

2006 DIVERSITY REPORT

A Summation of Minority Participation within the Tennessee Education Lottery Corporation



2006 Diversity Report

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Message from the Chairman



On behalf of the Minority Business Participation Committee and the Tennessee Education Lottery Corporation Board of Directors (Board of Directors), I'm pleased to share the results of another outstanding year. The Tennessee Education Lottery Corporation (TEL or Lottery) and its major procurement vendor partners are to be lauded for their accomplishments in the Equal Business Opportunity (EBO) program.

The TEL and its partners have again exceeded statutory and contractual goals and continue to participate in numerous support initiatives across the state. As co-sponsors of minority vendor expos and workshops and joint ventures with minority business associations, governmental agencies and other community groups, the TEL remains a leader in supporting the recruitment and training of minority owned businesses.

As we move into our third fiscal year, I again challenge the organization to continue the incredible momentum gained. It is imperative that the TEL continue to lead the charge in the area of minority business participation, while furthering educational opportunities for Tennessee students.

Marvell Mitchell

Chairman,

Minority Business Participation Committee

Board of Directors

Tennessee Education Lottery Corporation



Message from the CEO



As it was in September 2003, when I joined a dedicated group of education enthusiasts to create the best state lottery ever, diversity and minority business participation remain a top priority. Building on the rich heritage of all Tennesseans, the TEL's EBO program facilitates meaningful relationships between the corporation and minority business owners. The TEL Board of Directors, staff and the Advisory Council on Minority Business Participation are firmly planted at the strategy table where solutions are identified and plans of action are launched.

As you will see in the next few pages of the 2006 Diversity report, the TEL continues to exceed its goals and continues its focus on building and developing partnerships that will impact communities throughout the state. In addition to the millions of dollars raised for education, the TEL's EBO accomplishments, which further enhance the ability of minority owned companies to compete, will also improve the quality of life and strengthen the economy of Tennessee.

Rebecca Graham Paul President & CEO,

Tennessee Education Lottery Corporation

Rebecco Jaham Paul



Advisory Council

The 2005-06 Advisory Council on Minority Business Participation (Advisory Council) consisted of nine citizens who represent the three grand divisions of Tennessee. These individuals, Commissioner Gwendolyn Davis, A. Gregory Ramos, Esquire, and Deborah Story from the middle division, Leroy Hanna, Marvell Mitchell, and Gail Schledwitz from the western division, and James Ripley, Esquire, Gerald Mason and Mark Deathridge from the eastern division serve as the voice of minority owned businesses across the state.

Through the council members' advice, research and assistance, the TEL was able to stay abreast of concerns and key issues of both minority owned businesses and the minority community. During the 2005-06 fiscal year the council identified new and innovative strategies to disseminate the many economic opportunities available through the TEL and the many successes experienced by the TEL in its second year of operations.

Through the outstanding efforts of the council, the TEL ensures that all Tennesseans have an opportunity to be included in accomplishing the state's primary goal of raising maximum dollars for education.

The TEL is proud of these dedicated volunteers. In this edition of the Diversity Report the TEL has spotlighted two of its members, A. Gregory Ramos, Esquire and Mark A. Deathridge.



Council Member Gwendolyn Davis with Rodney Wilson (GTECH) and Ray Watson (Scientific Games) evaluating the Intern Competition.



Mark Deathridge

Mark Deathridge is an original appointee to the Advisory Council. Mr. Deathridge is the President and CEO of East Tennessee Mechanical Contractors, Inc. (ETMC). A graduate of Tusculum College, Tusculum, TN, with 26 years of experience in the construction industry, Mr. Deathridge manages the ETMC corporate office located in the heart of downtown Knoxville, Tennessee. The following is an excerpt from a recent interview:

I am pleased to share, as the Vice Chairman of the Tennessee Education Lottery Corporation's Advisory Council on Minority Business Participation, a small part of the rousing success of the Tennessee Lottery by Rebecca Paul

and her able staff. The real beneficiaries of the more than \$2 billion dollar success of the Lottery are the students across the entire state. Our students can now look forward to achieving a college education as not just a dream but a reality.

