

2008



MINORITY BUSINESS PARTICIPATION REPORT



AN AGENCY OF THE
STATE OF TEXAS

For The Fiscal Year Ending August 31, 2008

James A. Cox, Jr.
Chairman

David J. Schenck
Commissioner

Mary Ann Williamson
Commissioner



TEXAS LOTTERY COMMISSION

Gary Grief, Deputy Executive Director

Philip D. Sanderson, Charitable Bingo Operations Director

March 31, 2009

The Honorable Rick Perry
The Honorable David Dewhurst
The Honorable Joe Straus
Members of the 81th Legislature

Ladies and Gentlemen:

In accordance with Section 466.107 of the State Lottery Act, the Texas Lottery Commission (TLC) is submitting its annual Minority Business Participation Report for fiscal year (FY) 2008.

During FY 2008, the agency achieved an overall participation of 26.97 percent in its minority/Historically Underutilized Business (HUB) contracting activity. This did not represent a significant change from the TLC's FY 2007 overall participation of 27.07 percent. The agency also continued to surpass its 20-percent goal for licensed minority retailers.

During FY 2009, the Texas Lottery will continue to implement initiatives designed to increase the minority/HUB participation in its business operations.

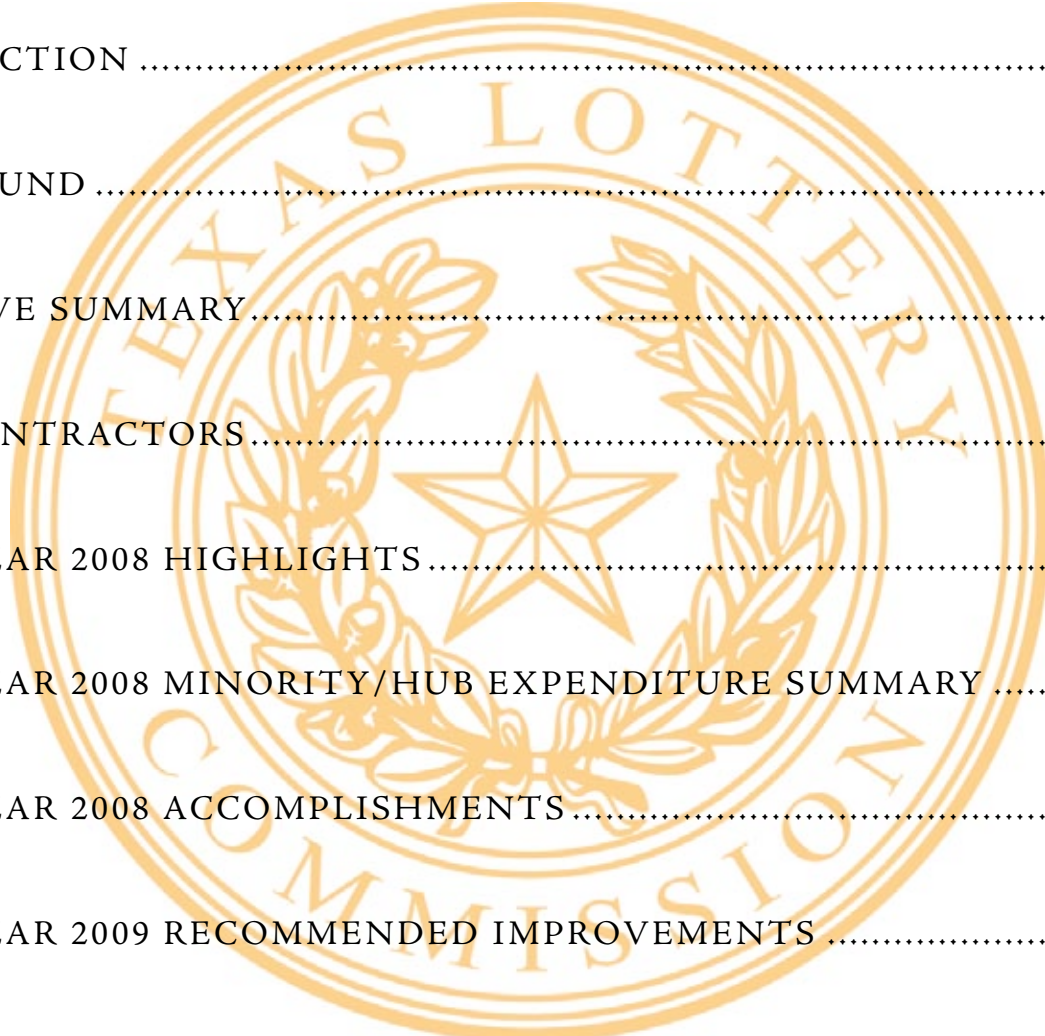
Should you have any questions regarding the report, please do not hesitate to contact our Deputy Executive Director, Mr. Gary Grief.

Sincerely,

A handwritten signature in cursive script that reads "James A. Cox Jr.".

James A. Cox Jr.
Chairman

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MINORITY BUSINESS PARTICIPATION REPORT

