

TENNESSEE EDUCATION LOTTERY CORPORATION

# THE DIVERSITY REPORT 2004

*A Summation of Minority Participation  
within the Tennessee Education Lottery Corporation*



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# INTRODUCTION

Pursuant to T.C.A. § 4-51-112(a) and the Equal Business Opportunity Plan (the "EBO Plan") adopted by the Tennessee Education Lottery Corporation (the "TEL"), the Board of Directors, officers and the employees of the TEL are pleased to report the results of its minority business participation program for the period ending December 31, 2004. For the 2004 calendar year, the TEL has exceeded its goals for minority business participation, and its major vendor partners have exceeded their respective contractually agreed upon targets. This report details our sincere commitment to these goals.

This annual report examines the scope of minority participation, including, but not limited to, procurement, retailers, employment and external efforts with numerous minority organizations. To maximize minority participation, we have established: (1) the advisory council on minority business participation; (2) partnerships with state and local organizations to develop a database of minority contractors for sole source and competitive solicitations; and (3) joint ventures between majority and minority businesses, in addition to specific contractual obligations.

With little more than one year of operations, the TEL has already established a reputation for participating in rewarding and successful partnerships with the minority business community.

# THE EQUAL BUSINESS OPPORTUNITY PLAN

On March 29, 2004, pursuant to T.C.A. § 4-51-112, the TEL Board of Directors (the "Board") adopted the EBO Plan to achieve the maximum level of participation by minority owned businesses in the operation of Tennessee's lottery.

In addition to assisting the TEL in striving to achieve the goal of having at least fifteen (15%) of all contracting opportunities filled by minority owned businesses, the EBO Plan provides a mechanism by which the TEL can make a positive impact in many facets of the minority community. The EBO Plan provides guidelines for achieving equal opportunity in major and non major procurement, as well as training, education and support for minority owned businesses.

In accordance with the EBO Plan the TEL has implemented a system for monitoring and tracking minority business participation in TEL contracts. TEL management prepares periodic reports for the Board detailing the results of its efforts to increase minority business participation.



## Major Procurement Contracts

Procurement opportunities represent one of the primary reasons for the flourishing relationship between the TEL and minority owned businesses. The TEL supports two types of procurement, major and non major. In the following pages, the TEL has set forth detailed information regarding some of the minority owned businesses utilized, including the actual dollars paid during our first year of operation by our major procurement vendor partners.

Overall, the TEL spent \$27,946,716 in gaming services and advertising throughout our first year. Of this amount \$9,032,480 was paid from our major vendors to minority owned contractors and joint venture partners as follows:

*GTECH Corporation the TEL's on line gaming systems and services vendor paid 63% of its income received from the TEL (\$5,690,288 of \$9,004,527) to minority owned contractors.*

*Scientific Games International which provides instant ticket printing and associated services paid 17.67% of its income received from the TEL (\$1,222,619 of \$6,918,412) to minority owned contractors.*

*Gish, Sherwood & Friends which provides advertising and related services paid 25.41% of its income received from the TEL (\$2,119,573 of \$8,340,693 [This amount is net of expenses paid for media buys since there are no minority owned companies in Tennessee that can provide these services.]) to minority owned contractors and joint venture partners.*

T.C.A. § 4-51-102 (12) defines a major procurement contract as "any gaming product or service costing in excess of seventy-five thousand dollars (\$75,000), including, but not limited to, major advertising contracts, annuity contracts, prize payment agreements, consulting services, equipment, tickets and other products and services unique to the Tennessee Lottery but not including materials, supplies, equipment, and other services common to the ordinary operations of a corporation."

