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LETTER FROM THE BOARD CHAIR AND PRESIDENT AND CEO



REBECCA HARGROVE
PRESIDENT AND CEO



SUSAN LANGAN
CHAIR OF THE BOARD OF DIRECTORS

On behalf of the Tennessee Education Lottery Corporation, we are pleased to present an overview of fiscal year 2013-2014, our 10th anniversary and 10th consecutive year of increased sales. The total sales for the year were more than **\$1.4 billion**, bringing the total since inception to over \$11.9 billion, driving the total funding for education to more than **\$3 billion**. This remarkable accomplishment is made possible by the hard work and dedication of the many Lottery stakeholders, including an outstanding Lottery team committed to our core mission of making higher education more accessible to Tennessee students.

As Lottery funding for education grows, so does the number of students who benefit each year. According to the Tennessee Student Assistance Corporation, more than **800,000 grants or scholarships** in in-state education institutions have been awarded since the Lottery's inception in 2004, including **more than 103,265 awards** during the past academic year alone. Lottery proceeds are also used to fund a variety of after-school programs and an ongoing effort to make schools more energy efficient. The coming months will see the development of *Tennessee Promise*, a creative initiative that will allow any Tennessee high school graduate the opportunity to attend community college or Tennessee College of Applied Technology tuition-free for up to two years. The program has gained national attention, putting an even brighter spotlight on the Lottery's valuable role in helping education.

In addition to students and families in Tennessee, hundreds of thousands of Lottery players benefitted this past year from prizes, promotions, new games and other ways to win and have fun. Players won nearly \$1.2 billion during this period, bringing the total to more than \$7.5 billion since inception. So, too, did our retailer partners benefit, earning \$92.5 million in commissions for an overall total since inception of more than \$776.4 million.

Moving into the next decade, we will continue to refine our business model, introduce innovative and entertaining games, promote efficiencies and best practices and provide superior customer service to our retailers and players. In this manner, the Tennessee Lottery will keep succeeding for all our stakeholders, from the player who enjoys our entertaining games to the student who works hard for and relies upon the educational assistance funded by Lottery proceeds.



EDUCATION

When Tennesseans voted to create a statewide lottery, the primary objective was to raise funds to assist Tennessee students who attend in-state institutions of higher learning. From Day One, the Lottery has successfully worked to meet this goal, becoming a vital source of funding for many thousands of Tennessee students and their families.

Since the first awards were given in the fall of 2004, Lottery-funded programs have grown to include 12 different scholarships and grants, multiple after-school programs, and an energy-efficient schools initiative. *Tennessee Promise*, the newest initiative, is a one-of-its-kind program that will allow any Tennessee high-school graduate the opportunity to attend community college or Tennessee College of Applied Technology for two years tuition-free. The program has gained national attention, with the first recipients attending school in the fall of 2015.

According to the Tennessee Student Assistance Corporation, which administers the Tennessee Education Lottery Scholarship (TELS) program, nearly \$303.6 million was awarded to 103,265 students this past year, which includes approximately 20,594 students in dual enrollment classes. This brought the total of Lottery-funded awards to more than 800,000 since the program began. In addition, Lottery funds were used to support 103 K-12 after-school programs that served approximately 25,079 students in the **2013-2014** academic year.

Details about the scholarship and grant recipients include:

2013-2014 ACADEMIC YEAR	
INDEPENDENT/FOUR-YEAR	15,522
INDEPENDENT/TWO-YEAR	11
PROPRIETARY INSTITUTIONS	594
UNIVERSITY OF TENNESSEE SYSTEM	20,912
BOARD OF REGENTS/FOUR-YEAR	27,170
BOARD OF REGENTS/TWO-YEAR	28,809
TN COLLEGE OF APPLIED TECHNOLOGY	11,626
TOTALS	103,265*

*Note: Totals represent a distinct count of students and are not always a sum of the numbers in the section. Students can attend multiple institutions.

SOURCES: Tennessee Student Assistance Corporation, Tennessee Department of Education Extended Learning Programs

GAMES

A fun, creative and fresh lineup of Lottery games is a must for success — and the Tennessee Lottery continued to deliver during 2013–2014. The popularity of innovative and varied instant-ticket games remained undiminished, driving robust growth that substantially contributed to the year’s record-breaking sales. Forty-seven new instant-ticket games were introduced during the year, pushing sales of these games to an all-time annual high of nearly \$1.15 billion. A few of the more popular games included *Tennessee Millions*, a ticket to commemorate the TEL’s 10th anniversary; *Mega Millionaire Jumbo Bucks*, a popular addition to the successful *Jumbo Bucks* ticket family; and the “Frenzy Family” of tickets, which included three different games with varying price points.