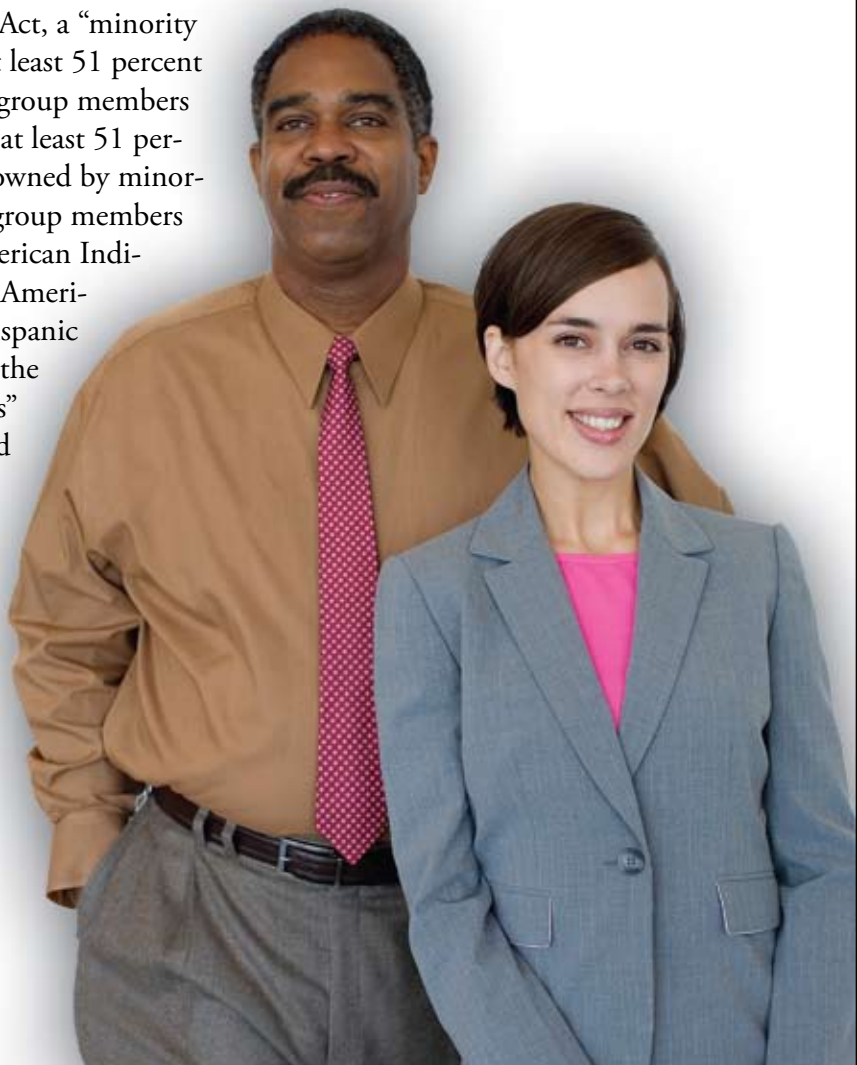
FISCAL YEAR 2008

INTRODUCTION

The Texas Lottery Commission (TLC) has prepared its annual Minority Business Participation Report for FY 2008 in accordance with Section 466.107 of the State Lottery Act. This report documents the agency's level of minority business participation both in its lottery and bingo regulatory contracting activity, and in the licensing of lottery sales agents. It also provides recommendations for the improvement of lottery-related minority business opportunities.

As defined by the State Lottery Act, a "minority business" is a "business entity at least 51 percent of which is owned by minority group members or, in the case of a corporation, at least 51 percent of the shares of which are owned by minority group members." Minority group members include African Americans, American Indians, Asian Americans, Mexican Americans and other Americans of Hispanic origin. Throughout this report, the terms "minority-owned business" and "minority business" are used interchangeably.

Although it is not specifically addressed by the State Lottery Act, the TLC also has a strong commitment to including minorities in its business operations by maintaining a diverse workforce. Information about this area is included in Appendix E of the report (page 26).



BACKGROUND

TEXAS LOTTERY COMMISSION VISION

To be the preeminent Lottery and Charitable Bingo agency through innovative leadership.

TEXAS LOTTERY MISSION

The Texas Lottery is committed to generating revenue for the state of Texas through the responsible management and sale of entertaining lottery products. The Texas Lottery will incorporate the highest standards of security and integrity, set and achieve challenging goals, provide quality customer service and utilize a TEAM approach.

CHARITABLE BINGO MISSION

Provide authorized organizations the opportunity to raise funds for their charitable purposes by conducting bingo. Determine that all charitable bingo funds are used for a lawful purpose. Promote and maintain the integrity of the charitable bingo industry throughout Texas.

CORE VALUES

The Texas Lottery Commission combines private business management principles with public service standards of conduct in all its operations. The following values guide us in our work:

- Integrity and Responsibility
- Innovation
- Fiscal Accountability
- Customer Responsiveness
- Teamwork
- Excellence

MINORITY/HUB COMMITMENT

The Texas Lottery Commission is committed to assisting and including minority-owned businesses and Historically Underutilized Businesses (HUBs) in its procurement opportunities. In accordance with the provisions of the State Lottery Act, Texas Government Code, Chapter 466, the agency and its prime contractors make a good faith effort to contract and subcontract with minority-owned businesses for the purchase of supplies, equipment, and services for the operation of the agency.

MINORITY/HUB PROGRAM

The TLC's Minority/HUB Program functions as part of the agency's Administration Division. The agency's HUB Coordinator is responsible for advising and assisting the TLC in complying with the requirements of the State Lottery Act and the state's HUB rules. The agency's Minority/HUB Program operates in three key areas to promote the inclusion and utilization of minority-owned businesses and HUBs: outreach activities, contract compliance and reporting.

OUTREACH ACTIVITIES

Outreach activities make up one of the most important components of the TLC's Minority/HUB Program. The purpose of these activities is to inform minority/HUB vendors about opportunities to provide goods and services to the agency and its prime contractors. Outreach is performed primarily by coordinating and participating in business opportunity forums and other events. The TLC also hosts its own annual HUB Forum to inform minority/HUB vendors about the agency's procurement process and to provide networking opportunities. A chart listing the outreach events in which the agency participated during FY 2008 is available in Appendix C (page 24).

Other types of outreach activities include providing information to prospective vendors via the TLC Web site, coordinating meetings with individual minority/HUB vendors, administering the agency's Mentor-Protégé Program, and assisting eligible businesses with obtaining state HUB certification.

CONTRACT COMPLIANCE

The TLC's HUB Coordinator, Purchasing and Contracts staff, and administering divisions work collaboratively to maintain vendor compliance with contract terms relating to minority and HUB participation. The first step in this process involves assisting the agency with making HUB subcontracting determinations for contracts with an expected value of \$100,000 or more prior to releasing solicitations. Pre-bid and pre-proposal conferences are held to highlight the TLC's HUB policy and subcontracting requirements. The HUB Coordinator also assists evaluation teams by reviewing bids/proposals to determine whether the HUB good faith effort criteria was met. Finally, the agency's subcontracting plans are monitored for compliance following contract awards.

