

January 8, 2009

The Honorable Timothy M. Kaine  
Governor  
Commonwealth of Virginia  
Patrick Henry Building, 3<sup>rd</sup> floor  
Richmond, VA 23219

RE: November 2008 Lottery Results

Dear Governor Kaine:

I am pleased to provide our report of monthly activities and financial update for the month of November 2008, as required in §58.1-4006 of the *Code of Virginia*.

Sales for the month of November totaled \$107.2 million, an increase of \$1.6 million compared to November 2007. For the year to date, sales totaled \$540.1 million, which was \$11.7 million (-2 %) less than the same period last year. November net income totaled \$32.7 million, for year to date earnings of \$176.0 million, down \$17.9 million (-9 %) compared to the same period last year. Last year, the advertised Mega Millions jackpots during the first five months were much higher than statistically expected, spurring very strong sales. By contrast, the jackpots during the first five months of the current year were lower than expected.

For the current fiscal year, both sales and profits are down from the prior year. The Lottery remains committed to working diligently to meet our revenue goals while operating in the most efficient manner practical, a commitment even more important in this challenging revenue climate.

Please let me know if you have any questions or if you would like more information.

Very truly yours,

Paula I. Otto

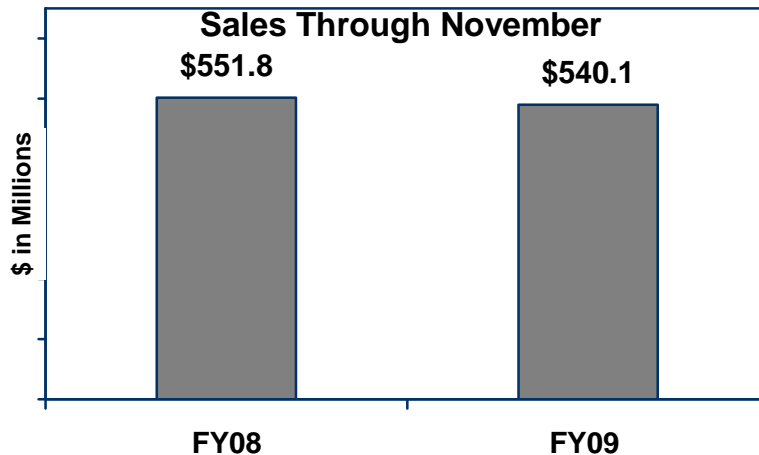
- c: The Honorable Charles J. Colgan, Chairman – Senate Finance Committee
- The Honorable Lacey E. Putney, Chairman – House Appropriations Committee
- The Honorable Harry R. Purkey, Chairman – House Finance Committee
- The Honorable Wayne M. Turnage, Chief of Staff – Office of the Governor
- The Honorable Richard D. Brown, Secretary of Finance
- Daniel S. Timberlake, Director – Department of Planning & Budget
- David A. Von Moll, State Comptroller
- Elizabeth B. Daley, Staff Director – Senate Finance Committee
- Robert P. Vaughn, Staff Director – House Appropriations Committee

**VIRGINIA LOTTERY**  
**Report to the Governor and**  
**Selected Members of**  
**the General Assembly**  
**January 8, 2009**

Sales

Lottery sales for the fiscal year totaled \$540.1 million through November, which was \$11.7 million (-2.1 %) less than the prior year. The sales decline occurred primarily in Mega Millions, where product sales were strongly supported by a jackpot roll to over \$300 million in the first five months of fiscal year 2008.

Scratcher sales were down \$1.5 million year to date compared to last year. Daily games (Pick 3, Pick 4, and Cash 5) sales were down \$2.4 million (-1.3 %). Sales of the jackpot games, Mega Millions and Win for Life, decreased \$8.9 million (-10.9 %) from last year due to lower advertised jackpots. Sales of Fast Play were down slightly \$15,000 (-0.5 %) compared to last year.



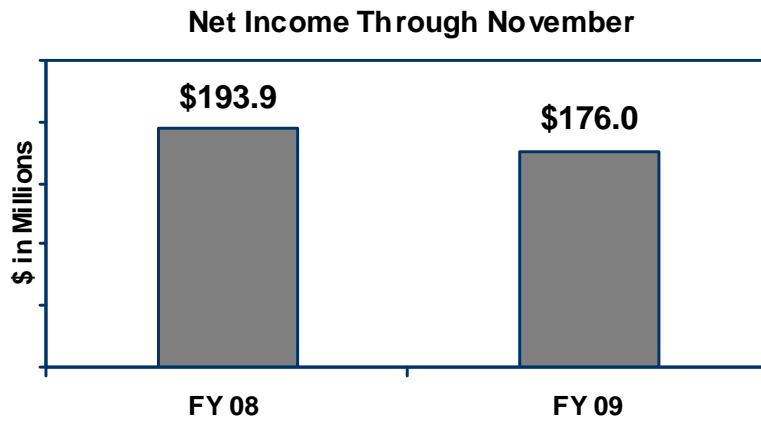
Expenses

The overall prize expense rate (prizes as a percent of sales) through November was 56.9%, which was 1.7% more than compared to the same period in FY 2008. The scratcher prize rate decreased 0.4 % to 66.5%, however the daily games prize rate of 45.6% was 5.0% more than the same period last year, but still significantly lower than statistically expected. The extended period of low prize expense for the daily games continues to depress sales of these products. Jackpot prize expense was 49.6% of sales, up 0.4% from last year.

With lower sales, retailers earned \$495,000 less than last year for a total \$29.8 million in earnings. Administrative operating costs, including online gaming, ticket printing and distribution expenses, were \$3.1 million more than during the same period last year. This increase was anticipated because of the full implementation of the new gaming system contract, initiated in 2007.

### Net Income

Through November 2008, year to date profits totaled \$176.0 million, a decline of \$17.9 million (-9.3%) compared to last year.



### CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2009 fiscal year to date, the Lottery made payments to the Department of Taxation totaling \$493,626. Also, unclaimed prizes totaling \$5,466,747 were transferred to the Literary Fund for the first five months of fiscal year 2009.

### MEETINGS

The State Lottery Board's next scheduled meeting will be held on January 14, 2009, in Richmond. This is a routine business meeting, and the Board will elect a new slate of officers for the year.