

December 29, 2009

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

RE: November 2009 Lottery Results

Dear Governor Kaine:

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

Sales for the month of November totaled \$107.6 million, up \$340,000 (+0.3%) compared to the same period last year. Net income for the fiscal year through November totaled \$182.5 million, an increase of \$6.5 million (+3.7%) over last year. Sales and profits for the first five months were strong. Strong Mega Million, scratcher, Pick 4 and Cash 5 game sales continue to exceed last year's totals for the same period. The prize expense rate (prizes as a percentage of sales) was 58.3% for the current year so far, an increase from last year's rate of 56.9%.

For the current fiscal year, both sales and profits are up when compared to the prior year. As always, the Lottery will monitor sales and profits compared to the forecast, and provide updates when results appear to vary significantly and sustainably for the year. Lottery sales and profits may vary significantly from year to year when comparing results for comparable time periods, because of uncontrollable factors including 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

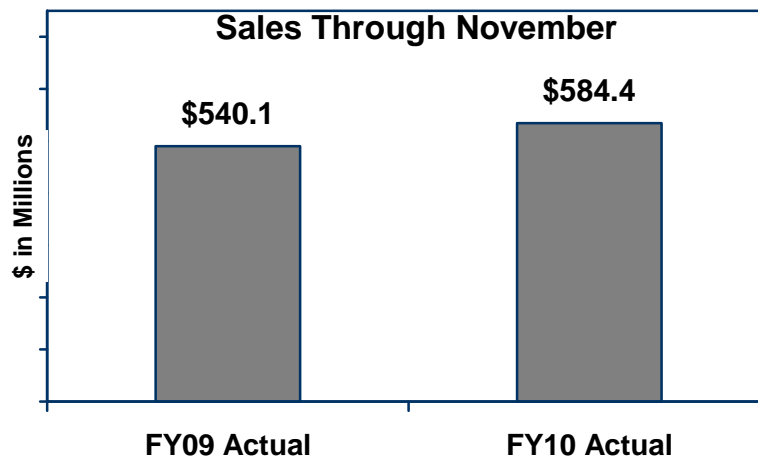
- c: The Honorable Charles J. Colgan, Chairman, Senate Finance Committee
The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
The Honorable Harry R. Purkey, Chairman, House Finance Committee
The Honorable Wayne M. Turnage, Chief of Staff, Office of the Governor
The Honorable Richard 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
December 29, 2009

Sales

Lottery sales for the fiscal year totaled \$584.4 million through November, which was \$44.3 million (+8.2%) more than the prior year.

Scratcher sales of \$288.7 million were \$13.0 million (+4.7 %) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) increased \$5.0 million (+2.7%) from last year. Sales of the jackpot games, Mega Millions and Win for Life, increased \$27.7 million (+38.1%) from last year due to higher advertised Mega Millions jackpots. Sales of Fast Play games were \$0.3 million (-9.3%) lower than last year.



Expenses

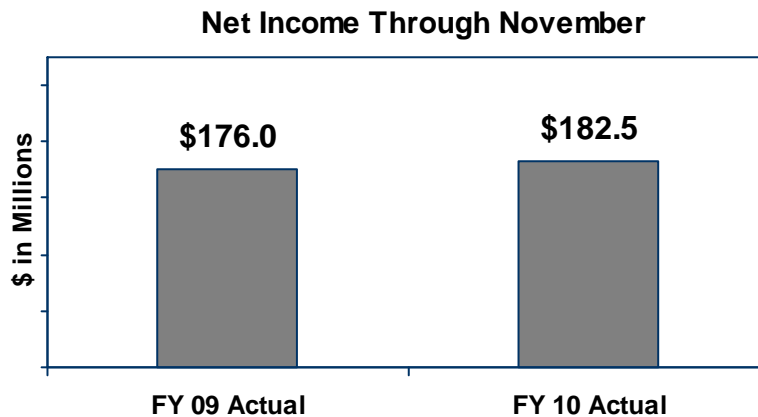
The overall prize expense rate (prizes as a percent of sales) through November was 58.3%, up 1.4% from last year's unusually low rate of 56.9%. The scratcher prize rate of 67.3% was up compared to last year's rate of 66.5%. The daily games prize rate of 48.9% was up significantly from last year's abnormally low 45.6% rate, but continues to be slightly lower than statistically expected. More statistically normal daily games prize payouts for five consecutive months have positively influenced sales of these products, a category that represents one third of total lottery sales. Jackpot prize expense was 50.5%, up from last year's rate of 49.6%.

With higher sales, retailers earned \$3.1 million more than last year, for a total \$32.9 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives so far this fiscal year, slightly higher than last year's retailer compensation rate of 5.5% 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 \$355,200 less than during the same period last year.

Net Income

Through November 2009, year to date profits totaled \$182.5 million, an increase of \$6.5 million (+3.7 %) 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 \$480,443. Also, unclaimed prizes totaling \$5,037,403 were transferred to the Literary Fund for the first five months of fiscal year 2010.

MEETINGS

The State Lottery Board held a regular business meeting in Richmond on October 28, 2009. During the meeting, the Board elected a nominating committee to propose officers for the next calendar year. The Board will meet on January 13, 2010, in Richmond, and will elect officers at that time. Board member Cynthia D. Lawrence was recently reappointed to serve a second five-year term on the Board.