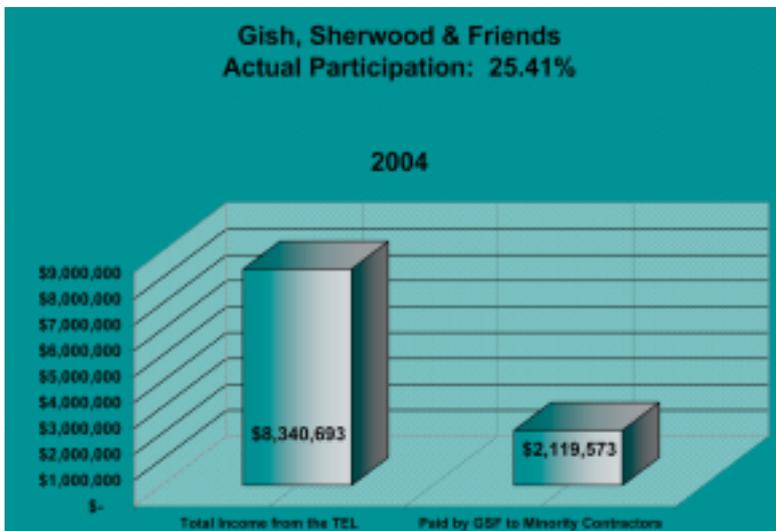
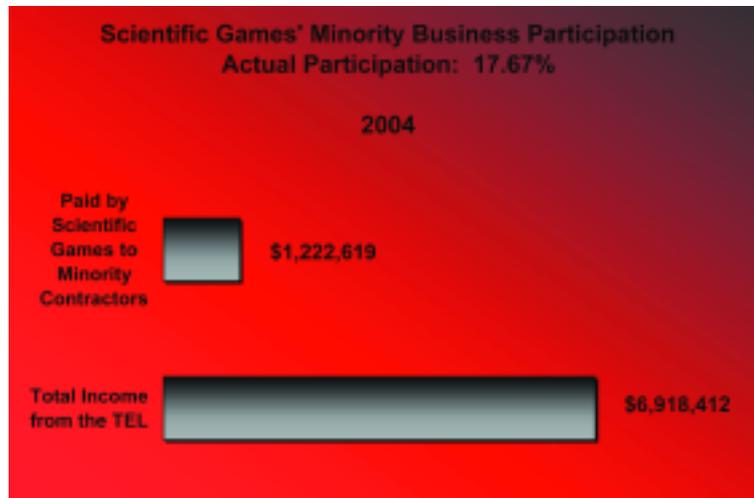
In both the contracting and subcontracting opportunities of our major procurement contracts, minority owned businesses continue to play a major and substantial role in the success of the TEL.

During its initial year, the major vendor partners exceeded all contractual agreements for minority participation. With the overall average of more than 32% minority business participation in joint ventures or subcontractor relationships, we are proud of our major vendor partners' true commitment to equal opportunity.



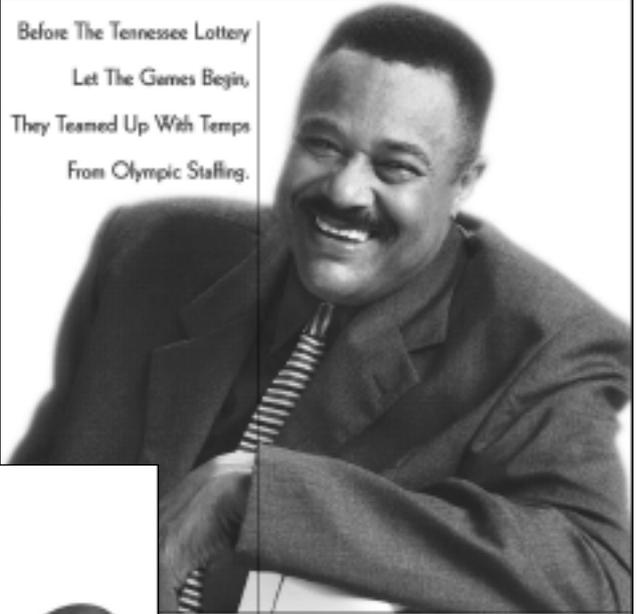
# PROCUREMENT

## Major Procurement Contracts



## Olympic Staffing

Before The Tennessee Lottery  
Let The Games Begin,  
They Teamed Up With Temps  
From Olympic Staffing.



When Tennessee  
Lottery Retailers  
Call For Help,  
Ashaun Answers.



Rob Booker  
Call Center Director

King Johnson  
Director of Sales

Anthony Tate  
CEO/President

### Proudly Providing Employees For A Variety Of Positions

When GTECH, a major supplier to the Tennessee Lottery, needed temporary employees to help launch the games they teamed up with Olympic Staffing. Olympic provided employees for a variety of positions, including trainers who could teach retailers how to use their state-of-the-art Lottery equipment. Many of these temporary employees did their jobs so well, they were offered permanent, full-time positions.

Olympic Staffing's dedication to delivering high quality service helps the Tennessee Lottery run more effectively and efficiently. That means more money for Tennessee scholars, and more business for Olympic Staffing! It's what you expect from business people who know that every dollar makes a difference. Olympic Staffing is proud to be one of the many Tennessee companies helping the Lottery help Tennessee.

