

2007 Diversity Report

A Summary of Minority Participation of
the Tennessee Education Lottery Corporation



TENNESSEE EDUCATION
LOTTERY CORPORATION

2007 Diversity Report

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Message from the Chairman

It is my pleasure to present the 2007 Diversity Report of the Tennessee Education Lottery Corporation. Once again, the Lottery and its major procurement vendors have surpassed statutory and contractual goals in the Equal Business Opportunity (EBO) program — an accomplishment that is a true benefit to all Tennesseans.

In addition to the economic benefits of the EBO program, the Lottery and its partners have had a far-reaching impact in other areas, as well. From the summer intern program to co-sponsoring minority vendor expos and workshops throughout the state, the TEL remains a leader in supporting the recruitment and training of minorities and minority-owned businesses.

As always, I look to the coming year with optimism and confidence. My thanks and support goes out to the dedicated staff of the Lottery and our procurement vendors. Working together, we will continue to be a leader in the area of minority business participation while furthering the educational opportunities for Tennessee students.



Marvell Mitchell
Chairman
Minority Business Participation Committee

Board of Directors
Tennessee Education Lottery Corporation



Message from the President and CEO

On behalf of the Tennessee Education Lottery Corporation, I invite you to review the 2007 Diversity Report. As you'll learn from the next few pages, in addition to raising hundreds of millions of dollars for education programs in Tennessee, diversity and minority business participation remain a top priority for the Lottery.

Not only have we again exceeded Equal Business Opportunity goals, we continue to work closely with our Advisory Council on Minority Business Participation to create ongoing objectives and strategies to further educational and economic development opportunities throughout the state.

I'm proud to be part of these efforts, which together make up an organization that is dedicated not only to education, but to the overall well-being of Tennessee.



Rebecca Hargrove

Rebecca Hargrove
President and CEO
Tennessee Education Lottery Corporation

Advisory Council

The Advisory Council on Minority Business Participation

The TEL would not have been as successful in its diversity efforts without the guidance and assistance provided by the Advisory Council on Minority Business Participation (Council). In accordance with T.C.A. § 4-51-112 (b) (1) and the Equal Business Opportunity Program (EBO), the Council met throughout the year serving as a valuable resource to the Board of Directors. These volunteers have assisted the TEL in gaining recognition throughout the state as a leader in providing minority-owned businesses with economic and business opportunities. The Council worked closely with the TEL Board and staff and its major procurement vendors to establish new ways to ensure that minority-owned businesses are able to compete for contracts on an equal basis.

The 2006-2007 members of the Council were Gwendolyn Davis, Mark A. Deathridge, Leroy Hanna, Gerald Mason, Marvell Mitchell, A. Gregory Ramos, Esquire, and James Ripley, Esquire. In this edition of the annual Diversity Report, the TEL recognizes two of the original members of this dedicated group of volunteers, Gwendolyn Davis, Commissioner of the Tennessee Department of General Services, and Leroy Hanna, CEO of Hanna and Associates.

Gwendolyn Sims Davis

Commissioner Gwendolyn Sims Davis is an original member of the TEL's Advisory Council on Minority Business Participation and has served on the Council since its inception.

Commissioner Davis was appointed to lead the Tennessee Department of General Services by Governor Phil Bredesen on December 12, 2002. She oversees 12 Divisions, and provides direction to 568 state employees for the overall operation, administrative, and support services for the Department of General Services.

"The TEL's Equal Business Opportunity program has afforded many minority-owned businesses the opportunity to become contractors, sub-contractors, or joint venture partners with the Lottery and its major procurement vendors. Because each Council member is very much involved in the community and owns or has owned a business, we are able to hear, see, and understand the needs and concerns of minority business owners. We are a committed group of individuals that are working to better the community and minority businesses so everyone benefits."

Leroy Hanna

Leroy Hanna is an original member of the TEL's Advisory Council on Minority Business Participation. Mr. Hanna is the President and CEO of Hanna & Associates Billing and Collection Service, and Fitness Club 116, Inc., both located in Memphis.