Additionally, I clearly understand my role as an Advisory Council member from a procurement standpoint, as well. I am personally dedicated to ensuring that minority retailers and businesses in Tennessee are given every opportunity to participate as prime vendors and sub-vendors on the wide range of products and services in support of the Tennessee Education Lottery Corporation.

East Tennessee is well represented among minority retailers and minority owned businesses. These businesses currently support a number of initiatives including advertising and promotional requirements. Can we do more? Of course, as the corporation continues to grow, opportunities will continue to grow. I look forward to my continued service to ensure the minority community is well represented in the growth of the Tennessee Education Lottery.

A. Gregory Ramos, Esquire

A. GREGORY RAMOS is an original appointee to the Tennessee Education Lottery Corporation's Advisory Council on Minority Business Participation. Mr. Ramos is a past President of the Nashville Bar Association, having served in this capacity in 2004. He is a member of North, Pursell, Ramos & Jameson PLC in Nashville, TN, where he maintains a general civil litigation practice with an emphasis in the areas of workers' compensation and employment law as well as personal injury. Mr. Ramos received his J.D. degree from Arizona State University in 1980 and his B.A. degree, magna cum laude, from the same university in 1977. He is a member of the Nashville, Tennessee,



and American Bar Associations as well as the State Bar of Arizona. Mr. Ramos serves on the Board of Directors of the following organizations: Catholic Charities of Tennessee (where he serves as the Board's Vice President), United Way of Metropolitan Nashville, Conexion Americas (a nonprofit organization dedicated to helping Hispanic families realize their aspirations for social and economic advancement by promoting their integration into the Middle Tennessee community), and the Tennessee Justice Center, whose mission is to advocate on behalf of poor Tennesseans. Mr. Ramos serves as well as a member of the Advisory Board of the American Constitution Society, an organization dedicated to ensuring that our country's founding values of human dignity, individual rights and liberties, genuine equality and access to justice enjoy their rightful, central place in American law. Governor Bredesen appointed Mr. Ramos in 2006 to serve on the Tennessee Workers' Compensation Advisory Council. He also is a past member of the Tennessee Supreme Court's Committee on Public Trust and Confidence in the Courts.

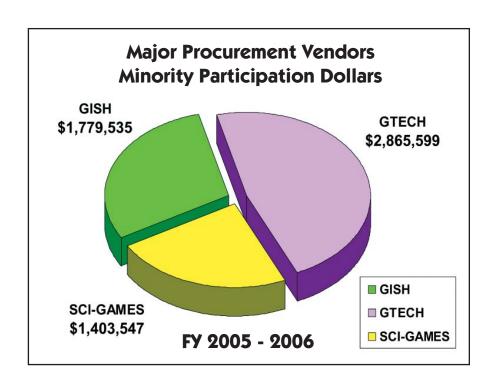
Major Procurement Vendors

The TEL is fortunate to have a variety of partners that contribute to our success. Our three major vendors, selected through an extensive, competitive process in the fall of 2003, are just one example of businesses that go above and beyond to help our mission of maximizing dollars for the programs we fund.

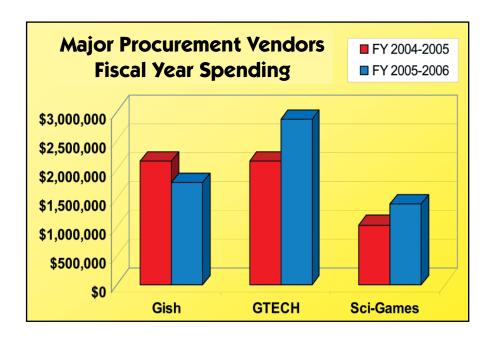
Gish, Sherwood and Friends serves as our advertising agency, producing entertaining and heart-warming messages in a variety of forms. The agency has won several awards for their work and they continue to exceed minority business participation goals.

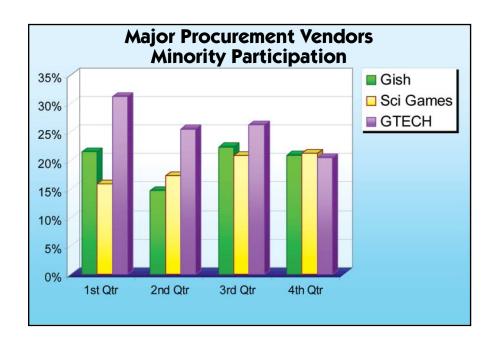
G-TECH Corporation is our online gaming vendor and has consistently surpassed participation goals as well as serving as a vital part of our everyday business. The company's proprietary software and hardware is an integral part of our operations and we are proud to have them as a partner.