For more information on how to become a Tennessee Education Lottery minority vendor, visit [www.tlottery.com](http://www.tlottery.com) today!

### Proudly Providing Technical Support For The Entire Statewide Retailer Network

When GTECH, a major supplier to the Tennessee Lottery, needed a call center that could handle technical support issues for Lottery retailers statewide they called Ashaun. Now, Lottery retailers do the same whenever they need help with issues regarding their state-of-the-art Lottery equipment.

Ashaun's dedication to delivering high quality service helps the Tennessee Lottery run more effectively and efficiently. That means more money for Tennessee scholars, and more business for Ashaun! It's what you expect from business people who know that every dollar makes a difference. Ashaun is proud to be one of the many Tennessee companies helping the Lottery help Tennessee.



**LOTTERY  
TENNESSEE**

For more information on how to become a Tennessee Education Lottery minority vendor, visit [www.tlottery.com](http://www.tlottery.com) today!

## Ashaun

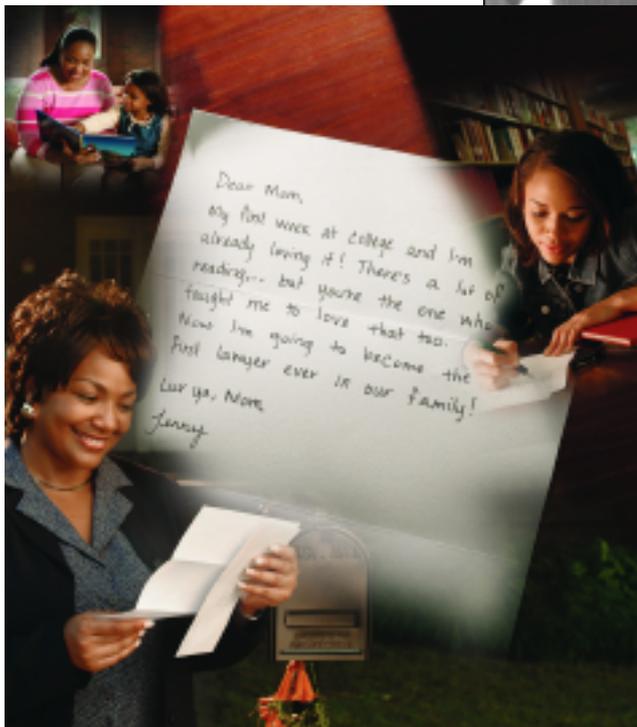
## Spotset

Thanks To Spotset,  
The Tennessee Lottery  
Has Friends  
In Small Places.

Howard Robertson  
CEO/President

Reginald Cohen  
Sr. VP, System Design  
and Development

Scott Turner  
Manager,  
Business Development



### Proudly Providing Small Market Radio Advertising For The Biggest Game In Town

Gibb, Sherwood & Friends, the advertising agency for the Tennessee Lottery, was seeking a company that could help them bring the Lottery's marketing messages to all Tennesseans. They turned into Spotset, a media placement firm that specializes in small market radio buying. Today, the pros at Spotset work with over 100 broadcasters, helping transform an array of small market stations scattered throughout Tennessee into an efficient, effective statewide advertising network.

Spotset's dedication to delivering high quality service at competitive rates helps the Tennessee Lottery advance more effectively and efficiently. That means more money for Tennessee schools, and more business for Spotset! It's what you expect from business people who know that taking care of the customer is the best way to take care of business. Spotset is proud to be one of the many companies helping the Lottery help Tennessee.

For more information on how to become a Tennessee Education Lottery minority vendor, visit [lottery.com/today](http://lottery.com/today)

### MAKING THE DIFFERENCE BETWEEN DREAMING AND DOING

The Tennessee Lottery has already raised over \$182 million to fund HOPE Scholarships and Technical Skills Grants for thousands of deserving Tennessee students. This is just the beginning.