Hanna & Associates Billing and Collection Service offers an original approach to its clientele. Because the company serves as a contractor that provides professional services such as accounting and word processing, it is able to produce a specialized product designed specifically to its clients' billing and collection needs. Hanna & Associates has received numerous awards including: The Benny Award and the Outstanding Community Involvement and Outstanding Business of the Year awards by the Black Business Association of Memphis two years in a row.

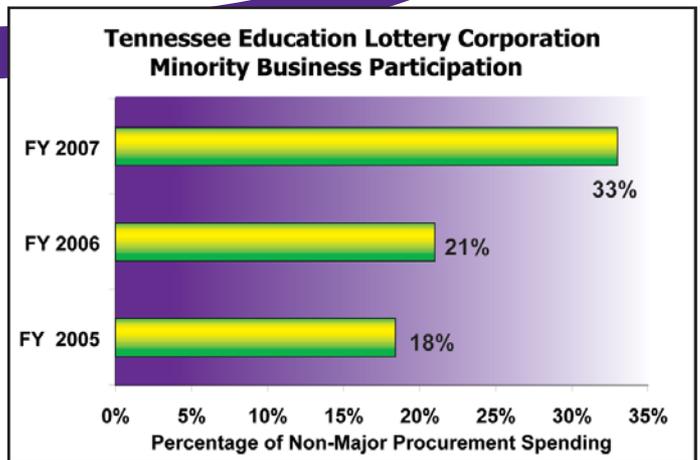
"The purpose and importance of the Advisory Council is to make sure minority-owned companies are being utilized by the TEL and its major procurement vendors in order to meet its statutory goal and contractual agreements for minority participation. I'm proud to report that since its inception, the Lottery, along with its major procurement vendors, have met and exceeded its minority business participation goals and agreements. I take my role on the Advisory Council very seriously and know first-hand that there are numerous business opportunities made available to minority companies as a direct result of the Tennessee Lottery's existence."

EBO Procurement Statistics

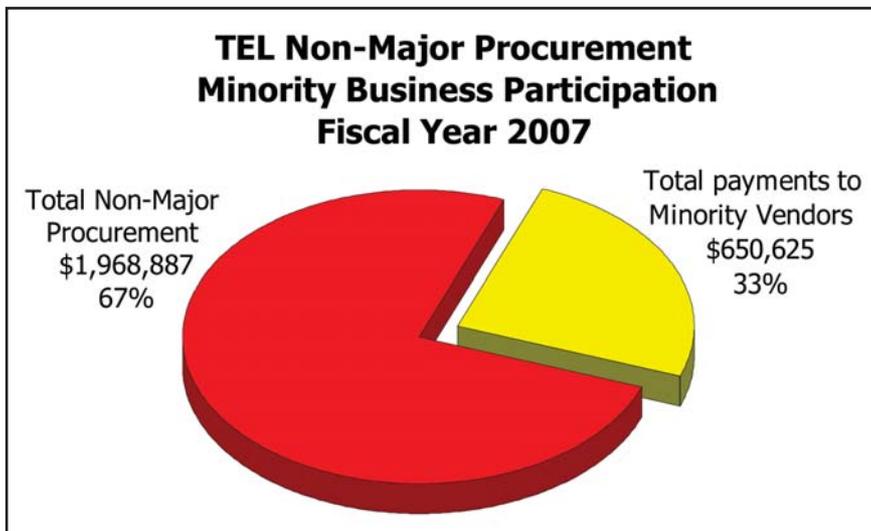
The TEL's procurement policy provides two primary categories of contracts: Non-Major Procurement Contracts and Major Procurement Contracts. As defined by T.C.A. § 4-51-102 (12), a major procurement contract is one for any gaming product or service that cost in excess of seventy-five thousand dollars (\$75,000) that is not common to the ordinary operations of the corporation. A non-major procurement contract is any contract of \$75,000 or less for a gaming product or service, or purchases of goods and services common to the ordinary operation of the corporation.

Non-Major Procurement

The strong momentum behind the EBO program for the 2007 Fiscal Year has contributed to the TEL achieving the highest percentage of minority business participation in its history.



The TEL has exceeded the statutory goal of 15% in non-major procurement dollars and paid 33%, or \$650,625, to minority-owned businesses.



