

April 18, 2011

The Honorable Robert F. McDonnell
Governor
Commonwealth of Virginia
Patrick Henry Building, 3rd floor
Richmond, Virginia 23219

Re: March 2011 Lottery Results

Dear Governor McDonnell:

I am pleased to provide our report of monthly activities and financial update for the month of March 2011, as required in §58.1-4006 of the *Code of Virginia*.

Sales for the month of March totaled \$143.2 million, up \$14.7 million (+11.4 %) compared to the same month last year. Year to date sales totaled \$1,118.8 million, an increase of \$52.5 million (+4.9%) from last year. Net income for the fiscal year through March totaled \$329.6 million, an increase of \$4.6 million (1.4%) compared to last year, and \$3.8 million (1.2%) ahead of forecast. The Lottery has awarded a record amount in prizes (\$670.3 million) to players this year which have had a very positive sales impact.

We continue to monitor sales and profits, and continue to support the current revenue estimate at \$435.2 million for fiscal year 2011. Maintaining the profit estimate was possible because of budget reduction strategies implemented by the Lottery, and outlined in your Executive Budget.

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

Very truly yours,

Paula I. Otto

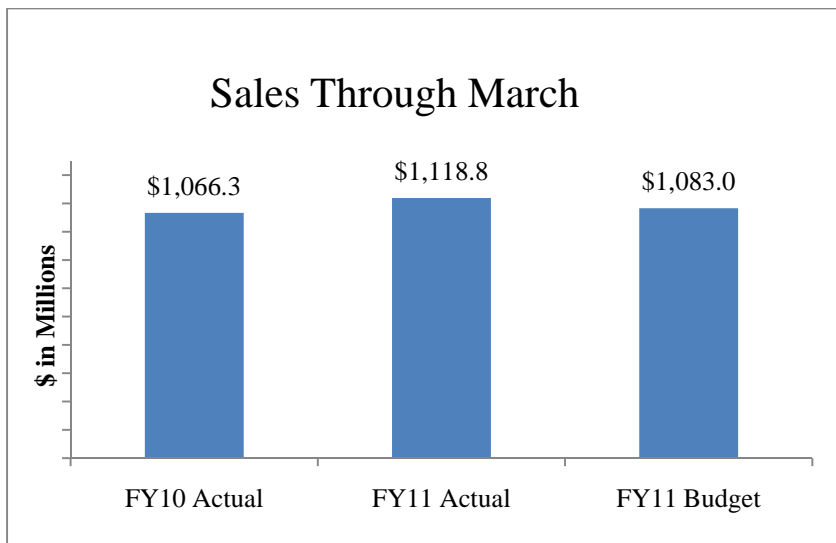
- c: The Honorable Charles J. Colgan, Chairman, Senate Finance Committee
The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
The Honorable Harry R. Purkey, Chairman, House Finance Committee
The Honorable Martin Kent, Chief of Staff, Office of the Governor
The Honorable Richard D. 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
April 18, 2011

Sales

Lottery sales for the fiscal year are on record pace, totaling \$1,118.8 million through March. This represents an increase of \$52.5 million (+4.9%) compared to the prior year and an increase of \$35.8 million (+3.3%) compared to forecast.

Scratcher sales of \$564.9 million were \$36.9 million (+7.0%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) increased \$8.2 million (+2.3%) from last year. Supported by a large Mega Millions' jackpot, total category sales in our jackpot games (Mega Millions, Powerball, Win for Life, and Decades of Dollars) experienced an overall increase of \$6.7 million (3.8%) compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$690,000 (+13.2%) higher than last year.



Expenses

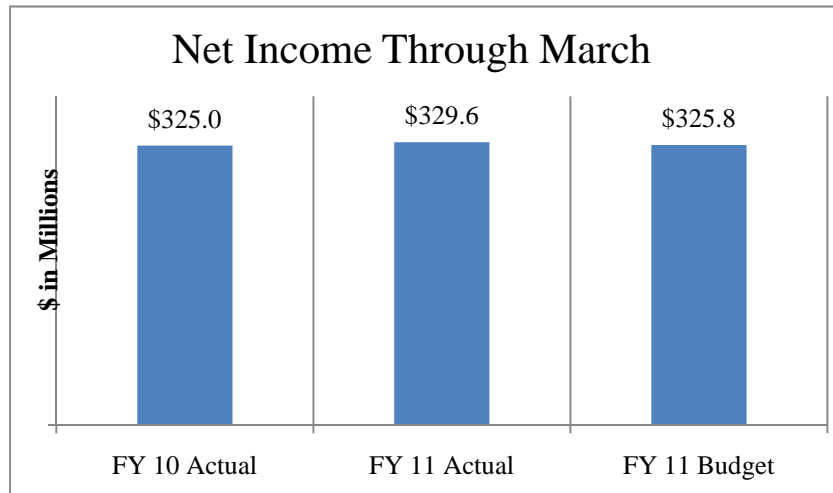
The overall prize expense rate (prizes as a percent of sales) through March was 59.9%, up 1.2% from last year's rate of 58.7% and 0.8% higher than the expected rate of 59.1%. The variation in the prize expense rate is significant – it is unusual for all product categories to experience higher than expected prize payout rates. The scratcher prize rate of 68.3% was up compared to last year's rate of 67.8%. The daily games prize rate of 51.1% was up from last year's 49.7% rate. Jackpot prize expense was 51.8%, up from last year's rate of 49.7%. It is important to note that significant fluctuations in prize expense rates occur during the short term; however, overall long-term prize rates reflect outcomes more in line with statistical expectations.

With higher sales, retailers earned \$2.7 million more than last year, for a total \$62.7 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives so far this fiscal year.

Administrative operating costs, including online gaming, ticket printing and distribution expenses, were \$306,000 less than the same period last year. Administrative spending stands at 5.1% of sales for the year so far.

Net Income

Through March 2011, year to date profits totaled \$329.6 million, an increase of \$4.6 million (1.2 %) compared to last year and \$3.8 million (1.4%) above forecast.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2011 fiscal year to date, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$1,108,525. Also, unclaimed prizes totaling \$8,199,711 were transferred to the Literary Fund for the first nine months of fiscal year 2011.

MEETINGS

The next Board meeting will be held on May 18, 2011, in Richmond. The Board will welcome its newest member, Mr. Albert H. Poole.