### Talent:

Kiana Brooks

Carla Reed

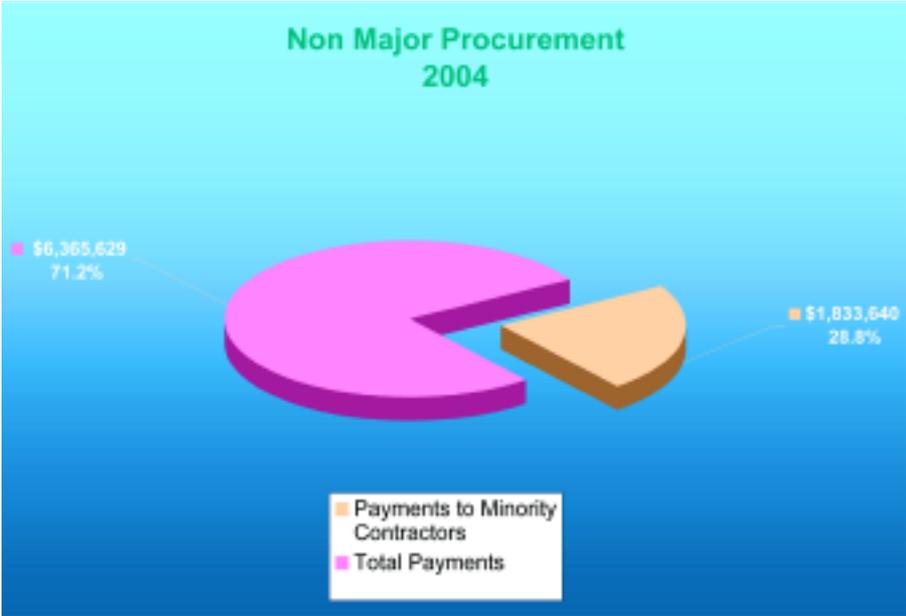
Kayla Moultry

# PROCUREMENT

## Non Major Procurement Contracts

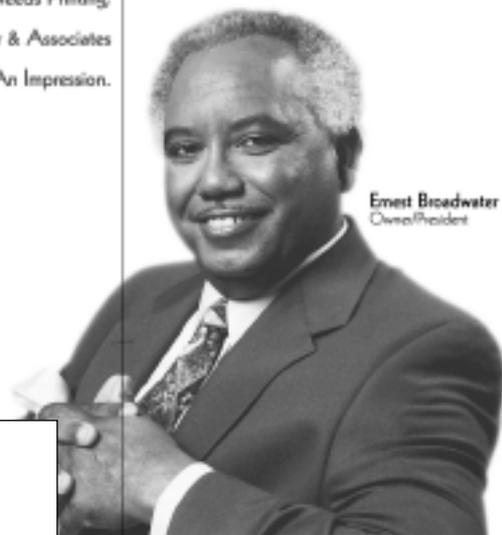
The TEL successfully achieved a high level of participation by Tennessee based minority owned businesses in its non major procurements contracts. As defined by TEL policy, a non major procurement contract is "a contract for (i) the procurement of materials, supplies, equipment and services common to the ordinary operations of a corporation, regardless of the amount; and (ii) the procurement of any gaming equipment or services, advertising contracts, annuity contracts, prize payment agreements, consulting services, equipment, tickets, and other products and services unique to the TEL, costing \$75,000 or less."

Minority owned businesses received an average of 28.8% of non major procurement dollars spent for other goods and services by the TEL (\$1,833,640 of \$6,365,629). The TEL exceeded by almost 100%, the statutory requirement to strive to achieve a minority participation goal of 15%. Of the 1.8 million paid to minority owned businesses, 99% was paid to Tennessee-based companies. Our minority contractors provided outstanding products and services in making the Tennessee lottery one of the most financially successful launches in U. S. history.



## Broadwater & Associates Group, Inc.

When The Tennessee Lottery  
Needs Printing,  
Broadwater & Associates  
Makes Quite An Impression.



Ernest Broadwater  
Owner/President

Behind The Scenes At  
The Tennessee Lottery,  
Premiere Building Maintenance  
Always Delivers  
A Polished Performance.



Janara Frazer  
Manager,  
Human Resources



Mark T. Horn  
President

### Proudly Providing Professional Printing For Lottery Business Materials

Professional presentation is key to the success of any enterprise, and the Tennessee Lottery is no exception. The Lottery relies on a variety of printers across the state, including the experts at Broadwater & Associates. Broadwater & Associates provides a wide range of materials, including business forms, newsletters, copiate stationery and more.

Broadwater & Associates' dedication to delivering high quality service at competitive rates helps the Tennessee Lottery operate more effectively and efficiently. That means more money for Tennessee schools, and more business for Broadwater & Associates! It's what you expect from professionals who know that taking care of the customer is the best way to take care of business. Broadwater & Associates is proud to be one of the many companies helping the Lottery help Tennessee.