REPORTING

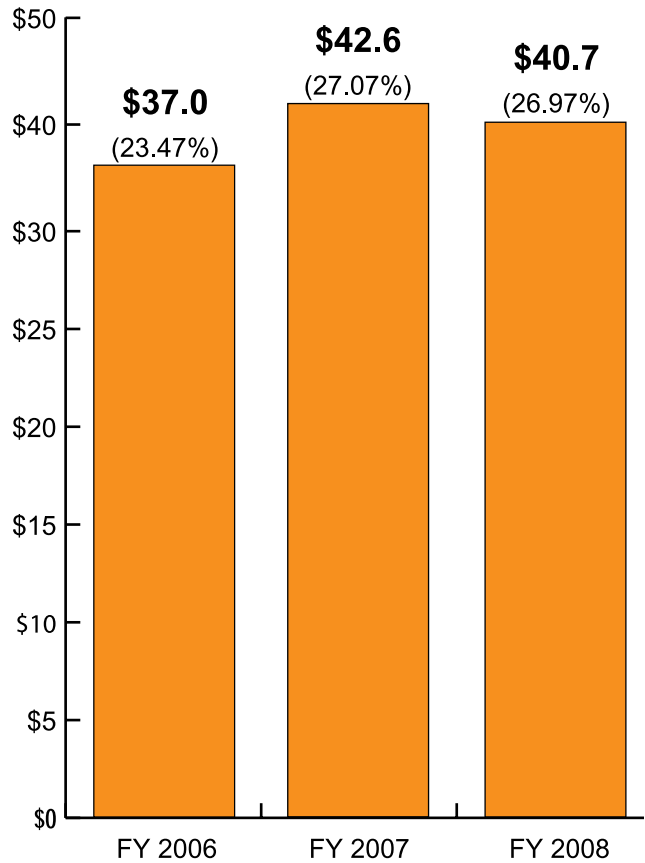
Throughout the year, the TLC's minority/HUB expenditures are monitored and reported. Minority/HUB participation updates are provided to the commissioners, executive management and agency staff on a regular basis. In addition, HUB subcontracting expenditures and supplemental information are reported twice annually for inclusion in the Statewide HUB Reports.



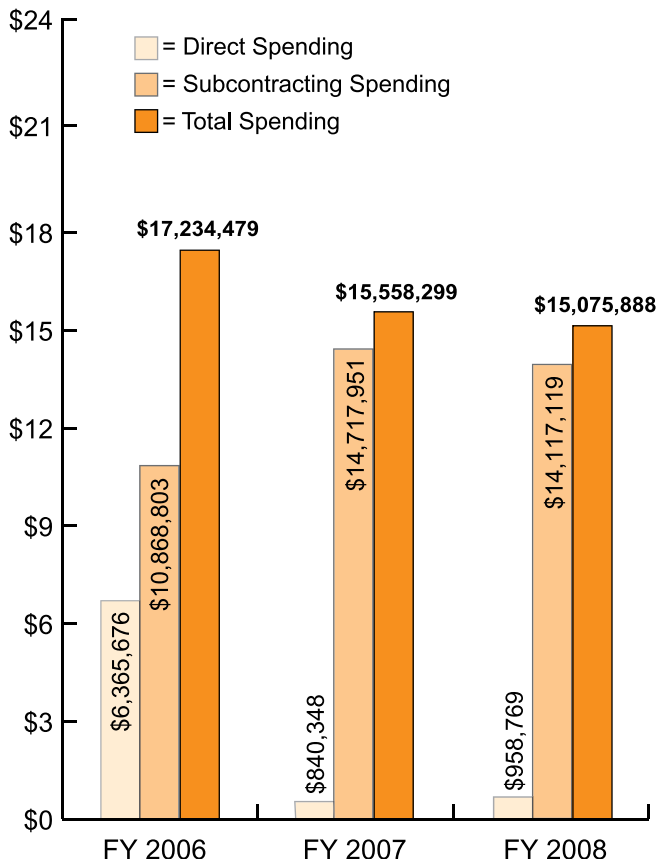
During FY 2008, the TLC continued its efforts to provide opportunities for minority-owned businesses to participate in its procurement processes. Developing contacts with minority-owned businesses in Texas and licensing minority retailers as Texas Lottery sales agents are essential to the agency's initiatives.

The TLC's overall expenditures, as captured by the Comptroller of Public Accounts (CPA) *Fiscal Year 2008 Annual Statewide HUB Report*, decreased from FY 2007 to 2008. During this report period, the Commission ranked 14th by overall expenditures among the top 50 largest-spending agencies.

**FIG. 1
MINORITY/HUB SPENDING
(IN MILLIONS)**

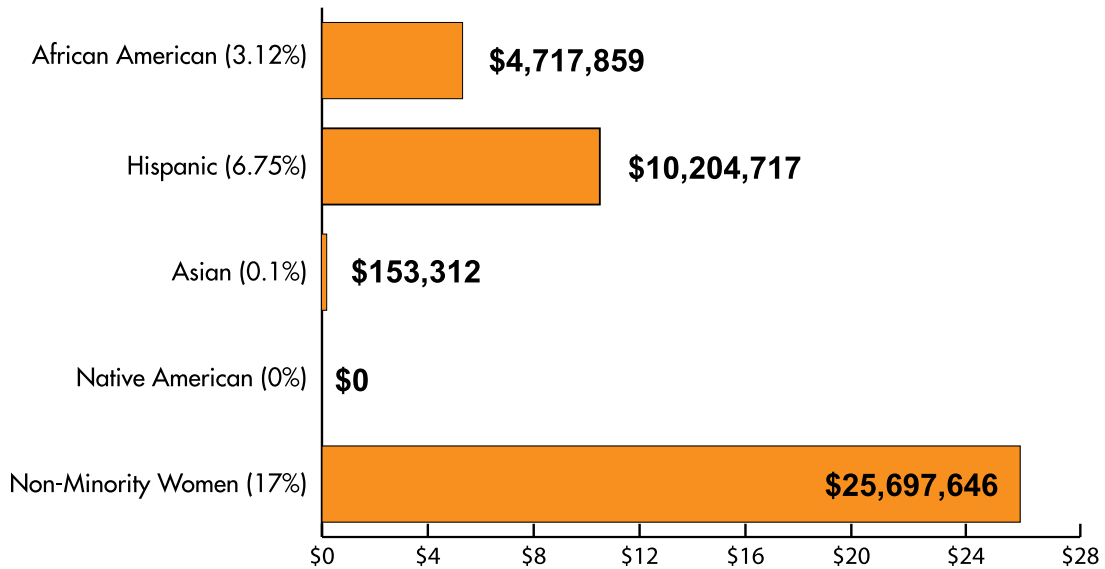


**FIG. 2
MINORITY SPENDING**



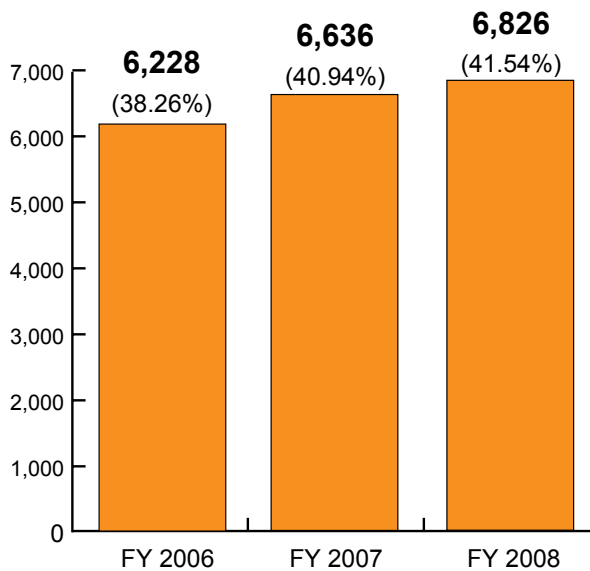
During FY 2008, the TLC achieved an overall participation rate in its minority/HUB contracting activity of 26.97 percent. As shown in Figure 1, total expenditures paid to minority/HUB vendors decreased slightly from the previous fiscal year. Figure 2 summarizes payments made to minority-owned businesses (not including non-minority women). During this report period, direct spending with minorities increased, while subcontracting payments to minority businesses decreased. Figure 3 shows the breakdown of FY 2008 spending by ethnic group.

