, 'Hey, we have a very real reason to believe that this wasn't isolated in Iowa and we need a lot of your data about your lottery winners all over the country.'

**Phoebe:** They started looking at a list of names of winners searching for connections to the Tipton brothers. And they learned that in 2007 a winning lottery ticket had been purchased in Wisconsin by a man named Robert Rhodes, a name they knew from Eddie Tipton's LinkedIn. He'd been the link between Phillip Johnston and Eddie Tipton. Robert Rhodes' winning ticket numbers were drawn on December 29<sup>th</sup>, 2007. Eddie Tipton's winning ticket numbers were drawn on December 29<sup>th</sup>, 2010. And then Rob Sand discovered an Oklahoma lottery winner named Kyle Conn.

**Rob:** "Conn" is the last name C-O-N-N, which is just too rich. So, let's ask Oklahoma for that claim file. So, we go back to Oklahoma, we say, 'Hey, we want this file related to this Kyle Conn who claimed this ticket here. And they say, 'Alright, here you go'. And I remember I'm sitting in my home - this is around the holidays - I'm sitting in my parents' living room, just pulling up the phone number that is in the Kyle Conn claim form and running that phone number through Eddie and Tommy's years upon years of phone records and boom! There's a hit. [music comes in] So, at some point we know Tommy Tipton had a phone call with Kyle Conn.

**Phoebe:** Kyle Conn's winning ticket numbers were drawn November 23<sup>rd</sup>, 2011. Tommy Tipton's winning numbers in Colorado were drawn on November 23<sup>rd</sup>, 2005. Rob Sand also discovered two jackpots in Kansas that had been one on the same day and same year as Eddie Tipton's Iowa ticket. The people who claimed those prizes were both contacts in Eddie's phone.

**Rob:** One of them in fact... she and Eddie had met on a dating website. And they had gone on a date or two and you know, it didn't work out, but they stayed friends. And then she got engaged and he presented this as an engagement gift.

**Phoebe:** But it wasn't until January of 2016 that Rob Sand actually figured out what Eddie Tipton was doing.

**Rob:** I was sitting at my desk and David Moss from Wisconsin AG's office calls me, he says, 'Hey, Rob. You at your computer?'

I said, 'Yeah.'

He says, 'Check your email.'

I checked my email, open up an email from him, open up a PDF attached to it. And I had done a very small amount of HTML coding when I was in high school. And I was instantly able to recognize what I was looking at. What I was looking at was the code that Eddie had written to make these allegedly random numbers be actually predictable to him. I remember I said to David, 'Do you guys hear that? [laughs] It's the hallelujah chorus. [laughs] It's playing in my head right now'.

**Phoebe:** Eddie had written a code that would dramatically decrease the number of possible winning combinations to a smaller set of numbers that Eddie could go play. He designed his code to work within specific narrow circumstances - Wednesdays or Saturday evenings, only three days of the year: May 27<sup>th</sup>, November 23<sup>rd</sup> and December 29<sup>th</sup>, butting right up against Memorial Day, Thanksgiving and Christmas. Very convenient times for Eddie Tipton to be out of the office buying lottery tickets. Rob Sand and investigators presented Eddie Tipton with the new evidence against him including the fact that Robert Rhodes was now working as a witness for the prosecution. They asked him once again to tell them how he did it. And this time he agreed.

**Rob:** And the story that he tells in that interview is that, you know, he didn't necessarily set out to start the largest lottery rigging scheme in American history, but that he sort of saw that he could do it. And once he saw he couldn't do it, he decided to see if he would get caught. And from having done that once he decided to do it again... and saw that it was a way to help friends. His friend Robert Rhodes was struggling. And did frankly what a lot of white-collar criminals do: rationalize. Give you reasons why the stuff that they were doing wasn't really that big of a deal after all.

**Phoebe:** In the end, Eddie Tipton along with his brother Tommy admitted to defrauding states out of more than \$24 million. [music fades out]

**Rob:** I look at financial crime and I see people who are in a position of some privilege in life, right? Typically, they're able to commit financial crime because they have access to money. So, that removes desperation from one of their motivators. Financial crimes are people who are in a good position in life who are abusing – choosing to abuse that position over and over and over again typically. So, when you talk to me about financial crime, what I hear is someone who is greedy, whose crimes are crimes of selfishness, whose crimes to other people... and frankly who thinks they're smart enough to get away with it.

**Phoebe:** Rob Sand has called them "crimes against gratitude". Eddie Tipton is currently serving a 25-year sentence at Clarinda Correctional Facility in Iowa. Tommy Tipton went to prison for 75 days.

[to Rob]

What about all the other guys that were involved in this? Crawford Shaw, Philip Johnston. What happened to them?

**Rob:** Philip Johnston entered a cooperation agreement with the state of Iowa. There isn't really any reason to think that he actually knows the bigger truth or knew the bigger truth of what was going on at the time that he made the claim. And the same goes for Crawford Shaw. I think they certainly could have asked more questions of their clients if they wanted to. But they were asserting claims on behalf of a client and there wouldn't be a good basis to charge them in the whole scheme of things.

**Phoebe:** Tommy and Eddie Tipton... there was a lot of money that these guys... that Eddie Tipton won for himself. What happened to all the money?

**Rob:** A lot of it was cash. A lot of it was spent. A lot of it Eddie put into his house here in Iowa. A lot of it they ended up paying back to their attorneys here in Iowa. But they also agreed to pay restitution. [music comes in] So, every penny stolen from a lottery ticket is agreed upon between the two Tipton brothers and Robert Rhodes to get repaid. And they've also agreed not to fight legal proceedings in order to seize land in Texas that they own to get those debts paid.

**Phoebe:** Do you play the lottery?

**Rob:** No.

**Phoebe:** You've never played?

**Rob:** I think I've probably bought a few tickets. I wouldn't say I play it though.

**Phoebe:** Well, you've got me thinking about the lottery again. Maybe I'll just for the hell of it stop and get myself a ticket and think maybe I'm lucky.

Criminal was created by Lauren Spohrer and me. Nia Wilson is our senior producer. Susannah Roberson is our producer. Audio mix by Rob Byers. Julianne Alexander makes original illustrations for each episode of Criminal. You can see them at [thisiscriminal.com](http://thisiscriminal.com). We're on Facebook and Twitter @criminalshow.

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I'm Phoebe judge. This is Criminal. [music fades out] [Radiotopia jingle comes in]

**END OF EPISODE.**