For more information on how to become a Tennessee Education Lottery monthly vendor, visit [lottery.com](http://lottery.com) today!

### Proudly Providing Services For The Knoxville District Office

Look behind the glitz, glamour and excitement of the Tennessee Lottery, and you'll discover the day-to-day business realities of a multi-million-dollar corporation. That's where the cleaning professionals from Premiere Building Maintenance lend a hand. Day in and day out, Premiere Building Maintenance crews are onsite at the Lottery's Knoxville District Office, making sure it sparkles and shines—and keeping everyone looking like a winner.

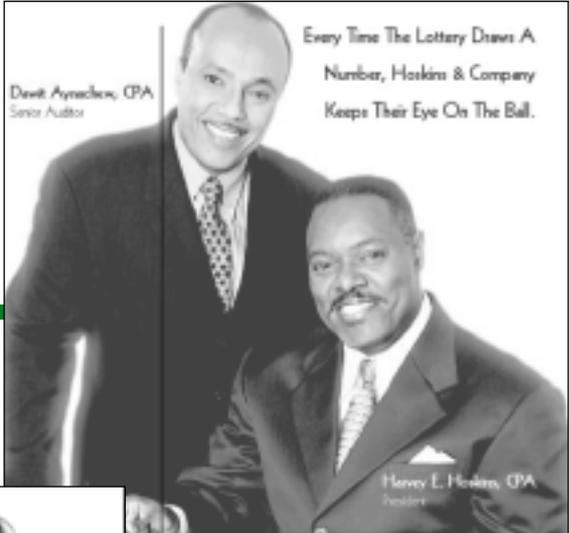
Premiere Building Maintenance's dedication to delivering high quality service at competitive rates helps the Tennessee Lottery operate more effectively and efficiently. That means more money for Tennessee schools, and more business for Premiere Building Maintenance! It's what you expect from professionals who know that taking care of the customer is the best way to take care of business. Premiere Building Maintenance is proud to be one of the many companies helping the Lottery help Tennessee.

For more information on procurement opportunities, visit [lottery.com](http://lottery.com) today! For scholarship information, visit [trecolledollars.com](http://trecolledollars.com)



## Premiere Building Maintenance

## Hoskins & Company



David Ayreschew, CPA  
Senior Auditor

Every Time The Lottery Draws A  
Number, Hoskins & Company  
Keeps Their Eye On The Ball.

Harvey L. Hoskins, CPA  
President

When It Was Time  
To Get The Lottery Rolling,  
Franklin Pontiac-Buick-GMC  
Provided The Wheels.

Sarahtha Holmes  
Finance Manager

Peggy Cokerhan  
President



### Proudly Providing Independent Auditing Services For Tennessee's Favorite Games

The Tennessee Lottery's popular number-picking games—including CASH 3, POWERBALL, and LOTTO 5—require independent verification of drawings. Integrity is the cornerstone of a successful lottery, and accurate verification of all drawings is a must. No wonder the Tennessee Lottery counts on the accounting pros at Hoskins & Company for independent auditing services for all their number-picking games.

Hoskins & Company's dedication to delivering high quality service at competitive rates helps the Tennessee Lottery operate more effectively and efficiently. That means more money for Tennessee schools and more business for Hoskins & Company! It's what you expect from professionals who know that taking care of the customer is the best way to take care of business. Hoskins & Company is proud to be one of the many companies helping the Lottery help Tennessee.

For more information on how to become a Tennessee Education Lottery security vendor, visit [lottery.com/tenn](http://lottery.com/tenn)

### Proudly Supplying An Automotive Fleet For Statewide Use

When the Tennessee Lottery needed a fleet of vehicles for its licensing statewide sales staff, Franklin Pontiac-Buick-GMC rose to the challenge. Their teams of automotive experts provided a variety of vehicles, helping the Lottery get off to a smooth start.

Franklin Pontiac-Buick-GMC's dedication to delivering high quality products and service helps the Tennessee Lottery run more effectively and efficiently. That means more dollars for Tennessee schools, and more business for Franklin Pontiac-Buick-GMC! It's what you expect from professionals who know that taking care of the customer is the best way to take care of business. Franklin Pontiac-Buick-GMC is proud to be one of the many Tennessee companies helping the Lottery help Tennessee.

For more information on how to become a Tennessee Education Lottery security vendor, visit [lottery.com/tenn](http://lottery.com/tenn) today!