**FIG. 3
FY 2008
MINORITY/HUB SPENDING BY ETHNICITY**

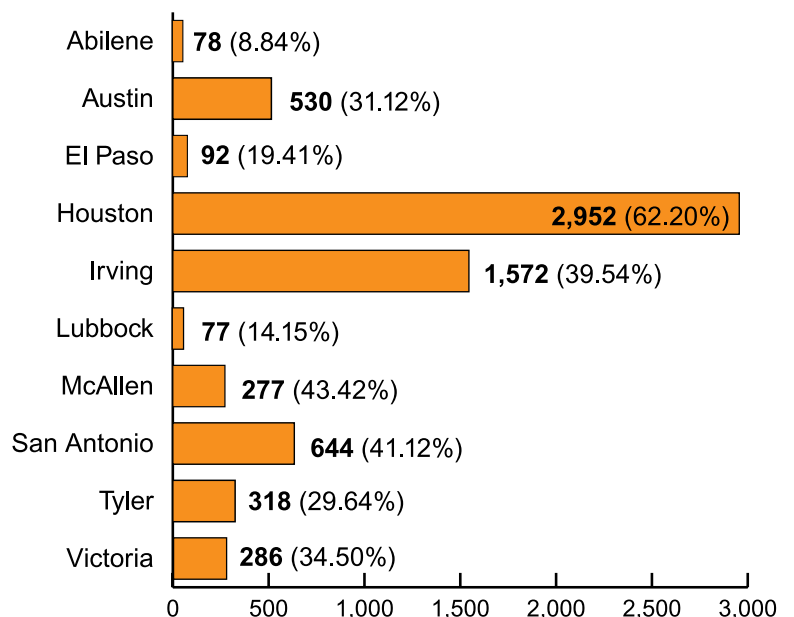


During FY 2008, the TLC continued to exceed its statutory goal of a 20-percent minority-owned Texas Lottery retailer base. Minority retailers now number 6,826, which represents 41.54 percent of the agency's total Texas Lottery retailer base (see Figures 4 and 5). During this report period, the number of minority retailers increased in seven of the 10 lottery sales districts. In addition, for the fifth consecutive year, the TLC has maintained a minority retailer percentage of more than 38 percent. More detailed information on minority retailers is located in Appendix B (page 18).

**FIG. 4
NUMBER OF
MINORITY RETAILERS**



**FIG. 5
FY 2008
MINORITY RETAILERS BY DISTRICT**



PRIME CONTRACTORS

The Commission's prime contractors during FY 2008 for contracts estimated to be \$100,000 or more included the following:

ADT SECURITY SYSTEMS, INC. – Security system leasing and monitoring services.

AFFILIATED FORENSIC LABORATORY, INC. – Instant ticket testing services (contract ended 3/14/08).

AUSTIN RIBBON AND COMPUTER SUPPLIES, INC.* – Computer equipment leasing.

BARKER & HERBERT ANALYTICAL LABORATORIES, INC. – Instant ticket testing services (contract began 3/10/08).

DAVILA, BUSCHHORN AND ASSOCIATES, PC* – Lottery drawings audit services.

EUBANK AND YOUNG STATISTICAL CONSULTING – Statistical consulting services.

EXECUTIVE SECURITY SYSTEMS, INC. – Uniformed security guard services.

GTECH CORPORATION® (LOTTERY OPERATOR) – Texas Lottery operation terminals and systems, leasing of Instant Ticket Vending Machines (ITVMs), telecommunications, field marketing, retailer training, and instant ticket warehousing and distribution.

IPSOS-REID CORPORATION – Lottery market research services.

M&S WORKS – Production services for live broadcasts of drawings.

MAXWELL, LOCKE AND RITTER, LLP – Financial auditing services.

MEYERTONS, HOOD, KIVLIN, KOWART AND GOETZEL, PC – External legal services for intellectual property issues.

MIR-FOX & RODRIGUEZ, PC* – Lottery security study services.

PAUL ADAMS PRODUCTIONS, INC. – TV-style game show at the State Fair of Texas.

POLLARD BANKNOTE, LTD. – Instant ticket manufacturing and services (secondary vendor).

SCIENTIFIC GAMES INTERNATIONAL, INC. – Instant ticket manufacturing and services.

SUNGARD VERICENTER, INC. – Web site hosting services.

TLP, INC. DBA TRACY LOCKE AND LATINWORKS – Advertising and media buying services.

XEROX CORPORATION – On-site document management and copy center services.

*HUB certified contractors

FISCAL YEAR 2008 HIGHLIGHTS

- The TLC's minority/HUB expenditures totaled more than \$40 million.
- Direct payments to minority businesses increased by more than \$100,000.
- Four of the TLC's prime contractors increased subcontracting payments to minority/HUB businesses.
- For FY 2008, the Texas Lottery Commission ranked 14th in terms of overall expenditures as captured by the CPA's *Fiscal Year 2008 Annual Historically Underutilized Business (HUB) Report*. However, of the 14 largest-spending state agencies, the TLC ranked number one by overall HUB percentage (see Table B on page 12).
- Three HUB companies provided major contract services to the agency during FY 2008.
- The TLC participated in 13 economic opportunity forums and HUB-related outreach events statewide.
- The TLC conducted a successful annual HUB forum on July 10, 2008, which attracted minority/HUB participants from across the state. The agency's use of roundtable networking sessions at this event allowed maximum interaction between attendees and key agency staff/prime contract vendors.
- The TLC had five mentor-protégé relationships during FY 2008.
- The TLC HUB Coordinator provided leadership by serving as Chair of the HUB Discussion Workgroup.
- The TLC continued to maintain a minority retailer percentage of more than 38 percent for the fifth consecutive year.



