

October 23, 2009

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

RE: September 2009 Lottery Results

Dear Governor Kaine:

I am pleased to provide our report of monthly activities and financial update for the month of September 2009, as required in §58.1-4006 of the *Code of Virginia*.

Sales for the month of September totaled \$111.9 million, up \$7.5 million (+7.2%) compared to the same period last year. Year to date net income through September totaled \$114.4 million, an increase of \$6.0 million (+5.5%) over last year. Sales and profits for the first three months were strong, largely resulting from the Mega Millions jackpot progression to \$333 million in August and strong scratch ticket sales supported, in part, by our offering of a scratch ticket in conjunction with the Washington Redskins. The prize expense rate (prizes as a percentage of sales) was 57.7% for the current year so far, an increase from last year's rate of 56.0%.

For the current fiscal year, both sales and profits are up when compared to the prior year. As always, the Lottery will monitor and update the forecast for the current fiscal year and the next biennium as part of the statewide revenue forecasting process. Lottery sales and profits may vary significantly from year to year when comparing results for comparable time periods, because of uncontrollable factors including of jackpot size and prize payout rates.

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

Very truly yours,

Paula I. Otto

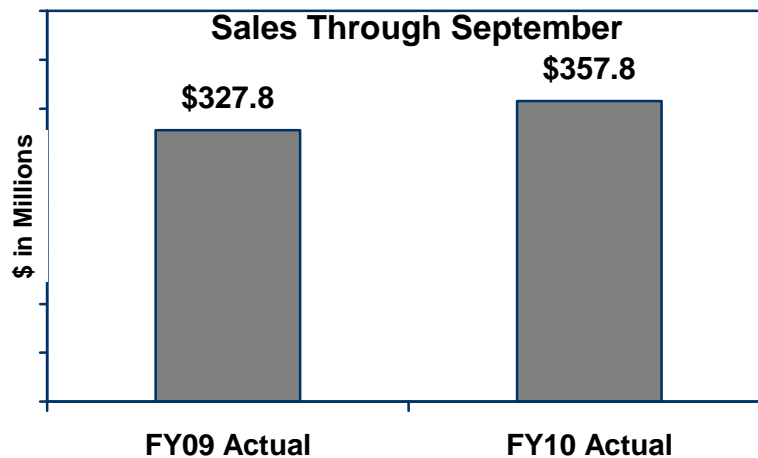
- c: The Honorable Charles J. Colgan, Chairman, Senate Finance Committee
- The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
- The Honorable Harry R. Purkey, Chairman, House Finance Committee
- The Honorable Wayne M. Turnage, Chief of Staff, Office of the Governor
- The Honorable 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
October 23, 2009

Sales

Lottery sales for the fiscal year totaled \$357.8 million through September, which was \$30.0 million (+9.2%) more than the prior year.

Scratcher sales of \$175.1 million were \$9.7 million (+5.9 %) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) increased \$2.5 million (+2.2%) from last year. Sales of the jackpot games, Mega Millions and Win for Life, increased \$19.5 million (+42.7%) from last year due to higher advertised Mega Millions jackpots. Sales of Fast Play games were \$0.5 million (-20.8%) lower than last year.



Expenses

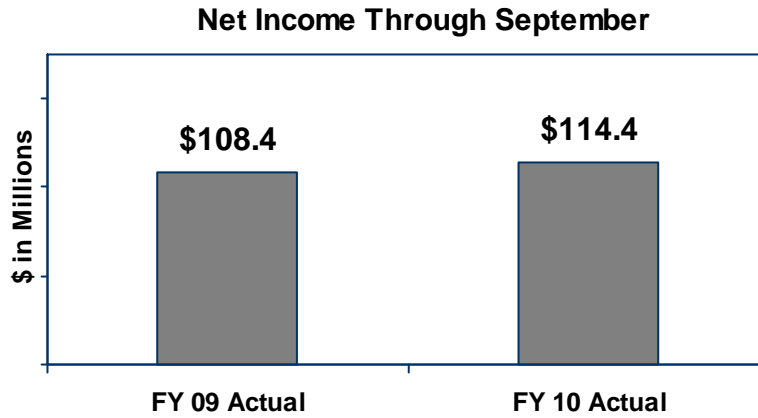
The overall prize expense rate (prizes as a percent of sales) through September was 57.7%, up 1.7% from last year's rate of 56.0%. The scratcher prize rate of 66.7% was slightly higher (+0.3%) than last year. The daily games prize rate of 47.8% was up significantly from last year's unusually low 43.0% rate, but continues to be lower than statistically expected. More statistically normal daily games prize payouts for three consecutive months have positively influenced sales of these products, a category that represents one third of total lottery sales. Jackpot prize expense was 50.8%, up from last year's rate of 50.3%.

With higher sales, retailers earned \$2.2 million more than last year, for a total \$20.0 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives so far this fiscal year, higher than last year's retailer compensation rate of 5.4% for the same period. More frequent prize winners in the Pick 3 game, in particular, result in more prizes redeemed by retailers, which increases retailer earnings.

Administrative operating costs, including online gaming, ticket printing and distribution expenses, were \$1.2 million less than during the same period last year.

Net Income

Through September 2009, year to date profits totaled \$114.4 million, an increase of \$6.0 million (+5.5 %) compared to last year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2010 fiscal year to date, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$276,784. Also, unclaimed prizes totaling 4,268,813 were transferred to the Literary Fund for the first three months of fiscal year 2010.

MEETINGS

The State Lottery Board will conduct a regular business meeting in Richmond on October 28, 2009.