For scholarship information, visit [mcdonaldbillars.com](http://mcdonaldbillars.com)



© 2004 TEL

## Franklin Pontiac-Buick-GMC

# MINORITY OWNED RETAILERS

As of December 31, 2004 the TEL had 4, 441 retailers. Based on a statistical sampling of the retailer contracts, twenty-five (25%) percent answered the optional question by identifying themselves as minority.

Of the responses received, Asian-Americans made up the largest number of minority retailers, at fifty-nine (59%) percent. African-Americans were the second largest group of minority retailers with twelve (12%) percent; Hispanics at five (5%) percent; Native Americans at one (1%) percent and twenty-three (23%) percent responded as other.

The TEL continues to actively recruit minority retailers to sell its array of games.



**Antioch Shell**



**Hermitage Qwik Sak**



**At Once Business Services**

## EXTERNAL EFFORTS

### **Advisory Council on Minority Business Participation**

The TEL is committed to ensuring that minority owned businesses and minority employees are given every opportunity to participate in the ongoing operation of the Lottery. To support this commitment, the Chairman of the Board of the TEL appointed the Minority Business Participation Advisory Council (the "Council") which serves as an educational, research, and technical resource for the TEL Board of Directors.

It is the duty of this Council to solicit, analyze, and present the views and concerns of minority business owners throughout Tennessee to the TEL Board of Directors. The nine member Council is comprised of both active and retired business leaders from communities across the state, including three members from each of the Grand Divisions. The membership of the Council represents the richness of diversity in professional and business experience, education, ethnicity, race, gender, heritage, and socio-economic perspective throughout the state.



L to R: Sidney Chambers- EVP of Sales & Marketing, Andy Davis - Chief Financial and Information Systems Officer, Gail Schledwitz - Council Member, Gerald Mason - Council Member, Commissioner Gwendolyn Davis - Council Member

Members of the Council are: Memphis resident Gail Schledwitz, a builder; A. Gregory Ramos, Partner, North, Pursell, Ramos & Jameson, President of the Nashville Bar Association; Mark Deathridge, President/CEO, East Tennessee Mechanical Contractors, Inc.; Gerald Mason, retired businessman from Chattanooga; Leroy Hanna, President of Hanna & Associates and President of the LeMoyne-Owen College Alumni Association in Memphis, Gwendolyn Davis, Commissioner of General Services Administration for the State of Tennessee. Board Members Jim Hill, Marvell Mitchell, Claire Tucker, Jim Ripley and Deborah Story have rotated terms within the Council. Marvell Mitchell was elected chairman of the Council.

In addition to the appointment of this new Council, the TEL, in partnership with community organizations, has sponsored and will continue to sponsor informational seminars for minority owned businesses throughout Tennessee. These seminars are designed to instruct Tennessee minority business owners on how to apply for business opportunities with the TEL.

The Council held its first meeting on June 14, 2004 and continued to meet through the end of the year.

# EXTERNAL EFFORT

## Community Involvement

Throughout its first year of operations, the TEL's community involvement exhibited the true commitment to ensure that all segments of the community play a role and participate in lottery activities. In partnership with minority business associations, community and government organizations, the TEL provided numerous informational sessions across the state, on the economic impact and available opportunities within the lottery. In addition, the TEL participated in conferences and workshops to provide minority owned businesses with the opportunity to interact, build alliances and gain knowledge of new business opportunities.

### Partner with the Governor's Office of Diversity Business Enterprises (GODBE)

The TEL worked closely with the GODBE in identifying and certifying minority owned businesses for procurement opportunities. The TEL utilizes the Consolidated Diversity Directory prepared by the GODBE in helping to ensure that minority owned businesses are aware of the business opportunities available at the TEL.

### Annual Legislative Retreat and Training Conference of the Tennessee Black Caucus

Since inception, the TEL has participated in the Economic and Community Development Workshop of the Annual Legislative Retreat. The TEL presented to participants the programs and policies established to ensure that minorities are integrated with parity into the activities of the TEL.

### MEDWEEK Participation

The TEL participated in the 22nd Annual Minority Enterprise Development Week conference in Chattanooga providing a report on business opportunities for minorities within the lottery.