And finally, Scientific Games, the TEL's instant ticket gaming vendor, helps keep the games fresh and exciting by assisting the Lottery as we introduce at least three new instant games every month. Instant tickets make up more than 70 percent of our overall sales, thanks in no small part to this valuable partner. Again, Scientific Games has exceeded its minority business participation goal this fiscal year.



Major Procurement Vendors

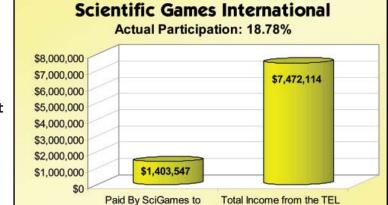




Major Procurement Vendors

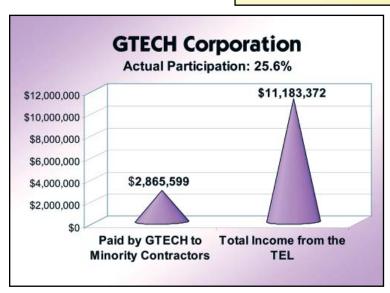


15% Contractual Commitment



Minority Contractors

15% Contractual Commitment



20% Contractual Commitment

Sub-Contractor To Major Procurement Vendor

Boxes Etc. II, LLC



Peggy Frye President and CEO

Boxes Etc. II, LLC is a supply company that sells and distributes boxes and packing materials to the Tennessee Education Lottery (TEL). Boxes Etc. has partnered with the TEL, through Scientific Games International, since January 2004 to meet the TEL's shipping and packing needs. The boxes and packing materials purchased are used to ship tickets and packets to retailers throughout the state of Tennessee.

Boxes Etc. was created because its owners saw a demand for a distributor that would service companies who had a need to purchase smaller quantities than manufacturers were able to provide. Mrs. Frye contributes the success of her company to hard work and a commitment to excellence. She believes that these two components will ensure that customers receive the quality products and services they deserve.

Sub-Contractor To Major Procurement Vendor

Spotset, Inc.



Howard Robertson
President and CEO



Reginald Cohran S. VP Design & Dev.

Spotset, Inc. (Spotset), established in late 2000 by Howard Robertson and Reginald Cohran in Memphis, TN, is a media buying company that specializes in the networking and purchasing of small and medium market radio stations on behalf of ad agencies and advertisers...fast and conveniently. Spotset, Inc. has successfully bought radio advertisements to create a statewide advertising network on behalf of the Tennessee Education Lottery in conjunction with Gish, Sherwood & Friends, Inc. since the Lottery's start-up in 2004.

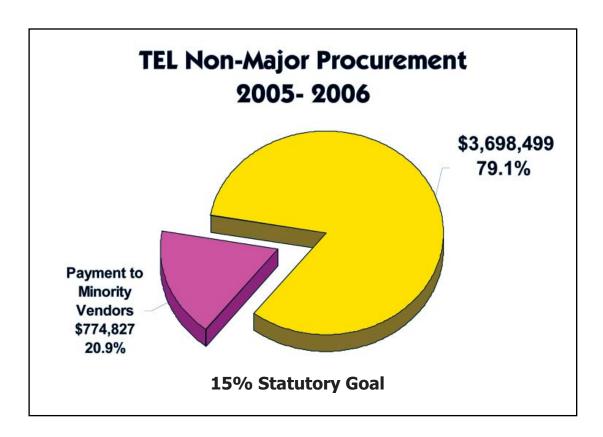
Spotset has received media recognition in industry publications such as ADWEEK and Advertising Age, in newspapers across the country, and MSNBC cable coverage.

Spotset is a "next generation" company from MidSouth Media, a company acquired in 1996 by its parent company, Trust Marketing. MidSouth Media was an industry pioneer in providing advertisers with "unwired networks" in small markets across the country. Since then, Spotset has accomplished its goal of improving the MidSouth Media business model and taking it to a higher level through the speed and capabilities of improved technology and the internet.