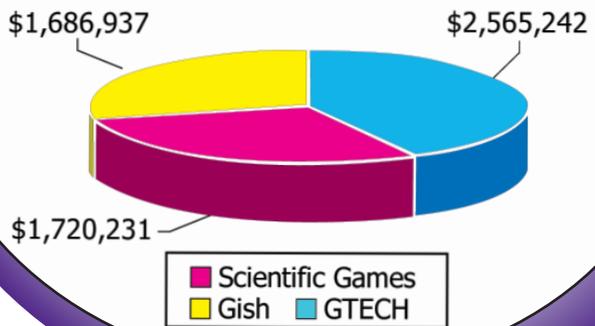
Major Procurement Vendors

Major Procurement

Included in each of the major procurement contracts is an agreement to do a minimum percentage of its business with minority-owned businesses. The TEL's three major procurement vendors, GTECH Corporation, Gish, Sherwood, & Friends, Inc., and Scientific Games International, have contributed tremendously to the TEL's continued success and have exceeded their contractual minority business participation goals for Fiscal Year 2007

As shown here, the TEL's major procurement vendors paid a combined total of \$5,972,410 or 20.67% of dollars earned for the 2007 Fiscal Year to minority-owned businesses.

**Major Procurement Partners
2007 Minority Business Participation
Totalled \$5,972,410**



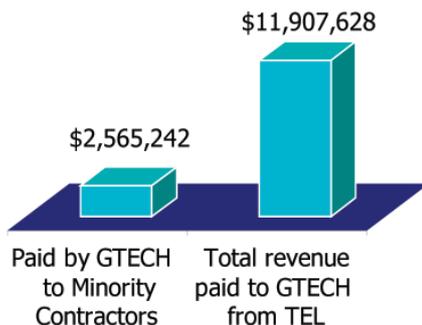
GTECH®

Architects of Gaming

GTECH Corporation is the TEL's online gaming vendor, providing software and hardware that serve as an integral part of our gaming operations.

Since inception, GTECH Corporation has been successful in exceeding its minority business participation contractual agreement of 20%. Of the \$11,907,628 in TEL revenues earned by GTECH for Fiscal Year 2007, \$2,565,242, or 22%, was paid to minority-owned businesses.

**GTECH Corporation
Minority Business Participation: 22%
Fiscal Year 2007**



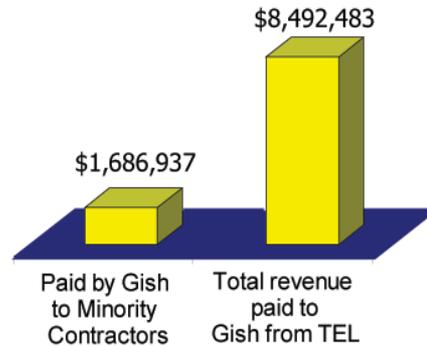


GISH, SHERWOOD & FRIENDS, INC.

"Fun in an Instant!" is one of the many catchy phrases that help capture the fun of the TEL. Gish, Sherwood, and Friends, Inc., the TEL's advertising agency, produces exciting new messages to help promote the huge variety of games that players enjoy.

In the 2007 Fiscal Year the TEL's advertising agency had another outstanding year by exceeding its contractually agreed upon goal, of 15% with 20% of the revenue earned, or \$1,686,937, paid to minority-owned businesses.

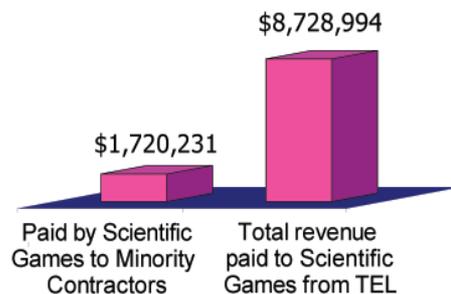
Gish, Sherwood & Friends, Inc. Minority Business Participation: 20% Fiscal Year 2007



Scientific Games International is the TEL's instant ticket gaming vendor. As of June 30, 2007, instant tickets made up 73% of the TEL's overall sales.

In Fiscal Year 2007, Scientific Games International surpassed its contractually agreed minority business participation goal of 15% and paid 20%, \$1,720,231, of TEL revenue earned to minority-owned businesses.

