



BUSINESS PLAN

FIRST INTERNATIONAL CHARITABLE ONLINE LOTTERY

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HISTORIC AGAIN

Thy Olde Lighthouse

The Past



As an investor interested in intriguing investments, you may be interested in the opportunity to first charitable inline lottery in the nation. Gambling is one of the foremost entertainment in the country and lotteries is one of its most popular. Here a charity would be operating the first charitable online lotteries and one of one 9 altogether and the first one truly designed to sell across the entire United States.

The historic Fourteen Foot Bank Lighthouse built in 1883 in Delaware Bay

The lighthouse is located offshore from Bowers Beach, Delaware and is in essence Victorian home made of iron. It can be reached by a fast boat in 20 minutes.

The lighthouse is listed on the National Register of Historic Places and governed by the National Historic Lighthouse Preservation Act. There are dozens of web pages discussing 14 Foot Bank so there is no need to state what an investor will see for himself while doing his due diligence

FEDERAL ENCLAVE

All active lighthouses are located on federal enclaves. That means that they are not subject to state laws including property taxes as long as the lights remain activated. In order for States to get the Federal Government to build lighthouses in their territories, the Congress required that the States first cede all jurisdiction to the federal government on the land on which the lighthouse would be built, 33 USC section 727, enacted March 3, 1821 read

“No lighthouse, beacon, public piers, or landmark, shall be built or erected on any site until cession of jurisdiction over the same has been made to the United States.”

In doing so, the Congress assured that the operation of the lighthouses could not be interfered by the States in any manner.

Over the years, Congress has granted some limited power to the States to exercise some jurisdiction over federal enclaves. States can now tax income activities run off the enclave and the employers thereon must comply with OSHA rules and States can grant divorces or child custody decrees. States, however, still cannot exercise their criminal laws over federal enclaves. This basically

means that anything can be done on the lighthouse which does not violate federal law even though it might otherwise violate state law

It is thus possible to legally operate a business which would otherwise violate state law as long as the activity does not violate federal law. In fact have considered the possibility of operating a charitable online lottery off the lighthouse as there is no federal law prohibiting an online lottery. In fact, the New Hampshire Federal District Court has held that online lotteries do not violate the Federal Wire Act which was the last potential concern to operating such a lottery for charitable purposes

The online lottery operation could be the most profitable and beneficial operation for everyone involved. A charity most likely a foreign formed one so that no state could claim control over it would lease the lighthouse and run the online lottery.

As the income would not be related to the charity's purpose, full taxation would be assessed both state and federal on the profits. Beyond that the lottery could operate as well as other gambling online activities like poker and blackjack but not sports betting.

The owners of the lighthouse would lease the lighthouse to the charity for 1 percent of its gross. The lottery would pay 60 -65 percent of the ticket sales in prizes which is the same amount or higher than that paid in sales lotteries. The charity would then pay to the states the same percentage it receives each year from its own lottery for the of its paper tickets. For example is California requires 25% of the gross ticket sales for its general fund then 25% of all ticket sales to California residents will go to California. The remaining funds will be used by the charity to pay its expenses and then taxes and it whatever is left goes its charitable activities. The online ticket sales could reach 1 billion a month being international in scope. The rent for the lighthouse in that case could rise to 10 million a month. Whatever it generates, the states would get as much as if they ran their own lottery and the ticket lottery buyers would get the same payoff as the states are running the lottery so there is no competition with states. Not all states have lotteries so an online charitable lottery running this way would in essence be the state lottery for these states.

As the online lottery is run off from a Federal Enclave ie the lighthouse then its service area is the entire United States

There are no practical competitors because there are only a few offshore lighthouses in the United States in private hands and none are operated for profit. Virtually all lighthouses, that are not owned by the federal government are owned by charities:

What makes the lighthouse investment interesting and intriguing is that it is both a federal enclave actually quite close to shore for access yet far enough way to be out of sight and mind. As a federal enclave it is exempt form state regulation. In addition, being on a 10 acre plot of water, it allows the lighthouse quite a bit of room for expansion of its activities.