Demand for classic drawing-style games remained solid as well, and gave sales a boost with several large *Powerball* and *Mega Millions* jackpots. Always open to new approaches, the Lottery added a morning drawing six days a week for the games of *Cash 3* and *Cash 4*, and launched several changes to enhance the *Mega Millions* game.

Details of all game sales during fiscal year 2013–2014 include:

INSTANT TICKETS	\$	1,149,127,000
POWERBALL	\$	100,951,000
MEGA MILLIONS	\$	47,042,000
HOT LOTTO	\$	13,115,000
CASH 3	\$	57,673,000
CASH 4	\$	30,816,000
TENNESSEE CASH	\$	18,343,000



PLAYERS & WINNERS

While students and their families benefit from Lottery-funded education programs, those who play the games find entertainment in the experience and the chance to win a variety of prizes. During fiscal year 2013–2014, players won nearly \$1.3 billion in prizes (a figure that includes a substantial contribution from other lotteries due to Tennessee winners in multi-jurisdictional games). The total won since inception now exceeds \$7.5 billion. Of the many thousands of lucky winning tickets the past year, 24 were sold worth \$1 million or more. All total, since inception, an impressive 142 tickets have been sold worth a million dollars or more.

Of note, the past year saw Tennessee winners in all three multi-state jackpot games. This included two friends from Dyersburg who together won an all-cash *Hot Lotto* jackpot of \$2.2 million. Then came a mother and son from Bellevue, who won a \$61 million *Mega Millions* jackpot. And finally, Tennessee made national headlines with our \$259.8 million *Powerball* jackpot winner from Knoxville, a former monk who detailed how he intended to use his winnings to benefit others. What a year!

The Lottery continued to add fun and value to its player affinity club — the *VIP Players Suite*® — with new prizes, Play it Again! drawings and other ways to redeem VIP Points earned from entering eligible tickets.



TWO FRIENDS FROM DYERSBURG SPLIT THEIR ALL-CASH *HOT LOTTO* JACKPOT WIN.



THIS LUCKY MAN FROM SPRING HILL WAS A TOP PRIZE WINNER IN A *PLAY IT AGAIN!* DRAWING.



THIS MOTHER AND SON WERE TENNESSEE'S FIRST *MEGA MILLIONS* JACKPOT WINNERS.



THE SPOTLIGHT SHONE ON TENNESSEE WHEN A FORMER MONK FROM KNOXVILLE WON A *POWERBALL* JACKPOT OF \$259.8 MILLION IN JUNE 2014.

RETAILERS

The TEL's network of more than 5,000 retailers throughout the state is the primary conduit between the Corporation and Lottery players. Retailers earned more than \$92.5 million in commissions and retailer bonuses during the past year, for a total of \$776.4 million since inception.

The Lottery supports its retailer partners by providing attractive signage, hands-on training, a retailer-specific helpline and website, and a quarterly newsletter, among other services. The Lottery also holds regular meetings with its Retailer Advisory Board, made up of a diverse committee of retailers representing a variety of trade styles. Members of the 2013-2014 Retailer Advisory Board were: Asa Hazelwood, Pilot Travel Centers LLC; Kun "Duke" An, Antioch Shell Gas Station; Jimmy Keen, One Stop; Nipun "Nick" Patel, Farragut Market; Rex Bintz, Kroger; Roy Wesson, M&R Grocery #2; Tommy Hunt, E-Z Stop Food Marts; and Tony Vincent, Fairview Shell Market.



THE KNOXVILLE KROGER THAT SOLD A WINNING POWERBALL JACKPOT TICKET DONATED ITS \$25,000 SELLING BONUS, PRESENTED BY THE TEL PRESIDENT AND CEO, TO FIVE AREA NON-PROFITS.



J.B.'S EXPRESS MART IN PARIS, TENN. WAS THRILLED WITH ITS \$5,000 SELLING BONUS RECEIVED AFTER SELLING A \$1.2 MILLION TENNESSEE CASH JACKPOT TICKET.