Non-Major Procurement Vendors

A major objective of the TEL EBO program is to encourage participation of minority contractors and suppliers in business activities generated by the corporation. The TEL has taken an active approach to ensure that minority owned businesses are able to compete for contracts on an equal basis.

On average, minority owned businesses received 20.9% (\$774,827) of non major procurement dollars spent for goods and services by the TEL in the 2005-2006 Fiscal Year.



Non-Major Procurement Vendor

Davis & Associates, LLC



Matthew and Audra Davis

At Davis & Associates, LLC, our passion is helping clients realize their potential. We are a full service organizational excellence consulting firm that partners with its clients as they strive to reach their highest goals. Davis & Associates services fall into two competency groups: Human Resource and Organizational Effectiveness, and Individual and Small Business Consulting and Coaching.

Our relationship with the Tennessee Education Lottery (TEL) has provided a unique opportunity and solid partnership, resulting in a win-win-win scenario for the TEL, its summer interns, and Davis & Associates.

In 2005, Davis & Associates facilitated four (4) professional development training modules for the Tennessee Education Lottery's summer intern program which was developed for students from Tennessee Historically Black Colleges and Universities (HBCU). We were very impressed with the students and excited to find a client who values the development of human and organizational potential as much as we do.

This summer, over a nine week period, we worked closely with 17 interns on numerous professional development topics such as Business Etiquette, Effective Communication in the Workplace, Conflict Resolution, Delivering Effective Presentations, and Preparing for Life after College, among others.

Each 3-hour session was specifically designed with the presentation of theory and practical application in mind. The modules consisted of interactive activities such as role-playing, group work, and homework assignments. In addition, the courses built upon one another to reinforce learning over time; ideas introduced in one module appeared in subsequent modules.

During the course of nine weeks, we had the pleasure of seeing future business leaders develop before our eyes. Through weekly evaluations, we received overwhelming feedback that let us know our partnership with the Tennessee Education Lottery was positively impacting lives and indeed developing the potential of their summer interns.

Davis & Associates, LLC, greatly values the relationship that we have developed with the Tennessee Education Lottery. We hope to cultivate this partnership and support the organization in reaching its fullest potential through this employee development initiative.

Compliance Reviews

With the fiscal year ending June 30, 2006, the TEL began its verification process pursuant to its EBO program. Section 1.3.4 of the EBO program provides that contractors and subcontractors classified as "Certified Minority Owned Businesses" may be certified by a federal, state or local agency, an existing regional minority purchasing council, or the minority owned status may be verified by the TEL or the Governor's Office of Diversity Business Enterprises (GO-DBE).

The TEL's compliance staff visited several minority owned contractors during the year and completed the required verification process. In all cases, the process included physical inspection of the business premises as well as a review of the entity's legal documents.

The verification process generally required less than two hours of the vendor's time or participation; but in all cases the compliance staff was able to answer questions about the vendor's business practices and provide detailed information about the TEL's minority participation program. While fulfilling the EBO requirement of verifying the vendor's minority status, the compliance review has become a two-way, close up and comfortable "get acquainted" session.

As a part of the compliance review, we asked our vendors to give us feedback regarding their thoughts on the process.



Chattanooga Courier Newspaper

Mr. John L. Edwards, II, owner and publisher of the Chattanooga Courier Newspaper, had this to say about the process:

"The compliance review showed me that the Tennessee Lottery is serious about inclusiveness, when it comes to minority owned businesses. I think the personal visit was important to put a face on the Lottery. I was even more impressed that the faces of the Lottery reflect all of the people of Tennessee including people that looked like me. I appreciate the concern as it relates to verifying the minority status of any company the Lottery does business with. It just makes good business sense!"

College Internship Program



The TEL's College Internship Program provides valuable work experience within a corporate environment to outstanding college students.

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 funded by the TEL's major procurement vendors and fulfills part of their commitment to the TEL's minority participation program. The internship program is open to students who attend the Historically Black Colleges and Universities (HBCUs) in the state.

