

March 1, 2010

The Honorable Robert F. McDonnell  
Governor  
Commonwealth of Virginia  
Patrick Henry Building, 3<sup>rd</sup> floor  
Richmond, VA 23219

RE: January 2010 Lottery Results

Dear Governor McDonnell:

I am pleased to provide our report of monthly activities and financial update for the month of January 2010, as required in §58.1-4006 of the *Code of Virginia*.

Sales for the month of January totaled \$119.1 million, down \$284,000 (-0.2%) compared to the forecast, but up \$11.0 million (+10.2%) compared to the same month last year due to the timing of this year's Millionaire Raffle drawing and higher jackpots this January. Net income for the fiscal year through January totaled \$252.9 million, an increase of \$2.1 million (+0.8%) over last year and \$395,000 (+0.2%) ahead of the forecast. Sales and profits for the first seven months have been strong, with Mega Millions, Scratcher, Pick 4 and Cash 5 game sales exceeding last year's totals for the same period. The prize expense rate (prizes as a percentage of sales) was 58.6% for the current year so far, an increase from last year's rate of 57.6%.

For the current fiscal year, both sales and profits are up when compared to the prior year, and are very close to the forecast. The Lottery has begun the required transfers of profits to the Lottery Proceeds Fund, with transfers totaling \$252.9 million so far this fiscal year. There was no recommended forecast adjustment for the current fiscal year.

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

Very truly yours,

Paula I. Otto

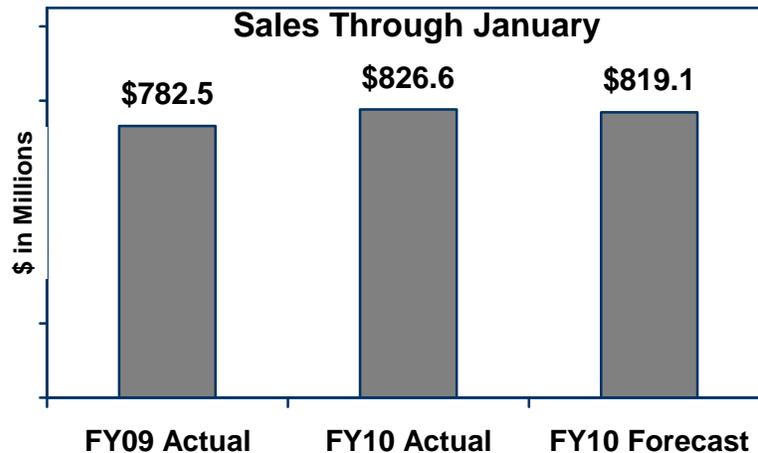
- c: The Honorable Charles J. Colgan, Chairman, Senate Finance Committee  
The Honorable Lacey E. Putney, Chairman, House Appropriations Committee  
The Honorable Harry R. Purkey, Chairman, House Finance Committee  
The Honorable Martin Kent, Chief of Staff, Office of the Governor  
The Honorable Richard 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**  
**March 1, 2010**

Sales

Lottery sales for the fiscal year totaled \$826.6 million through January, which was \$44.1 million (+5.6%) more than the prior year and \$7.5 million (+0.9%) more than forecast.

Scratcher sales of \$406.5 million were \$12.1 million (+3.1 %) higher than last year and \$0.3 million (+0.1%) higher than forecast. Sales of daily games (Pick 3, Pick 4, and Cash 5) increased \$3.3 million (+1.2%) from last year, but \$1.9 million (-0.7%) below forecast. Sales of the jackpot games, Mega Millions and Win for Life, increased \$31.0 million (+29.0%) from last year due to higher advertised Mega Millions jackpots, and were \$8.1 million (+6.2%) higher than forecast. Sales of Fast Play games were \$10,000 (+0.2%) higher than last year. This year's Millionaire Raffle was a sell-out for the drawing that occurred on January 1, 2010, and generated \$6.6 million in sales.



Expenses

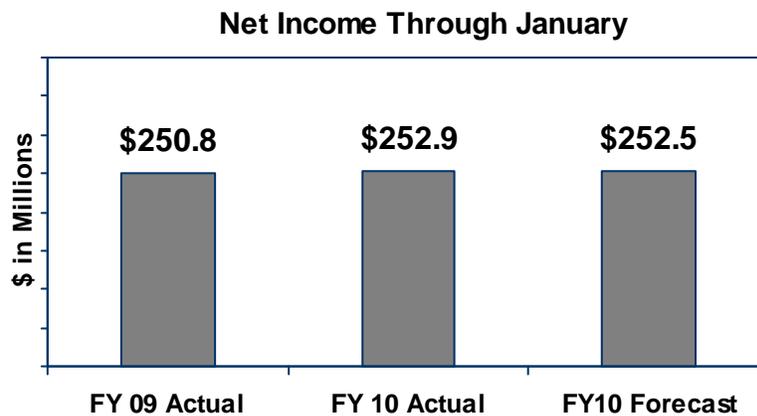
The overall prize expense rate (prizes as a percent of sales) through January was 58.6%, up 1.0% from last year's unusually low rate of 57.6%, and 0.3% higher than expected in the forecast. The scratcher prize rate of 67.3% was up compared to last year's rate of 67.0%, and slightly higher than the expected 67.1% for the year. The daily games prize rate of 50.2% was up significantly from last year's abnormally low 46.9% rate, and was slightly higher than statistically expected. Players have won prizes in the daily games products this fiscal year near the statistically expected levels, after an extended period of very low prize payouts over the past two fiscal years; this return to normalcy has positively influenced sales of these products, a category that represents one third of total lottery sales. Jackpot prize expense was 50.3%, up from last year's rate of 49.8%, and on par with the forecast.

With higher sales, retailers earned \$2.6 million more than last year, for a total \$46.1 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives so far this fiscal year, a rate slightly lower than forecast. 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 \$2.5 million more than during the same period last year, but \$413,000 lower than forecasted.

### Net Income

Through January 2010, year to date profits totaled \$252.9 million, an increase of \$2.1 million (+0.8 %) compared to last year, and \$0.4 million (+0.2%) higher than forecast.



### 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 \$657,749. Also, unclaimed prizes totaling \$6,459,393 were transferred to the Literary Fund for the first seven months of fiscal year 2010.

### MEETINGS

The State Lottery Board will meet in Richmond on March 10, 2010. This is a regularly scheduled business meeting.