Scientific Games International Minority Business Participation: 20% Fiscal Year 2007



Compliance

Compliance

EBO Compliance Reviews

A major component of the TEL EBO Program is the review and verification process that ensures the accuracy of reporting minority business participation with companies identified and reported as minority-owned businesses.

The TEL takes great pride in its verification process, which allows for the corporation to get to know the people it does business with while ensuring the integrity of the EBO plan and its monitoring and reporting system. During the review, the TEL verifies the management, ownership and control of the business, any minority certifications and in most instances, a physical inspection of the business.

As of June 30, 2007, the EBO Compliance reviews completed revealed no discrepancies in minority designations reported.

The vendors highlighted on the upcoming pages are a representation of the compliance reviews completed during the Fiscal Year. The TEL is proud to have built significant business relationships with its vendors and is committed to continuing these relationships for years to come.

Tennessee Tribune

Founded by Rosetta Miller- Perry, this full service, award winning African American publishing company has served the community for 18 years. Perry and Perry & Associates, Inc. publishes the *Tennessee Tribune* Newspaper, *Contempora* Magazine, and *Contempora Brides*.

The *Tennessee Tribune* has worked with Gish, Sherwood, and Friends Inc., to print advertising for the TEL since the Lottery's inception. "The *Tennessee Tribune* and its affiliates have benefited greatly from the relationship with the Lottery. It has afforded me the opportunity to increase and hire more minority employees. Funds generated from doing business with the Lottery have also allowed me to further educate my employees by sending them to computer and technology courses. I very much appreciate the action put behind the Lottery's efforts of doing business with minority businesses and feel that more agencies and organizations should do so, as well."



Rosetta Miller-Perry,
President and CEO of
Perry and Perry &
Associates Inc.

JIM Promotions & Uniforms

JIM Promotions & Uniforms is an advertising specialties and apparel company in Memphis with the goal to provide perfect quality embroidered or screen printing merchandise. Sherry Kaplan, president and owner of JIM, believes that working with customers and providing them with suggestions for special occasions or company functions helps improve customers' businesses as well as their employer/employee relationships.

JIM has worked with the TEL since January 2006 and has provided screen printed or embroidered promotional products and apparel.

"Our relationship with the TEL has certainly benefited us. It has allowed us to broaden our client base by using the TEL as a referral. We appreciate that the TEL does at least 15% of its business with minority-owned businesses. It gives all of us a chance."



Sherry Kaplan, President of JIM
Promotions & Uniforms

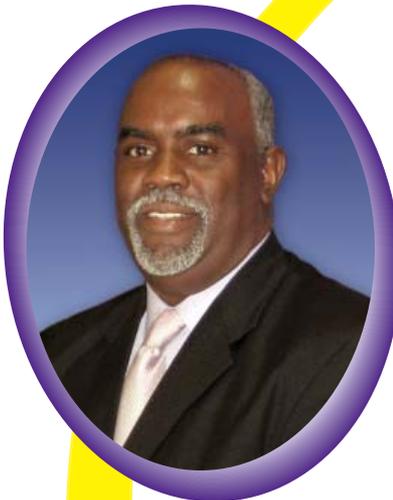
Bravo Marketing



Barbara Rhodes,
President and CEO of
Bravo Marketing

Bravo Marketing Group is a minority business located in the heart of Nashville. Owner Barbara Rhodes offers branded specialty items to marketing departments and marketing consultation services to small businesses. "After 28 years in the promotional products business, we pride ourselves in being involved in the creative process and helping companies locate the products that will best market their business. Although small in size, our goal is to think big in scope."

"Over the past three years, we have been awarded several promotional items bids with the Lottery. Diversity programs like the Tennessee Education Lottery's have afforded Bravo the opportunity to be included in the process of marketing and procurement at a level not available otherwise."



Sylvester Tate,
President and CEO
of Tate Computer
Systems, Inc.

Tate Computer Systems, Inc.

Tate Computer Systems, Inc., located in Memphis, is owned and operated by founder Sylvester Tate. For over 19 years Tate Computer Systems has provided cutting edge technology solutions to businesses throughout the Mid-South. The company offers products essential to the day to day operation of a business such as computers, printers, and copiers. Tate also provides repairs, upgrades, networking, and consulting services to assist in a business's technological needs.