In the summer of 2006, 17 students from five of Tennessee's HBCUs participated in the program. Daveda Adams, Kathleen Battle, Kristopher Bell, Alexander Ngwugbe, and Ericka Pierce represented Fisk University; Moussa Ba and Arobo Playman were in attendance from Knoxville College; Lane College was represented by April Bailey, Erika Birdsong and Robert O'Keefe; Suleman Zia represented LeMoyen Owen College; and Alex Akbari, Keith Batts, Darren Lewis, Jasmine Morris, Erica Patterson and Lauran Pope-Stephens were in attendance from Tennessee State University. The interns received project-focused assignments and challenging objectives consistent with their career goals.

The summer program culminated in a final project presentation to the TEL senior management team, Advisory Council members and the major procurement vendors. In this edition of the Diversity Report, the TEL has spotlighted three interns who were selected to continue their assignments through graduation. They are Daveda Adams, Jasmine Morris and Kathleen Battle.

Daveda Adams

Daveda Adams is a native of Rossville, TN. She is a graduating senior at Fisk University, and will be receiving a degree in Business Administration with a concentration in Accounting, May 2007.

Daveda believes her experience with the Tennessee Education Lottery's internship program has been educational and has confirmed that she is on the right track to achieving her career goals. "This internship has provided me with hands on experience which has equipped and properly prepared me for anything I might face in the corporate world. Over the last year I have been privileged to work in the Finance Department, with a team of professionals who have done a phenomenal job of imparting a wealth of



knowledge and wisdom into me. I have thoroughly enjoyed my experience at Tennessee Education Lottery and appreciate the exposure that has helped me grow professionally to understand my field."



Jasmine Morris

Jasmine J'Bree Morris is a native of Atlanta, GA and is currently a graduating senior at Tennessee State University. In December 2006, she will graduate and receive a degree in Business Administration with a concentration in Marketing and a minor in African Studies. Jasmine has interned in the Sales and Marketing Department since 2005.

Jasmine believes that the phrase "anything worth having, is worth working hard for" serves as a constant reminder of the greatness that awaits her. "With the Tennessee Education Lottery internship, I have had the opportunity to meet and work closely with executive staff members. This has given me a new respect on just what it takes to run an organization of such magnitude. The internship has also taught me how to create and

maintain business relationships through effective networking. It was the internship that made me understand, that regardless of whatever else is going on, it is the faith in what you are doing and faith in yourself that will be the determining factor in your overall success."

Kathleen Battle

Kathleen Nicole Battle is a native of Portsmouth, Ohio and is currently a graduating senior at Fisk University. This Political Science major with a concentration in Public Administration will receive her degree in May 2007.

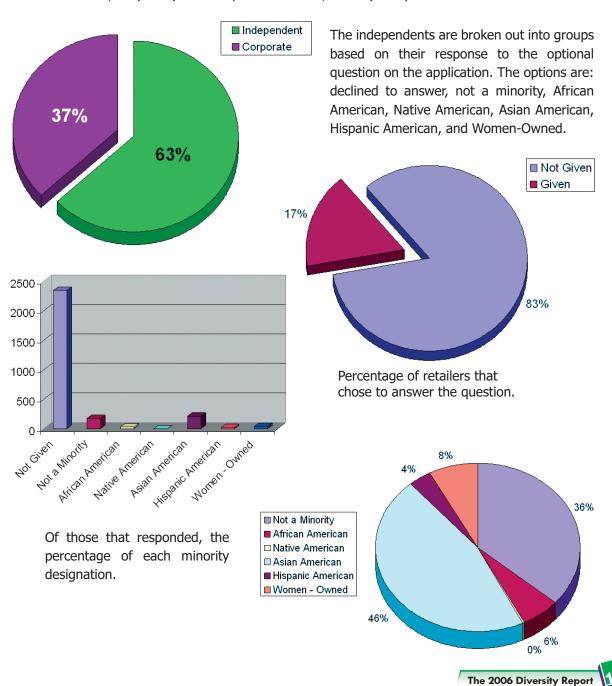
Kathleen has worked since the summer of 2005 as an intern in the Legal Services Department. "The TEL has truly made a difference in my occupational road to achieving goals I have set for myself. I have been able to actively use the various skills learned in the classroom in a positive and encouraging work environment. The TEL Internship program has played a key role in helping turn dreams into reality for numerous students at Historically Black Colleges and Universities in Tennessee. Not only has this program been an aid to



my career path, but it has allowed me to build and establish relationships in which I can network after graduation. The TEL internship means a lot to me and I will be forever grateful to those that continue to ensure the success of this program."