FISCAL YEAR 2008 MINORITY/HUB EXPENDITURE SUMMARY

TABLE A

I. DIRECT MINORITY/HUB EXPENDITURES

MINORITY/HUB GROUP	DIRECT EXPENDITURES	% OF TOTAL	TOTAL EXPENDITURES
AFRICAN AMERICAN	\$95,763	0.06%	
HISPANIC AMERICAN	\$719,333	0.48%	
ASIAN AMERICAN	\$143,673	0.10%	
NATIVE AMERICAN	\$0	0.00%	
AMERICAN WOMEN	\$1,326,757	0.88%	
TOTAL	\$2,285,526	1.51%	\$151,166,706

II. PRIME CONTRACTOR MINORITY/HUB SUBCONTRACTING EXPENDITURES

MINORITY/HUB GROUP	SUBCONTRACTING EXPENDITURES	% OF NON-MINORITY/ NON-HUB TOTAL	TOTAL ON-MINORITY/ NON_HUB EXPENDITURES
AFRICAN AMERICAN	\$4,622,096	3.10%	
HISPANIC AMERICAN	\$9,485,384	6.37%	
ASIAN AMERICAN	\$9,639	0.01%	
NATIVE AMERICAN	\$0	0.00%	
AMERICAN WOMEN	\$24,370,889	16.37%	
TOTAL	\$38,488,008	25.85%	\$148,881,180

III. GRAND TOTAL OF MINORITY/HUB EXPENDITURES

MINORITY/HUB GROUP	MINORITY/HUB EXPENDITURES	% OF TOTAL	TOTAL EXPENDITURES
AFRICAN AMERICAN	\$4,717,859	3.12%	
HISPANIC AMERICAN	\$10,204,717	6.75%	
ASIAN AMERICAN	\$153,312	0.10%	
NATIVE AMERICAN	\$0	0.00%	
AMERICAN WOMEN	\$25,697,646	17.00%	
TOTAL	\$40,773,534	26.97%	\$151,166,706

NOTE: Fiscal Year expenditures were based on the reportable expenditure object codes utilized by the Comptroller of Public Accounts (CPA) for the State of Texas HUB Report. Minority/HUB expenditures were derived from the *Fiscal Year 2008 Annual Historically Underutilized Business (HUB) Report* plus Texas Lottery Commission spending with minority- and women-owned businesses (direct and indirect) who were not HUB certified during FY 2008.

FISCAL YEAR 2008 MINORITY/HUB ACCOMPLISHMENTS

The Texas Lottery Commission promotes fair and competitive business opportunities for minority/HUB businesses interested in contracting with the agency and its prime contractors. The TLC conducted an effective program during FY 2008 to inform and educate minority/HUB businesses about opportunities to provide supplies, equipment, and services for the operation of the agency and to serve as licensed sales agents.

The following sections detail some of the TLC's achievements in FY 2008.

INCLUSION IN PROCUREMENTS

Many of the TLC's procurement-related initiatives contributed to its minority/HUB participation. These included:

- Participating in forums and other outreach events to inform minority/HUB vendors about the TLC's contracting and subcontracting opportunities.
- Hosting an annual HUB forum to present procurement-related information to minority/HUB vendors and provide networking opportunities.
- Determining the probability of subcontracting and identifying potential minority/HUB subcontracting opportunities for contracts with an expected value of \$100,000 or more.
- Evaluating good-faith-effort compliance with HUB subcontracting plan requirements.
- Monitoring contracts with an expected value of \$100,000 or more to ensure subcontracting plan compliance.
- Providing procurement opportunities at HUB Forums and other outreach events.
- Hosting meetings with interested vendors to assist them in becoming familiar with the TLC's procurement processes.
- Conducting post-contract award follow-up with prime vendors to discuss subcontracting plan requirements.
- Assisting eligible vendors to become certified as HUBs.

Bids/Proposals Received and Contracts Awarded:

During FY 2008, the TLC received 73 competitive bids and proposals from HUB vendors, which represented nearly 32 percent of all responses. Overall, the agency awarded 228 total contracts to HUB vendors, 154 of which were awarded to minority-owned HUBs. These included contracts resulting from noncompetitive "spot purchases," informal and formal quotes, offers, and proposals received from HUB vendors.



OUTREACH ACTIVITIES

Advertisements: During FY 2008, the TLC ran print advertisements to promote its HUB program and to publicize minority/HUB outreach events in minority-owned newspapers. Examples of the types of advertising placed are available in Appendix F (page 27).

Outreach Materials: The TLC provided information to minority businesses and HUBs that were interested in doing business with the agency. This included information regarding the agency's procurements, and contacts for both agency staff and TLC prime contractors.

Web site: Information about the TLC's Minority/HUB Program is available via the agency's Web site (www.txlottery.org), which also provides links to Statewide HUB Program information.

Forums: In accordance with legislative mandates, TLC staff participated in conferences, forums and vendor fairs to provide information regarding the agency and its procurement opportunities. As part of the TLC's outreach program, staff attended Economic Opportunity Forums (EOFs) sponsored by state agencies and/or other governmental entities. In addition, staff participated in numerous conferences and events coordinated by small, minority- and woman-owned business organizations. A summary of the agency's outreach efforts is provided in Appendix C (page 24) of this report.

The TLC conducted one of its most important outreach activities, the Texas Lottery Commission Annual HUB Forum, on July 10, 2008, in Austin. The forum drew minority- and woman-owned companies from throughout the state. Texas Lottery Commission presenters provided an overview of the agency's procurement opportunities and processes, as well as other information to assist HUBs. In addition, at the FY 2008 HUB Forum, the agency offered roundtable networking sessions for the third consecutive year. Attendees had the opportunity to meet face-to-face with agency management and staff, as well as with representatives from of the TLC's prime contractors. The roundtable format was very popular with the vendors who attended the forum, and positive feedback was received.

Subcontracting Opportunities: In FY 2008, the TLC continued to identify subcontracting opportunities for minority/HUB vendors, and subcontracting expenditures paid to minority-owned businesses increased during the report period.

MENTOR-PROTÉGÉ PROGRAM

In accordance with Texas Government Code, Section 2161.065, all state agencies with biennial budgets that exceed \$10 million are required to have a Mentor-Protégé Program. The purpose of the Mentor-Protégé Program is to foster long-term relationships between prime contractors and HUBs. The ultimate goal of the program is to provide developmental assistance to HUBs that will potentially increase their ability to contract directly with the state and/or to obtain subcontract opportunities under a state contract.