Tate Computer Systems has been affiliated with the TEL since 2004. "The TEL's commitment to minority business participation should be used as a benchmark for major corporations and government entities throughout the United States. As a result of doing business with the TEL, Tate Computer Systems, Inc. has been afforded many opportunities to exhibit the excellent services we are now known for in the technical industry. Because of the Lottery's EBO initiative, many doors have been opened for minority businesses to bid and be awarded contracts."

College Internship Program

The TEL's annual College Internship Program provides valuable work experience within a corporate environment to outstanding college students from Tennessee's Historically Black Colleges and Universities.

The objective of this summer program is to provide meaningful exposure to and an understanding of the Lottery industry, while also giving professional employment experience. The program is funded by the TEL's major procurement vendors, GTECH Corporation, Scientific Games International, and Gish, Sherwood & Friends, Inc. as part of their commitment to the TEL's EBO program.

In 2007, 14 students from Tennessee State University, Fisk University, and Lane College participated in the program. The interns worked with the TEL's major procurement vendors as well as within the TEL's departments that most closely corresponded with their majors and career goals.

In this edition of the Diversity Report, the TEL spotlights two interns who were selected to continue their assignments through graduation — Robert O'keefe Hassell and Keith Batts.



Robert O'keefe Hassell

Robert O'keefe Hassell is a native of Lebanon who recently graduated Summa Cum Laude with a cumulative G.P.A. of 3.8 from Lane College in Jackson. He majored in English and Literature Studies with a minor in Theology. Robert, a second-year intern for the TEL, has been working in the Communications department.

"The TEL Internship Program has helped me sharpen my interpersonal skills and has given me a greater understanding of the corporate world. Through the TEL program, I have learned the importance of teamwork and communication. I have realized it truly takes everyone working together for an organization to be successful.

Each individual possesses an ability critical to the overall operation. Because we are all a part of something bigger than ourselves we must work together to achieve the common goal and serve our primary purpose, which is to help students afford a college education."



Keith Batts

Keith Batts is a second-year intern for the TEL from Nashville who is entering his senior year at Tennessee State University. Keith is majoring in Business Administration with a concentration in Management. After earning his degree, Keith plans to continue his education and obtain an M.B.A.

"My experience with the Tennessee Education Lottery Corporation has been great. Being allowed to participate a second year has been truly rewarding. I have been given the opportunity to expand my work experience and knowledge to compete in a competitive workforce. While working for the Lottery I have enhanced my teamwork and leadership skills."

The Winning Team

Each year the TEL internship program includes a team-building activity. Interns are assigned to teams to develop a new product, marketing program, or strategy. This year's teams developed a new online or instant ticket lottery game. After three outstanding presentations, Evan Brown, June Floyd, and Saturah Martin were selected as the winning team after presenting a new creative idea for an online lottery game.

Saturah Grace Martin of Decatur, GA is a junior at Fisk University majoring in Physics. After graduation Saturah plans to pursue a career in teaching math and science on a middle school level.

"Since I began this internship, I have grown. I am leaving with knowledge that will help me in school as well as everyday life. My internship in the Sales and Marketing department has been a very rewarding experience. I've been able to work on TEL promotional events as well as view the process of how some of the TEL's printed materials are created. The knowledge received and retained from the mentoring environment at the TEL will be of great use to me in the future."



(L to R) Saturah Grace Martin, Evan Roosevelt Brown and June Capri Floyd.

Evan Roosevelt Brown of Nashville is a junior at Tennessee State University majoring in Economics and Finance. After graduation, Evan plans to become a financial advisor and later open a chain of clothing stores.