There are many significant and profitable activities which can operated from the lighthouse

Online Lotteries

One of the money making options for the lighthouse is operating a charitable online lottery. The information below is taken off the Internet from web site with the links as a starting point for due diligence

There are only 8 states which have online lotteries. Of those most of the states severely restrict the type of games offered so as not to compete with their paper lotteries and the sales made by their supermarket distributors. We would not be so limited.

To operate an online charitable lottery as set forth in the offering statement, the lighthouse must be restored because all significant US operations except minor office matters must be conducted on the lighthouse so as to prevent any state interference or regulation. The actual computer system will be managed out of the country in India and utilize Cloud based technology for additional security

The cost to restore the lighthouse for functional operation would be in the range of \$500,000.

The actual lottery startup would be approximately \$600,000 of which most around \$350,000 would be allocated for initial marketing. Approximately \$50,000 would be allocated to legal and \$200,000 in setup.

Much a of the lottery game design and programming was previously done in 2012 when a charitable lottery was sought to be setup in Delaware. Lotteries, by their nature, are the simplest and easiest online gaming activities to develop And operate as the player simply picks numbers and if drawn wins. There is no other interaction with the computer program

Of course, we are not limited to operating only lotteries. Other similar games such a Keno can be done as well as full online casino gaming it Poker, Blackjack and other such games, in short everything except sports betting. These if implemented would be done later on as they would require much more sophisticated programming.

The question in the forefront of all investor's mind is would an online lottery be profitable? Here are the facts to consider:

1. Of the fifty states, forty two (45) states do not have an online lottery. In fact, several do not have any type of lottery

**Alabama,
Alaska,
Hawaii,
Mississippi,
Nevada and
Utah**

For these states we would be in essence the state lottery.

2. Our lottery would pay each state the same percentage amount that the state pays to its players in their lottery in their paper lottery and will pay the state the same share of profit it gets from the ticket sales. So we are not taking players or income from the state.

3. Our lottery would pay 1% of the gross ticket sales whatever they are as rent. If online lottery ticket sales reaches \$10 billion nationally in sales that would be \$100 million in rent. The average in the 5 states below is about 3% of lottery sales being online and growing. For New York which does not have an online lottery, 3% on its \$10 billion lottery sales would be \$300 million, the rent then just for New York would be 3 million and growing

States That Allow Online Lottery Sales

- **Georgia.** <https://apnews.com/article/lifestyle-health-business-education-georgia-35606dab78ce404968a61ba3b948845>
- The Georgia Lottery raised a record **\$1,544,954,000 in profits** for fiscal year 2021, bringing the total transferred to the State Treasury's Lottery for Education Account since inception to more than \$23.8 billion. Jul 19, 2021
- **Illinois.**
In FY 2019, the Illinois State Lottery generated **approximately \$3 billion in revenue**. From that total, \$2 billion went to prizes, \$165 million covered com- missions and expenses, \$18.5 million went into the Capital Projects Fund, and \$4.3 million to funds designated for specific games. Oct 14, 2020

Where Does the Lottery Money Go?

<https://www.iasb.com> > IASB > media > Documents

- **Kentucky.** https://www.kylottery.com/apps/about_us/annual_report_home.html

The Kentucky Lottery again shattering a sales record through finishing fiscal year 2020 by selling \$1,203,442,000 in tickets. That's the largest sales figure in Kentucky Lottery history, and is \$73.9 million (6.5%) more than the previous record set in the previous fiscal year. FY20 marks the 22nd year out of the past 27 that the Kentucky Lottery has achieved record sales.

The Lottery's cash transfers to the Commonwealth in FY20 were \$278.5 million, an increase of \$5.8 million (and another record). These transfers are even more impactful now, as Lottery retailers and staff have worked to keep our essential businesses open. Thanks to that work, more money than ever is available to help our state's best, brightest and most deserving students attend college in Kentucky.