A TEL SALES REPRESENTATIVE JOINS THE EXCITEMENT AT LOVE'S TRUCK STOP IN JACKSON AFTER THE LOCATION RECEIVED A \$5,000 SELLING BONUS FOR SELLING A \$1 MILLION POWERBALL TICKET.



RETAILERS SUCH AS ALL IN ONE IN DYERSBURG RECEIVE EXTRA ATTENTION FROM CUSTOMERS AFTER SELLING A LUCKY TICKET SUCH AS THIS HOT LOTTO JACKPOT TICKET WORTH \$2.2 MILLION.

EQUAL BUSINESS OPPORTUNITY PROGRAMS

While producing record returns, the Tennessee Education Lottery Corporation is committed to a diverse and inclusive workplace, including the active engagement and participation of the minority business community. Strategies include:

- **Advisory Council on Minority Business Participation:** A wide-ranging group of Tennesseans provides insight and helps craft and guide economic development and education strategies for minority-owned business. Members of the 2013–2014 Council were: Pearl Shaw, Vernon Grose, Craig Powers and Willie Martin of Memphis; Garry McNabb of Cookeville, and A. Gregory Ramos of Nashville.
- **Equal Business Opportunity Program:** The Lottery and its major procurement vendors continued to maximize their minority business participation in many different areas. This year's breakdown is as follows:

<i>The Buntin Group</i>	19%, or \$994,226
<i>GTECH</i>	21%, or \$3,756,377
<i>Scientific Games</i>	23%, or \$2,863,303
<i>TEL</i>	14%, or \$240,122 (of non-major items)

- **Summer Internship Program:** The major vendors support the TEL's commitment to diversity in other ways, as well. For example, The Buntin Group, GTECH, and Scientific Games continued their sponsorship of and active involvement in the Lottery's annual *Summer Internship Program* for students attending the state's historically black colleges and universities.

- **Retailer Diversity:** The Lottery's network of more than 5,000 retailer partners represents an impressive level of diversity. Based on a sampling of retailer contracts, 589 (12%) answered the optional question identifying their minority status. Of the responses received, 117 (16%) were Not a Minority, 28 (3.85%) were African-American, 328 (45%) were Asian-American, 10 (1%) were Hispanic American, 3 (.4%) were Native American, and 103 (14%) were Women-Owned.

- **Diverse Workforce:** And finally, the Lottery's diverse workforce continued to reflect the community at large. Of the cumulative total of 162 employees of the Tennessee Education Lottery Corporation during 2013–2014, 52% were women, 48% were men, 46% were minority, and 54% were non-minority.



THE LOTTERY'S 2014
SUMMER INTERNS



RESPONSIBLE GAMING

The Lottery's core mission is to generate funds to support specific education programs, and it is committed to doing so in a socially responsible manner. Towards that end, the Lottery from inception has incorporated responsible gaming practices within its business model and adopted industry-recognized best practices to ensure that its games and operations are managed in a socially responsible fashion.

With its commitment to responsible gaming practices, the Tennessee Education Lottery is one of only nine U.S. Lotteries recognized for and awarded a **"Level 2 Certification"** by the **World Lottery Association (WLA)** in its **Responsible Gaming Framework**. According to the organization, "this level signifies that the Tennessee Education Lottery Corporation has committed to WLA's Responsible Gaming Framework, as well as to researching and integrating key elements of the Framework into its operations."

While the Lottery is designed to be an affordable form of entertainment, we make it a point to remind all players — *It's Only a Game* and to *Play Responsibly*.

We work to train our staff and educate our retailers on responsible gaming practices, emphasizing such restrictions, for example, as the prohibition on minors purchasing tickets, while also widely disseminating information and resources for problem gamblers, including the Tennessee "Redline" referral resource at **1-800-522-4700**.





MANAGEMENT/ ORGANIZATION



A 7-member Board of Directors, appointed by the Governor and confirmed by the General Assembly, provides governance and sets overall policy for the Tennessee Education Lottery Corporation. Directors for fiscal year 2013–2014 were: Keith Simmons, Chair until February 2014; Susan Lanigan, Chair from February through June 30, 2014; Garry McNabb, Craig Powers, Thomas White, William Carver, and Pearl Shaw.