L to R: Rebecca Paul - President & CEO, Jim Ripley - Board Member, Wanda Wilson - Executive Vice President and General Council, Deborah Story - Board Member, Cynthia Fitzgerald - Senior Attorney & Contracts Compliance Officer

## EXTERNAL EFFORT

### College Internship Program

The primary objective of this program is to provide exposure to and understanding of the lottery industry to future business leaders, while providing meaningful and substantive entry-level professional employment experience. The program is limited to the students who attend the Historical Black Colleges and Universities (HBCUs) in the state: Knoxville College, Tennessee State University, Fisk University, Meharry College, Lane College and Lemoyne Owen College. The students gain not only lottery specific experience, but also general business experience that can be utilized in any corporate or small business environment. The TEL's major vendors, GTECH Corporation, Scientific Games International and Gish, Sherwood & Friends, provide financial support for the program as part of their commitment to the TEL's minority participation program.

In the spring of 2004 the TEL received more than 50 resumes for the program. Interviews were conducted and nine students were selected. The TEL offered a nine week paid internship program which ran from June 1st to August 6th. Students were placed with the major vendors and in the TEL departments that most closely matched their majors. The interns also participated in weekly training sessions designed to help them adjust to moving from the classroom to a professional work environment. Upon completion of the internship the students received a certificate of completion, and were honored at a luncheon.



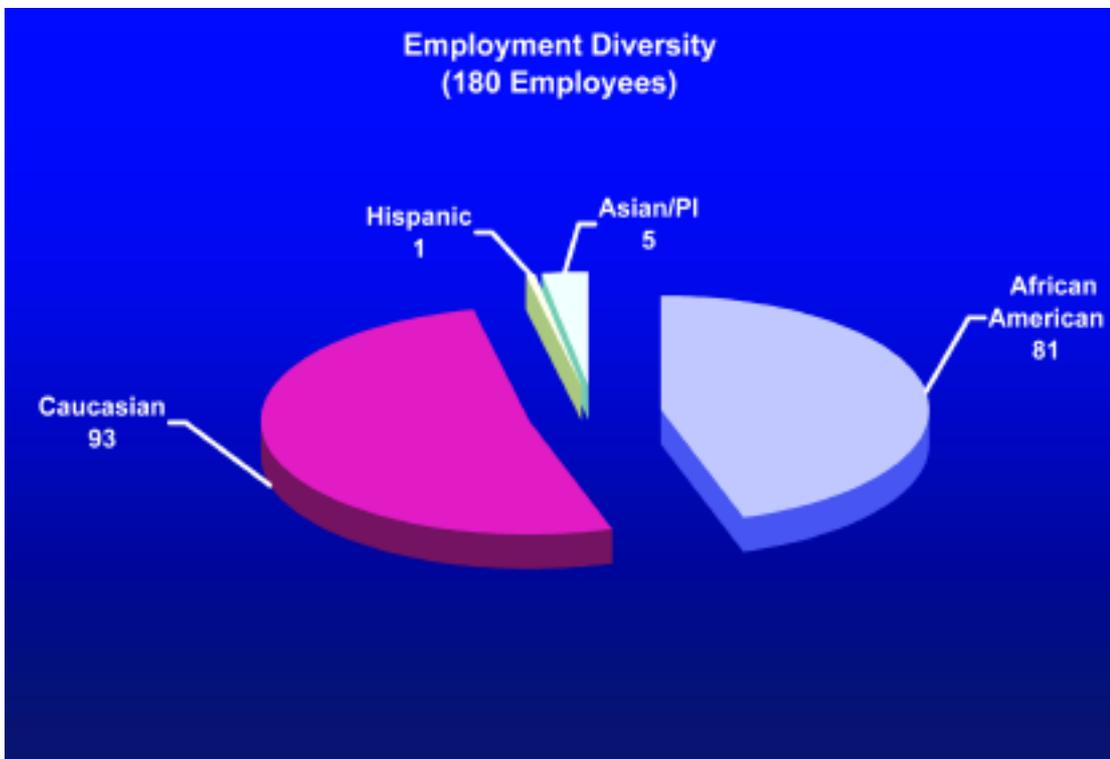
L to R: Crystal Coggins, Star Allen, Larita Whatley, President & CEO - Rebecca Paul, Brandon Goodrich, Demarius Kilpatrick, Sherita Paige, and Temitayo Kukoyi