Internet lottery sales also showed significant growth throughout the year, due in large part to sales during stay-at-home orders as a result of the pandemic. iLottery sales finished FY20 at \$45.0 million, an increase of \$18.2 million (68%). Internet sales continued to be a modest amount of overall business, comprising 3.7% of total sales.

- **Michigan.** <https://www.onlinepokerreport.com/39930/michigan-online-lottery-growth/>

The net win for online lottery games in 2019 was \$116 million. Using the lottery's official accounting, that amounts to just 3% of total sales. There was, however, \$961 million in gross revenue and \$845 million in prizes awarded.

If we want to compare apples to apples, we should really be including that prize money in total sales, as it is for physical products. Doing that gives us a total of \$4.7 billion in sales rather than \$3.9 billion, of which 20% comes from iLottery products.

On the other hand, that number overstates the iLottery's contribution to net revenue, since it pays out far more generously than traditional products. Comparing sales to prizes, the iLottery's return-to-player is around 88%. By contrast, instant scratch-off tickets pay out around 75%, quick-draw "Club" games around 65%, and traditional draws closer to 50%.

- **New Hampshire.**

https://www.nhlottery.com/Files/PDFs/Financial-Reports/NH_Lottery_CAFR_2019

Note 12 – iLottery Net Wins iLottery e-instant game revenue is reported as ticket sales net of bonus and prize expense in the Statement of Revenues, Expenses, and Changes in Net Position and Supplementary Schedule of Revenue and Expenses, and Distributions. Bonuses are a part of the Lottery's customer relationship management. iLottery e-Instant games range in payout from 83% to 87% with an average prize payout of 85% (of possible sales) for the full portfolio. The following schedule details the iLottery e-instant game sales, bonus and prize activity for the fiscal year ended June 30, 2019:

Ilottery E-Instant Games 2019

Gross Sales	\$ 32,650,980
Prizes	(27,702,557)
Bonuses	(435,454)

Net Wins	4,512,969
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Gross Profit Margin 13.8%

- North Carolina.

Gaming Study Report for North Carolina

https://wwwcache.wral.com/asset/news/local/wral_investigates/2021/03/30/19602191/Spectrum_Gaming_Study_Report_for_NCEL_3-16-20-DMID1-5qcxzdk5h.pdf

A good source of online lottery information nationwide and specifically on page 111

- North Dakota.

<https://apnews.com/article/90f790cdcb9042eb143d7457b7e7703e>

Big jackpots during the last fiscal year led to a 12% increase in North Dakota lottery ticket sales, which were the second highest in the state's history, an official said Wednesday.

North Dakota gamblers wagered \$35.3 million on lottery games for the fiscal year that ended

June 30, eclipsing every other year except fiscal 2016, when they bet \$35.7 million, the state's lottery director, Randy Miller, told The Associated Press.

- Pennsylvania.

Online play sales totaled **\$887 million**, growing each year since the offerings launched in May 2018, the agency said. Mr. Svitko said the funds will support tax and rent rebates, free and reduced-fare transportation and prescription assistance, among other programs, for senior residents. Aug 2, 2021

Pa. lottery sets record for sales, profits | Pittsburgh Post-Gazette

[https://www.post-gazette.com > state > 2021/08/02 > stories](https://www.post-gazette.com/state/2021/08/02/stories)

Five states offer online lottery subscriptions

- Maine: Subscriptions are for 13, 26, or 52 weeks.

- New York: Subscriptions are available for a minimum of two weeks.

new york [New York state tops the nation with \\$10 billion in lottery sales ...](#)

[https://www.bizjournals.com > news > 2019/05/14 > ne...](https://www.bizjournals.com/news/2019/05/14/ne...)

- North Carolina: Subscriptions range from a single draw to a full year.