The Corporation’s staff is made up of a team of skilled, experienced, and dedicated professionals committed to the goal of responsibly maximizing dollars for education in Tennessee.

EXECUTIVE DIVISION: Rebecca Hargrove, *President and CEO*

As the organization’s top executive, the President and CEO oversees all operations of the Tennessee Education Lottery Corporation and bears ultimate responsibility for the outcomes produced by the enterprise. From hiring key staff, to approving budgets, to creating critical Task Forces, to managing communications with the Board of Directors, the President and CEO has a role in virtually every aspect of the Corporation’s functions.

Apart from operational issues, the Executive Division is responsible for developing a broad vision for the organization and ensuring that strategies to achieve all objectives are implemented and results obtained – a leadership role that is crucial to the success of the Lottery. Each Executive Vice-President reports directly to the President and CEO, who is especially involved in developing game and advertising strategies, public relations outreach, and representing the Lottery before key government officials and legislative committees.

The Executive Division is also responsible for:

- *Corporate Affairs*—Manages internal and external communications, including player services, media/public relations and social media; and Legislative/government affairs, including serving as liaison to state and local government officials.
- *Internal Controls*—Reports and works directly with the Board of Directors to ensure adequate internal controls are in place to provide integrity and accountability in the operation of the Lottery through objective analysis.

Tom Jurkovich, Vice President, Corporate Affairs

Khristie Stoecklein, Vice President, Internal Controls (dual reporting to the Board of Directors and the CEO)





MANAGEMENT/ ORGANIZATION



LEGAL DIVISION: Wanda Young Wilson, *Chief Operating Officer and General Counsel*

The Legal Division includes:

- *Human Resources*—Responsible for payroll and benefits, managing employee and employment-related processes.
- *Legal Services*—Provides legal advice and assistance to management and the Board of Directors, serves as the corporate records keeper, oversees litigation, develops policies and procedures, and manages contract compliance.
- *Security*—Responsible for physical and intellectual property security.
- *Retailer Contract Administration*—Manages all functions of retailer applications and contracts.
- *Corporate Services*—Responsible for daily functions such as mail, reception and supplies.

Alonda McCutcheon, Vice President, Legal Services for Compliance

David Jennings, Vice President, Security

Amy Bush, Vice President, Human Resources

Andrew Morin, Vice President, Legal Services for Corporate Transactions

ADVERTISING and MARKETING DIVISION: Lou Ann Russell, *Executive Vice President*

This Division is responsible for developing the Lottery's marketing initiatives, including:

- *Advertising*—Develops and manages strategic advertising programs.
- *Events and Sponsorships*—Promotes the Lottery through a variety of sponsorships and special events throughout the state.
- *Collateral*—Develops marketing materials to support game launches, branding initiatives and sales.
- *Digital Marketing*—Creates marketing messages and programs for digital platforms, including the TEL Corporate website and internet-based player affinity club—the *VIP Players Suite*.[®]



MANAGEMENT/ ORGANIZATION

SALES DIVISION: Sidney Chambers, *Executive Vice President*

The Sales Division oversees all aspects of the Lottery sales operation, including:

- *Sales*—Manages all sales activity and field marketing.
- *Retailer Sales and Services*—Provides all facets of customer service for the retailer network.
- *Corporate Accounts*—Manages corporate accounts.
- *Warehouse Management and Distribution*
- *District Offices*—Manages the TEL's four District offices in Memphis, Nashville, Chattanooga and Knoxville.

Ed Bradley, Vice President, Sales

FINANCE AND INFORMATION SYSTEMS: Andy Davis, *Chief Financial and Information Systems Officer*

Finance and Information Systems is responsible for the following:

- Financial, product and retailer accounting
- Prize validation, statutory and financial reporting
- Cash management, budgeting, accounts receivables
- Procurement, facilities management and risk services
- Game drawings, including drawing-style and second-chance drawing activities
- Gaming systems and operations oversight
- Network and telecommunication systems and services
- Software systems and quality assurance

David Kan, Vice President, Information Systems

Vicki Updike, Vice President, Finance



(L to R): Tom Jurkovich, Alonda McCutcheon, Vicki Updike, Kristie Stoecklein, Lou Ann Russell, Andy Davis, David Jennings, Rebecca Hargrove, Sidney Chambers, Wanda Young Wilson, Ed Bradley, Andrew Morin, Amy Bush, David Kan.