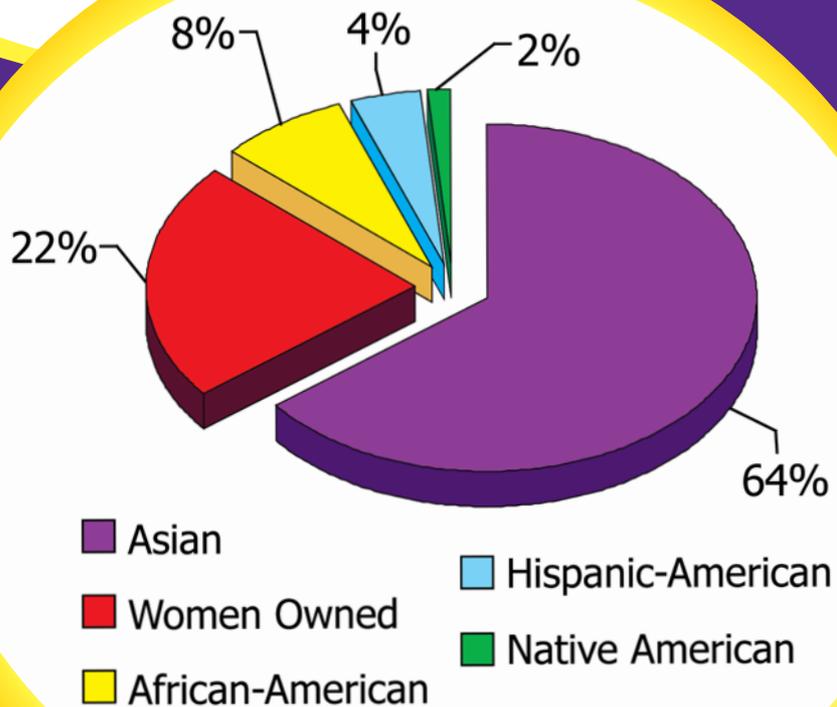
"My social and financial skills have improved dramatically due to the hands-on experience I've gained working in the Finance department. Along with being able to interact with members of the senior and executive staff, I enjoyed the inspirational speakers and the weekly training seminars.

June Capri Floyd of Memphis is a senior at Lane College majoring in Business Administration with a concentration in Accounting. After graduation June plans to attend law school to become a criminal defense attorney.

"While working in the Legal department I have been able to assist the TEL attorneys with preparation for litigation. The most important thing that I've learned over the summer was to share responsibility with my team. The seminars were helpful in that they gave me a fresh perspective on what is and is not acceptable in the corporate world. This internship has helped me to become a well-rounded person and has confirmed that I am on the right path to a successful career."

Retailer Diversity

As of June 30, 2007, the TEL had 4,744 retailers selling lottery tickets throughout the state. Of the active retailers, 734 (15%) answered the optional Minority Ownership question; of those reporting 425 (58%) indicated that they are minority-owned while 309 (42%) are non-minority. Of the minority retailers that responded 274 (64%) were Asian, 94 (22%) were Women Owned, 33 (8%) were African-American, 18 (4%) were Hispanic-American and 6 (2%) were Native American.



Retailer
Diversity

Community Involvement

Fiscal Year 2007 was an eventful year for the TEL. With help from the TEL, there were numerous opportunities for businesses to meet, interact, and establish contracts with minority vendors throughout the state.



Velma Wilson, owner of Cleaning Solutions, was one of many TEL vendors to stop by the TEL's exhibitor booth during the Chattanooga Marketplace.

Chattanooga Diversity Business Marketplace

In September 2006, the TEL partnered with the Governor's Office of Diversity Business Enterprise (GO-DBE), to co-sponsor the first Diversity Business Marketplace. Held at the Chattanooga Convention Center, the event was no ordinary business fair and match-making event. The Marketplace offered a variety of venues for diverse businesses to participate and interact. The Diversity Business Marketplace was the first of its kind to offer "On-the-Spot" procurement and contract awards, as well as information on upcoming procurement opportunities and workshops covering specific topics to enhance business and managerial skills. The TEL's staff, officers, and directors provided assistance in all facets of the program, including awarding procurement opportunities.



(L to R) Dawn Harden (GTECH), Warren Smith and Cynthia Fitzgerald, represent the TEL during the Chattanooga Marketplace.



(L to R) Jessica Starling (TEL), Mike Perry (GO-DBE) and Shelia Simpson (GO-DBE) at the TEL exhibit booth.

MED WEEK

The TEL participated in the Minority Enterprise Development (MED Week) activities held throughout the state. MED Week is a nationally recognized event held on behalf of minority business enterprises (MBE) to recognize the outstanding achievements of MBEs and to honor corporations and financial institutions that support minority business development.