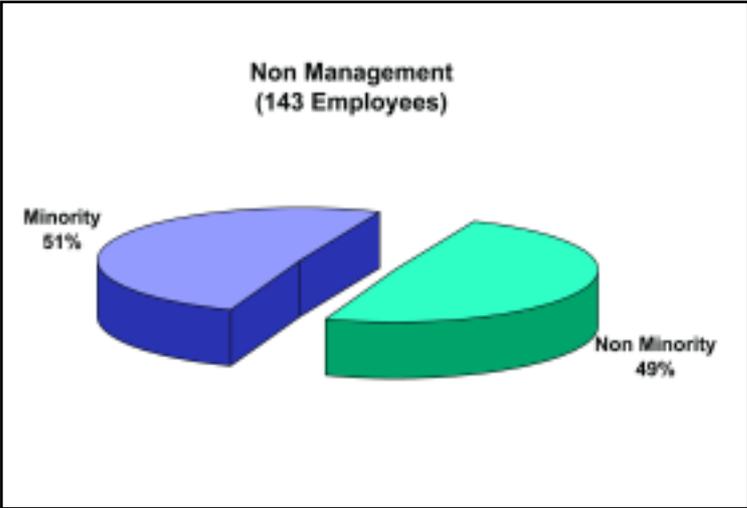
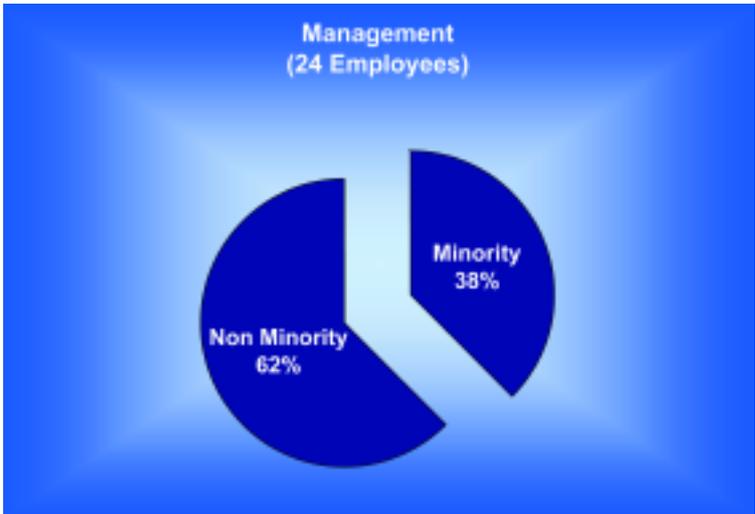
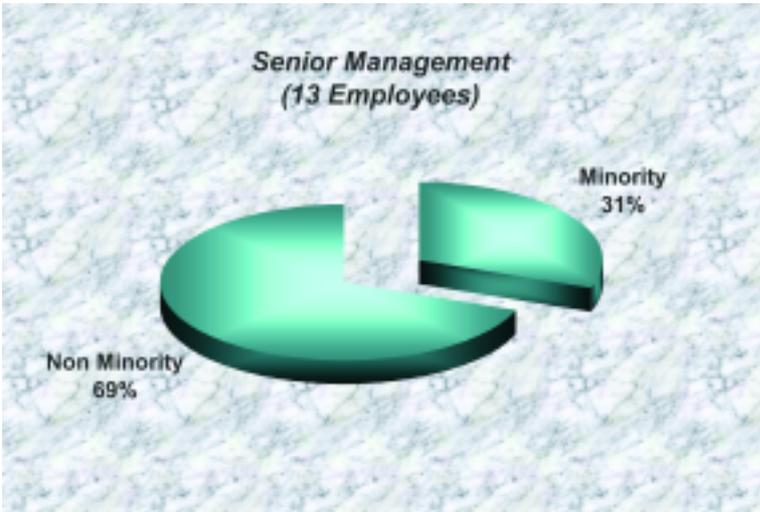
# EMPLOYMENT

One of the keys to having a successful Equal Business Opportunity Program is having a racially diverse staff. While a diversity goal was not set for staffing, the Lottery is proud of its well-balanced employee roster, which as of December 31, 2004 is 48% minority.

As of December 31, 2004, there were 180 employees of the Tennessee Education Lottery Corporation. Of this number, 87 are members of minority groups (48% of the workforce), and 103 are women (57% of the workforce). The TEL's senior level of management is composed of thirteen (13) individuals: four (4) of these individuals are members of minority groups (31%), and seven (7) are women (54%).

The TEL proudly reports that our sales force is representative of the community we serve with 53% women and 40% minorities.







Plaza Tower, Metro Center  
200 Athens Way, Suite 200  
Nashville, TN 37228  
615-324-6500