- North Dakota: Subscriptions range from a single draw to a full year

OTHER SOURCES OF INCOME

Another source of income for the lighthouse would be as an official address for companies needing an American address but not wanting to be under any state control or regulation. The lighthouse could serve as the office for such companies, especially foreign ones, giving them an American presence but not state pretense. This is the same service that is offered by doing business in Washington DC another federal enclave but doing so off the lighthouse, could cost significantly less. Foreign banks and lenders and internet companies especially could find having an office on a lighthouse enclave could limit their compliance activities quite a bit. Even for domestic companies at \$500 per company that is cheap enough for any company wishing to have a prestigious mailing address and use of a picture of the lighthouse on their letterheads as the corporate office

Another profitable business operation would be allowing tour boats to stop of the lighthouse. There are multiple tour boats companies which run tours going from lighthouse to lighthouse but none of them are allowed to visit the lighthouses as they are not safe. We could allow visitors at \$5 per head. During the tourist season which is about 6 months from May to Nov the boats could bring about 150 people per day. No cost would be charged the tour boat operators but the visitors could pay \$5 a head to visit the lighthouse. On the lighthouse, novelties, drinks and snacks could be sold with an estimated profit of \$8 per person at 150 people per day that is \$1200 per day for 150 days roughly \$180,000 for the 6 months.

Another source of income would be operating a microbrewery off the lighthouse and selling the beer to the visitors. The beer would be made from salt water with name Lighthouse Brew. The salt water would be desalinated and in essence be purified water. Most adults want to sample it and take a some home

An obvious source of income would be using the lighthouse as a bait and tackle spot for boats where they could get drink and a snack. The lighthouse would be a perfect location and destination for boaters out to have a good time/ Floating docks could be setup for boaters to park and come onboard for snacks and then go outside on the docks and enjoy the view.

Finally, the lighthouse could be sold, if the price is right, to a billionaire who wants to own his own state. In essence that is what owning a lighthouse is. It is free from government control by a state. And answers only to the Federal Government. Any billionaire can own a yacht but there are only a few federal enclaves that can be owned.



OFFER ONE

A LOAN

The cost of the lighthouse restoration will be \$500,000. The construction is simply putting back what was taken out: the kitchen, 2 bathrooms, 3 bedrooms in addition to adding a wind generator, decks, elevator lifts, sanitation and desalination systems. The building itself is 1 1/2 inches of cast iron so to say it is solid is an extreme understatement. The same restoration if performed on land would be less than \$175,000. It is only because of the transportation of the materials to the lighthouse by barges that the cost is nearly doubled.

The first option is a series of loans through \$500 promissory notes totaling \$1,000,000 secured by the lighthouse with interest-only payment at ten per cent (10%) a year for five years with no prepayment penalty for early payoff.

The proceeds of the loan will go into the restoration of the lighthouse. Thus the lender will be further secured with the knowledge that every cent will go into increasing the value of the collateral.

The loan can be done with several lenders whose loans when totaled come to the \$350,000. The interest payments would be split prorata based on the percentage of each lender's loan amount.

OFFER 2

SALE OF A 25% INTEREST

The title for the lighthouse is 14 Foot Lighthouse, LLC a limited liability company formed in Wyoming for tax considerations.

The LLC will sell a total of a twenty five percent (25%) interest in the lighthouse for \$1,000,000 pro rated at the rate of \$4,000 per one tenth percent (\$40,000 per percent). Upon completion of the restoration, the investors will have sole decision power on whether to sell the lighthouse or operate it as a business once the restoration is completed.

If the lighthouse is sold, the investors will receive the first \$1,000,000 back and then twenty five percent (25%) of the profit from the sale. If, for example, the lighthouse is sold to a billionaire for \$2.5 million who wants it as a summer home at which to park his mega yacht along with the bragging rights of owning a federal enclave exempt from state control, the sale would have a profit of \$1.5 million, then the investors would get \$1,000,000 off the top. (The \$1,000,000 investment plus another \$375,000 as the 25% share of the remaining \$1,500,000 profit).

More than one person can purchase an interest in the lighthouse. The sale can be done with several buyers whose investment together total the \$1,000,000. The 25% ownership interest would be split prorata based on the percentage share of the sales amount

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