Nashville Diversity Business Marketplace

In partnership with GO-DBE, the TEL co-sponsored the Diversity Business Marketplace at the Nashville Convention Center in March 2007. There were "On-the-Spot" procurement and contract opportunities, workshops, and one-on-one professional counseling sessions with legal, financial, and marketing advisors.



Mike Perry introduces Governor Phil Bredesen, Mayor Bill Purcell, and Commissioner Gwendolyn Sims Davis at the opening ceremony of the Nashville Diversity Business Marketplace.



(L to R) Maurice Thomas, CEO of Tennessee Vending Services, networks with Patrick Carter II, President and CEO and Patrick Carter III, VP of Business Development and Sales, of Olympic Staffing, Inc. (All TEL contractors)



(R) Leroy Hanna (Advisory Council) and Marketplace attendee.

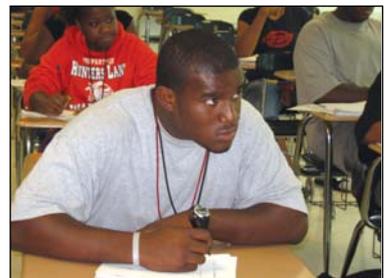


(L to R) Mark Deathridge (Advisory Council) Vicki Updike (TEL) and Deidre Thomas (Hoskins & Company, CPA- a TEL contractor)

Informational Sessions

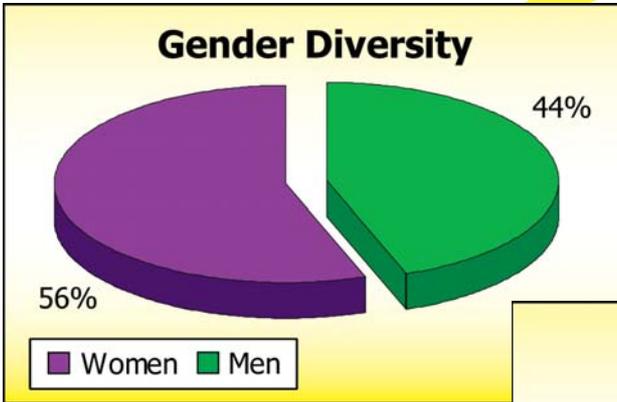
As of June 30, 2007, the TEL had raised more than \$919 million for education. As part of its awareness efforts, representatives of the TEL presented informational sessions to high school seniors and college students about scholarship opportunities and the TEL internship program.

The TEL has also provided numerous informational sessions to businesses on the economic opportunities within the Lottery. In addition to the successful partnerships with GO-DBE and Med-Week, the TEL Compliance Staff participated in activities with Interdenominational Ministers' Fellowship, RealSports Leadership Academy, Tennessee Department of Education, Tennessee State University's Academic Success and Talent Search Program, and the Economic and Community Development Business Matchmaking Event.

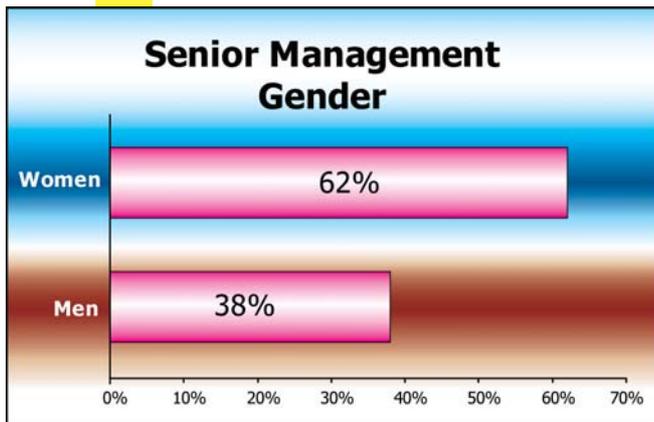
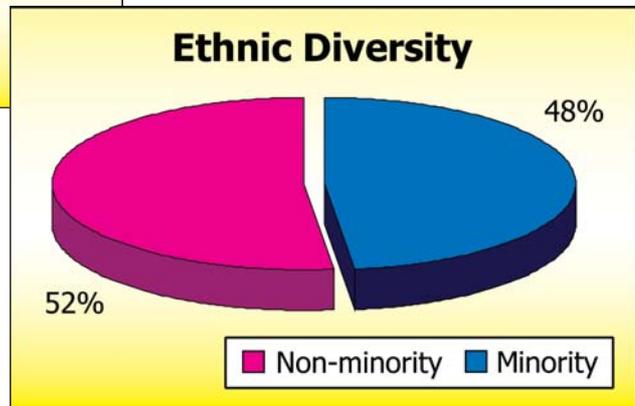


Marquis Osborne, of RealSports Leadership Academy at Fisk University, takes notes on Hope Scholarship eligibility requirements.