The TLC had five mentor-protégé relationships during FY 2008 (see Appendix D). The Mentor-Pro-

FISCAL YEAR 2008 MINORITY/HUB ACCOMPLISHMENTS

tégé Program is an ongoing initiative of the TLC. All relationships among mentors, protégés and the program sponsor are voluntary, and participation in the agency's Mentor-Protégé Program is neither a guarantee for a contract opportunity nor a promise of business.

HUB DISCUSSION WORKGROUP

The TLC participates in the HUB Discussion Workgroup (HDW), an established group of HUB Coordinators from state agencies and institutions of higher education that meets on a regular basis. The workgroup shares "best practices" and ideas, sponsors outreach events, and provides input to the Comptroller of Public Accounts (CPA) on methods to improve the state's HUB Program. During FY 2008, the TLC HUB Coordinator served as the Chair of the HDW. As the Chair, the TLC HUB Coordinator established and facilitated ongoing communication between the Comptroller's Texas Procurement and Support Services (TPASS) staff and HDW members. This was especially important during the transition of procurement and HUB related functions from the Texas Building and Procurement Commission to the CPA.

PRIME CONTRACTOR SUPPORT

Prime contractors are encouraged to include minority businesses and HUBs when purchasing goods and/or services related to the fulfillment of their contracts with the TLC. When the TLC determines that subcontracting is probable for contracts with an expected value of \$100,000 or more, respondents must perform outreach activities and meet subcontracting plan requirements. The state's Centralized Master Bidders List and HUB Directory are key resources available to the TLC's prime contractors for identifying HUBs that may be capable of performing subcontracting opportunities. The TLC's largest prime contractors also participated in the TLC's FY 2008 HUB Forum, providing information and networking opportunities to potential HUB subcontractors. Through these efforts, the agency's prime contractors who offered subcontracting opportunities achieved the following results in FY 2008:

PRIME CONTRACTOR NAME	MINORITY/HUB SUBCONTRACTING
TLP, INC.	\$28,911,771
GTECH CORPORATION	\$4,793,543
SCIENTIFIC GAMES INTERNATIONAL	\$4,523,750
DAVILA, BUSCHHORN, & ASSOCIATES, PC	\$97,150
EXECUTIVE SECURITY SYSTEMS, INC.	\$60,216
M & S WORKS	\$57,550
SUNGARD VERICENTER, INC.	\$46,297
IPSOS-REID CORPORATION	\$34,935
POLLARD BANKNOTE, LTD.	\$16,747
MIR-FOX & RODRIGUEZ, PC	\$9,430
MAXWELL, LOCKE & RITTER, LLP	\$7,290

FISCAL YEAR 2008 MINORITY/HUB ACCOMPLISHMENTS

RANK AMONG LARGEST-SPENDING AGENCIES

For FY 2008, the Texas Lottery Commission ranked 14th in terms of overall expenditures captured by the CPA's *Fiscal Year 2008 Annual Historically Underutilized Business (HUB) Report*. Of the 14 largest-spending agencies, the TLC ranked number one by overall HUB percentage (see Table B).

TABLE B
ANNUAL FISCAL YEAR 2008 STATEWIDE HUB REPORT
14 LARGEST-SPENDING AGENCIES RANKED BY OVERALL HUB PERCENTAGE

RANK	AGENCY NAME	TOTAL EXPENDITURES	HUB EXPENDITURES	HUB PERCENTAGE
1	TEXAS LOTTERY COMMISSION	\$151,166,706	\$40,666,716	26.90%
2	TEXAS A & M SYSTEM	\$218,317,633	\$50,484,088	23.12%
3	TEXAS A & M UNIVERSITY (MAIN UNIVERSITY)	\$221,865,525	\$44,365,078	20.00%
4	UNIVERSITY OF TEXAS SYSTEM	\$553,666,673	\$110,030,078	19.87%
5	HEALTH AND HUMAN SERVICES COMMISSION	\$566,297,657	\$109,258,197	19.29%
6	THE UNIVERSITY OF TEXAS AT AUSTIN	\$329,296,054	\$55,038,317	16.71%
7	TEXAS DEPARTMENT OF PUBLIC SAFETY	\$215,138,971	\$32,525,761	15.12%
8	UT SOUTHWESTERN MEDICAL CENTER - DALLAS	\$331,117,994	\$46,153,011	13.94%
9	TEXAS DEPARTMENT OF CRIMINAL JUSTICE	\$346,206,784	\$47,921,510	13.84%
10	UT MEDICAL BRANCH - GALVESTON	\$323,608,229	\$38,347,127	11.85%
11	DEPARTMENT OF STATE HEALTH SERVICES	\$304,431,444	\$34,799,364	11.43%
12	TEXAS DEPARTMENT OF TRANSPORTATION	\$6,190,167,181	\$586,499,499	9.47%
13	UT MD ANDERSON CANCER CENTER	\$963,632,570	\$78,968,642	8.19%
14	TEXAS GENERAL LAND OFFICE	\$210,533,412	\$3,395,795	1.61%

Note: The largest spending agencies are determined by total expenditures made for object codes which are reportable in the CPA's *Fiscal Year 2008 Annual Historically Underutilized Business (HUB) Report*. The state does not have an overall HUB goal, but utilizes six procurement category goals, in accordance with the State Disparity Study. **These figures are for HUB utilization only, and do not include expenditures made to uncertified minority or woman-owned businesses, which are included in the Texas Lottery Commission's totals elsewhere in this report. These figures are unaudited.**