About Our Retailers

At the end of Fiscal year 2006 there were 4469 active retailers. 1651 of these retailers were corporate locations and 2818 were independents. 2349 of the independent retailers chose not to answer the Minority Ownership question. Of the 469 that responded, 171 (36.5%) were Not a Minority, 214 (45.6%) were Asian American, 28 (6.0%) were African American, 37 (7.9%) were Women–owned, 17 (3.6%) were Hispanic American, and 2 (0.4%) were Native American.



H & H Grocery

3201 Through Street, Chattanooga

H&H Grocery owner Herman Holt started his business in 1984. Mr. Holt states, "Being a minority business owner at times has its challenges, but giving back to the community is what's most important. When Georgia started its Lottery, I said "it's just a lottery" then I noticed the vast improvement in education. When the Lottery came to Tennessee,

I was sure that it would be good for my business. I also knew that I would be playing a big part in education!! Giving students a chance to further their education is very rewarding. I have a winner awareness board for my customers to view as they come into my establishment. From my Lottery sales, I have put many students through college, and hope to continue to send many more!"







From L to R: Andy Patel with B.K. Patel

Kwik Sak

5835 Old Hickory Blvd., Hermitage

B.K. Patel has been a loyal Lottery retailer since inception in 2004. According to Mr. Patel, "The Lottery has done wonders for education in Tennessee and has also increased the business at my store. I have loyal customers whose contributions have provided more money for Tennessee education.

I am impressed with the training and support that I receive. The service the sales team provides is second to none.

I offer all the Lottery games at my Kwik Sak store on Old Hickory Blvd. in Hermitage, and feel rewarded when I meet someone who has gone to school on a Lottery scholarship.

Not only am I a dedicated Lottery retailer, I also enjoy getting involved with Lottery special events, spreading the word about educational opportunities in Tennessee."



Community Involvement

Community involvement, a key element of the TEL's EBO program, ensures that minority business owners are aware of the employment, retail and procurement opportunities that exist throughout the corporation. In collaboration with its three major vendor partners, the TEL has increased its presence in Tennessee's minority communities. Through joint venturing with numerous organizations, including the GO-DBE, Med Week observances in Nashville, Memphis and Chattanooga, and participation in the Economic and Community Development Workshop of the Annual Legislative Retreat and Training Conference of Tennessee's Black Caucus, the TEL staff and Members of the Board of Directors interact with minority owned companies providing the most current information on economic opportunities available to them.

In addition, participation with minority business associations such as the Jefferson Street United Merchants Partnership (JUMP) of Nashville and the Tennessee Hispanic Chamber of Commerce shows the TEL's true and continued commitment to building lasting alliances throughout the state.



JUMP

Jefferson Street originated as the home of America's most famous African-American jazz, blues, and rhythm and blues musicians. The Jefferson Street "Jazz and Blues" festival is a climatic celebration, recognizing the commemorative spirit of African-Americans that emerged onto the scene in Nashville. It is the hardworking efforts exhibited by JUMP, a vibrant group of Jeffersonians who believed in Jefferson Street to revive the reverence of past, present and future

musicians. This cultural event strengthens the unity of the community by offering entrepreneurial opportunities for vendors from all facets of life.

The Tennessee Education Lottery participates in this annual event to celebrate the spirit of Jefferson Street.

MED Week

Minority Enterprise Development Week (MED Week) was designated by Proclamation of the President of the United States in 1983. MED Week is designed to bring together minority business owners, buyers and procurement representatives from corporate America, federal, state and local governments, as well as students and other private sector entities. During the FY2005-06 the TEL staff and members of the Board of Directors worked with the Nashville Minority Business Center,



MED Week co-chair Decosta Jenkins with the TEL staff at the expo.

the Memphis Business Development Corporation and the Chattanooga Business Expo Committee in numerous activities including participation in Nashville's Unified Vendor Diversity Expo. Staff also spoke to Nashville public high school students regarding the importance of education, Hope scholarships, economic development and employment opportunities with the TEL.