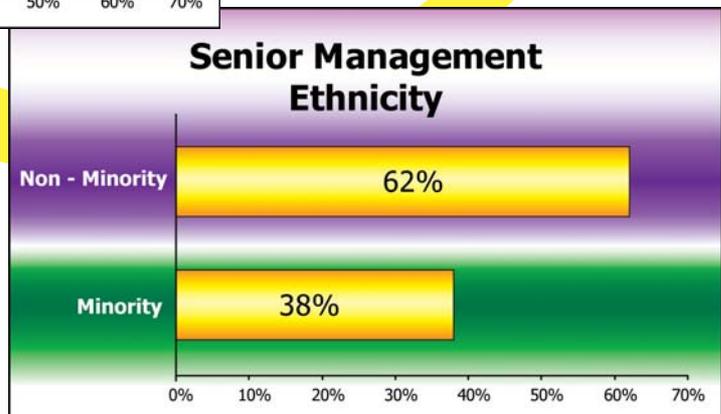
TEL Employment Diversity



As of June 30, 2007 the TEL employed 160 team members. Of the 160 employees, 56% are women, and 44% are men, 48% are minority and 52% are non-minority.



Of the 13 employees who represent Senior Management, 62% are women and 38% are men; 62% are non-minority and 38% are minority.



*Minority represents employees who have identified themselves as African-American, Hispanic, American-Indian, Alaskan-Native, or Other on the TEL employment application.

Corporate-Wide Commitment

In addition to maximizing dollars for education programs in Tennessee, the Tennessee Lottery is committed to its Equal Business Opportunity program. The success seen each year is possible thanks to the dedication and talents of a variety of groups, from the Board of Directors and the Advisory Council on Minority Participation to the TEL's senior management and compliance staff.

The organization is committed to continuing the momentum gained in these first three years and enhancing the programs and activities described in this report. Not only is the Tennessee Lottery helping to create a brighter future for students and families, but also for businesses and communities in a variety of other ways.

Pictured below are members of the corporate-wide team established to help ensure the success of the TEL's Equal Business Opportunity program.



(Seated L to R) Wanda Young Wilson - Legal, Kym Gerlock - Communications, Carrie Poss - Sales & Marketing, Tammi Boyd-Brown - Human Resources. (Standing L to R) Michael Harvey - Sales & Marketing, Matt Beatty - Legal, Regena Andrews - Human Resources, Jessica Starling - Legal, Cynthia Fitzgerald - Legal and Warren Smith - Finance.

Tennessee Education Lottery Corporation

Plaza Tower, Metro Center
200 Athens Way, Suite 200
Nashville, TN 37228
Telephone: (615) 324-6500
Fax: (615) 324-6512

Board of Directors

Dennis Bottorff, Chairman
Jim Hill, Vice Chairman
Claire Tucker, Secretary/Treasurer
Marvell Mitchell
James Ripley, Esquire
Lowell Perry

Designated Committee of the Board of Directors on Minority Participation Committee of the Board

Marvell Mitchell, Chairman
James Ripley, Esquire

Executive Corporate Officers

Rebecca Hargrove, President & CEO
Wanda Young Wilson, Executive Vice President & General Counsel
Sidney Chambers, Executive Vice President of Sales and Marketing
Andy Davis, Chief Financial & Information Systems Officer

Fiscal Year 2007 Advisory Council on Minority Business Participation

Marvell Mitchell, Chairman
Mark Deathridge, Vice Chairman
Commissioner Gwendolyn Davis
Leroy Hanna
Gerald Mason
James Ripley, Esquire
A. Gregory Ramos, Esquire

Compliance Staff

Cynthia Fitzgerald, Esquire
Jessica Starling

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It's not a
dream
if it comes true.



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**Over \$1 BILLION
to Education!**