MINORITY RETAILERS

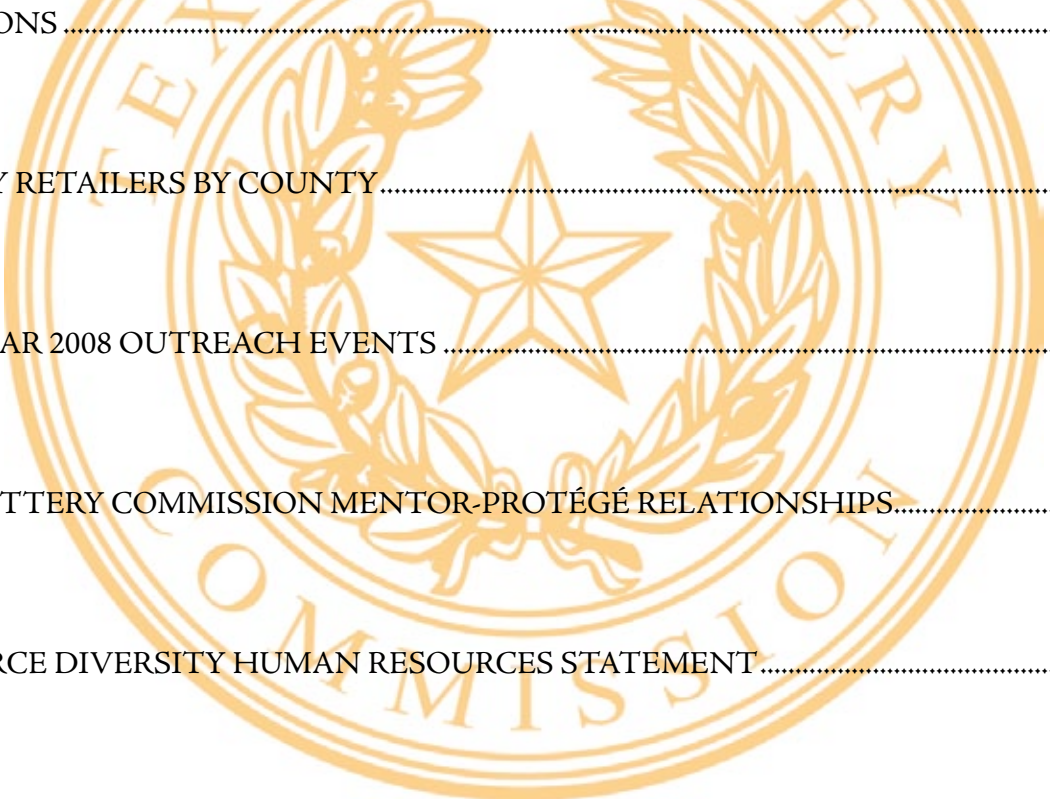
The Texas Lottery Commission's minority retailer base consistently exceeds its statutory goal of 20 percent. In FY 2008, the agency's minority retailers numbered 6,826 which represented 41.54 percent of the Texas Lottery's total retailer base (see Figure 4 and Appendix B). This represents an increase from the previous fiscal year. In addition, the agency has continued to maintain a minority retailer percentage of more than 38 percent for the past five fiscal years. The percentage of minority retailers exceeds 20 percent in seven of the Texas Lottery's 10 individual sales districts.

FISCAL YEAR 2009 RECOMMENDED IMPROVEMENTS

- Focus on performance in procurement categories where goals were not attained in FY 2008.
- Continue to develop training and/or other methods to assist vendors with HUB subcontracting plan preparation.
- Continue to improve the Commission's Mentor-Protégé Program.
- Continue to increase Commission staff's HUB Program awareness by providing information and training opportunities.
- Develop new opportunities for prime contractors to interact with potential minority/HUB subcontractors.
- Continue to improve the agency's Annual HUB Forum to address the needs of minority/HUB businesses.



APPENDICES



The seal of the Texas Lottery Commission is a large, circular emblem in the background. It features a five-pointed star in the center, surrounded by a wreath of olive and oak branches. The words "TEXAS LOTTERY" are arched across the top, and "COMMISSION" is arched across the bottom.

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DEFINITIONS

MINORITY BUSINESS

As defined in Texas Government Code §466.107 (b), “Minority Business” means a business entity at least 51 percent of which is owned by minority group members or, in the case of a corporation, at least 51 percent of the shares are owned by minority group members, and that:

- 1) is managed and, in daily operations, is controlled by minority group members; and
- 2) is a domestic business entity with a home or branch office located in this state and is not a branch or subsidiary of a foreign corporation, firm or other business entity.

“**MINORITY GROUP MEMBERS**” include African Americans, American Indians, Asian Americans, and Mexican Americans and other Americans of Hispanic origin.

HISTORICALLY UNDERUTILIZED BUSINESS (HUB): As defined in Texas Government Code, §2161.001 subdivisions (2) and (3), “historically underutilized business” means an entity with its principal place of business in the state of Texas that is:

- 1) a corporation formed for the purpose of making a profit in which 51 percent or more of all classes of the shares of stock or other equitable securities are owned by one or more economically disadvantaged persons who have a proportionate interest and actively participate in the corporation’s control, operation and management;
- 2) a sole proprietorship created for the purpose of making a profit that is completely owned, operated, and controlled by an economically disadvantaged person;
- 3) a partnership formed for the purpose of making a profit in which 51 percent or more of the assets and interest in the partnership are owned by one or more economically disadvantaged persons who have a proportionate interest and actively participate in the control, operation and management;
- 4) a joint venture in which each entity in the venture is a historically underutilized business, as determined under another paragraph of this subdivision; or
- 5) a supplier contract between a historically underutilized business determined under another paragraph of this subdivision and a prime contractor under which the historically underutilized business is directly involved in the manufacture or distribution of the goods or otherwise warehouses and ships the goods.

“**ECONOMICALLY DISADVANTAGED” PERSON** means a person who is economically disadvantaged because of the person’s identification as a member of a certain group, including Black Americans, Hispanic Americans, women, Asian Pacific Americans, and Native Americans, and who has suffered the effects of discriminatory practices or other similar insidious circumstances over which the person has no control.

DEFINITIONS

COMMISSION: As defined in Texas Government Code, §466.002(1), “Commission” means the Texas Lottery Commission.

HUB SUBCONTRACTING PLAN: As defined by Texas Administrative Code Title 34, Part 1, Chapter 20, Subchapter B, Rule §20.12, a HUB subcontracting plan is “written documentation regarding the use of HUB subcontractors, which is required by a state agency in procurements with an expected value of \$100,000 or more which a potential contractor/vendor must prepare and return with their bid, proposal, offer, or other applicable expression of interest. The HUB subcontracting plan subsequently becomes a provision of the contract awarded as a result of the procurement process.”

LOTTERY: As defined in Texas Government Code, §466.002(5), “lottery” means the procedures operated by the state under this chapter through which prizes are awarded or distributed by chance among persons who have paid, or unconditionally agreed to pay, for a chance or other opportunity to receive a prize.

SALES AGENT OR SALES AGENCY: As defined in Texas Government Code §466.002(9), “sales agent” or “sales agency” means a person licensed under this chapter to sell tickets.

SUBCONTRACTOR: As defined in Texas Government Code §2251.001, “subcontractor” means a person who contracts with a vendor to work or contribute toward completing work for a governmental entity.

LOTTERY OPERATOR: As defined in §466.002(7), “lottery operator” means a person selected under §466.014(b) to operate a lottery.

VENDOR: As defined in Texas Government Code §2251.001, “vendor” means a person who supplies goods or a service to a governmental entity or another person directed by the entity.