Cynthia Fitzgerald joins Commissioner Davis and members of her staff at the Tennessee Hispanic Chamber of Commerce Banquet

GO-DBE

The TEL's joint venture with the Governor's Office of Diversity Business Enterprises continues to flourish. The TEL and the GO-DBE began with the collaboration of staff and sharing databases of vendors in the publication of the GO-DBE's Minority Business Directory to ensure information on Lottery opportunities would reach minority owned businesses. Today the partnership has grown to many joint activities including the referral of vendors and retailers needing technical assistance or certification and publishing TEL

economic opportunities in the Annual Procurement Opportunities Brochure. The TEL's participation in the 2005 Business Match Making Expo and its assistance in the planning of the Diversity Business Marketplace 2006 are all true indicators that the partnership is working.

Tennessee Hispanic Chamber Of Commerce

The TEL participated in Tennessee Hispanic Chamber of Commerce's state-wide Business Summit, "Bridging Business, Economic and Workforce Challenges". This provided the TEL with the opportunity to learn key marketing strategies for tapping into the Hispanic Market while providing information to the community on TEL economic and educational opportunities. Advisory Council member, Commissioner Gwendolyn Davis provided the key note speech



Robert Chavez President

at the awards banquet. This event provided the TEL with another opportunity to form alliances and partnerships further enhancing the ability of minority owned companies to compete in the marketplace.

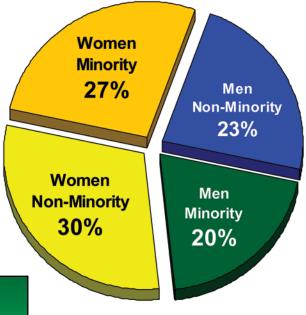
TEL Diversity

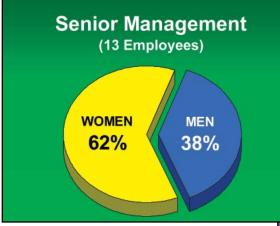
The TEL's success in raising more than \$636 million dollars for education can be largely contributed to the hard work and dedication of its employees. Our diversity in employment is a representation of what the EBO program is all about. As of June 30, 2006, of the 166 employees, 47% were minorities*.

Of the 13 employees that represent Senior Management, 62% are women and 38% are minority.

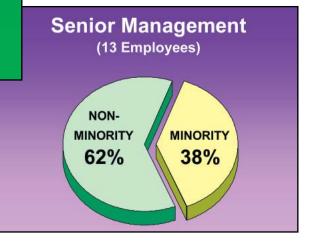
Employment Diversity

(166 Employees)





*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



STRATEGY SESSION

Lto R: (1st row seated) **Tammi Boyd-Brown** - Human Resources, **Carrie Poss** - Sales & Marketing, **Cynthia Fitzgerald** - Legal, **Regena Andrews** - Human Resources. (2nd row) **Wanda Young Wilson** - Legal, **Michael Harvey** - Sales & Marketing, **Warren Smith** - Finance, **Jessica Jones** - Legal, **Kym Gerlock** - Communications, **Kathleen Battle** - Legal.

In accordance with the EBO program the TEL is committed to the maximum utilization of minority owned businesses in all of its endeavors. In order to make this a reality it is clear that there must be a commitment from the Board of Directors, senior management and the compliance staff; but it also necessitates a cross disciplinary approach ensuring that the intent of this plan, as well as individual responsibilities are communicated corporate wide. Part of the TEL's success in establishing a strong diversity program can be credited to this holistic approach involving staff from all departments within the corporation.

Tennessee Education Lottery Corporation

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Board of Directors

Dennis Bottorff, Chairman
Jim Hill, Vice Chairman
Claire Tucker, Secretary/Treasurer
Marvell Mitchell
James Ripley, Esquire
Deborah Story
Houston Gordon

Minority Participation Committee of the Board

Marvell Mitchell, Chairman James Ripley, Esquire Deborah Story

Executive Corporate Officers

Rebecca Paul, 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

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
Gail Schledwitz
Deborah Story

Compliance Staff

Cynthia Fitzgerald, Esquire Jessica Jones



The sky's the limit.

As of June 30, the Tennessee Lottery has raised \$636,000,000 for education.

HOPE scholarships • Technical skills grants • Pre-K classes • After-school programs