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
ANDERSON	39	9	23.08%
ANDREWS	9	0	0.00%
ANGELINA	57	15	26.32%
ARANSAS	23	7	30.43%
ARCHER	8	0	0.00%
ARMSTRONG	1	0	0.00%
ATASCOSA	32	16	50.00%
AUSTIN	32	18	56.25%
BAILEY	5	0	0.00%
BANDERA	12	2	16.67%
BASTROP	59	23	38.98%
BAYLOR	4	0	0.00%
BEE	18	7	38.89%
BELL	190	61	32.11%
BEXAR	910	467	51.32%
BLANCO	12	3	25.00%
BORDEN	0	0	0.00%
BOSQUE	26	9	34.62%
BOWIE	49	8	16.33%
BRAZORIA	183	119	65.03%
BRAZOS	131	79	60.31%
BREWSTER	12	3	25.00%
BRISCOE	2	0	0.00%
BROOKS	7	2	28.57%
BROWN	35	0	0.00%
BURLESON	21	10	47.62%
BURNET	37	12	32.43%
CALDWELL	22	4	18.18%
CALHOUN	17	9	52.94%
CALLAHAN	10	1	10.00%
CAMERON	208	56	26.92%
CAMP	8	2	25.00%
CARSON	7	0	0.00%
CASS	22	3	13.64%
CASTRO	8	0	0.00%
CHAMBERS	30	11	36.67%
CHEROKEE	42	14	33.33%
CHILDRESS	5	0	0.00%
CLAY	6	0	0.00%
COCHRAN	5	0	0.00%
COKE	4	0	0.00%
COLEMAN	10	0	0.00%
COLLIN	283	108	38.16%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
COLLINGSWORTH	3	0	0.00%
COLORADO	29	8	27.59%
COMAL	70	8	11.43%
COMANCHE	14	1	7.14%
CONCHO	5	0	0.00%
COOKE	37	9	24.32%
CORYELL	29	9	31.03%
COTTLE	1	0	0.00%
CRANE	5	0	0.00%
CROCKETT	7	1	14.29%
CROSBY	7	0	0.00%
CULBERSON	8	1	12.50%
DALLAM	9	0	0.00%
DALLAS	1,632	763	46.75%
DAWSON	7	2	28.57%
DEAF SMITH	14	0	0.00%
DELTA	3	2	66.67%
DENTON	259	91	35.14%
DEWITT	13	1	7.69%
DICKENS	3	0	0.00%
DIMMIT	9	6	66.67%
DONLEY	6	0	0.00%
DUVAL	11	5	45.45%
EASTLAND	25	1	4.00%
ECTOR	92	9	9.78%
EDWARDS	3	1	33.33%
ELLIS	84	22	26.19%
EL PASO	392	77	19.64%
ERATH	23	3	13.04%
FALLS	13	3	23.08%
FANNIN	20	6	30.00%
FAYETTE	25	6	24.00%
FISHER	3	0	0.00%
FLOYD	5	1	20.00%
FOARD	1	0	0.00%
FORT BEND	215	131	60.93%
FRANKLIN	4	1	25.00%
FREESTONE	25	4	16.00%
FRIO	15	2	13.33%
GAINES	10	0	0.00%
GALVESTON	278	176	63.31%
GARZA	6	1	16.67%
GILLESPIE	15	0	0.00%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
GLASSCOCK	1	0	0.00%
GOLIAD	5	1	20.00%
GONZALES	18	6	33.33%
GRAY	16	1	6.25%
GRAYSON	109	37	33.94%
GREGG	131	26	19.85%
GRIMES	27	14	51.85%
GUADALUPE	73	28	38.36%
HALE	24	4	16.67%
HALL	7	0	0.00%
HAMILTON	9	0	0.00%
HANSFORD	4	0	0.00%
HARDEMAN	6	0	0.00%
HARDIN	55	8	14.55%
HARRIS	3,151	2,194	69.63%
HARRISON	40	9	22.50%
HARTLEY	0	0	0.00%
HASKELL	6	1	16.67%
HAYS	79	16	20.25%
HEMPHILL	5	0	0.00%
HENDERSON	52	20	38.46%
HIDALGO	366	185	50.55%
HILL	40	3	7.50%
HOCKLEY	13	2	15.38%
HOOD	46	7	15.22%
HOPKINS	25	4	16.00%
HOUSTON	20	3	15.00%
HOWARD	30	2	6.67%
HUDSPETH	3	2	66.67%
HUNT	65	31	47.69%
HUTCHINSON	17	1	5.88%
IRION	3	0	0.00%
JACK	8	1	12.50%
JACKSON	17	2	11.76%
JASPER	33	3	9.09%
JEFF DAVIS	2	0	0.00%
JEFFERSON	234	60	25.64%
JIM HOGG	7	5	71.43%
JIM WELLS	43	19	44.19%
JOHNSON	99	28	28.28%
JONES	9	0	0.00%
KARNES	14	2	14.29%
KAUFMAN	83	43	51.81%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
KENDALL	20	5	25.00%
KENEDY	0	0	0.00%
KENT	1	0	0.00%
KERR	40	2	5.00%
KIMBLE	12	1	8.33%
KING	1	0	0.00%
KINNEY	3	0	0.00%
KLEBERG	30	12	40.00%
KNOX	4	0	0.00%
LAMAR	44	17	38.64%
LAMB	13	0	0.00%
LAMPASAS	13	2	15.38%
LA SALLE	7	1	14.29%
LAVACA	16	0	0.00%
LEE	18	8	44.44%
LEON	25	5	20.00%
LIBERTY	69	31	44.93%
LIMESTONE	25	2	8.00%
LIPSCOMB	5	0	0.00%
LIVE OAK	17	2	11.76%
LLANO	19	4	21.05%
LOVING	0	0	0.00%
LUBBOCK	140	27	19.29%
LYNN	3	0	0.00%
MADISON	10	6	60.00%
MARION	17	6	35.29%
MARTIN	1	0	0.00%
MASON	5	1	20.00%
MATAGORDA	40	19	47.50%
MAVERICK	25	11	44.00%
MCCULLOCH	10	0	0.00%
MCLENNAN	191	59	30.89%
MCMULLEN	2	0	0.00%
MEDINA	30	6	20.00%
MENARD	3	0	0.00%
MIDLAND	72	7	9.72%
MILAM	23	3	13.04%
MILLS	5	1	20.00%
MITCHELL	6	0	0.00%
MONTAGUE	18	5	27.78%
MONTGOMERY	284	161	56.69%
MOORE	20	2	10.00%
MORRIS	8	3	37.50%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
MOTLEY	3	0	0.00%
NACOGDOCHES	52	12	23.08%
NAVARRO	45	18	40.00%
NEWTON	14	2	14.29%
NOLAN	19	0	0.00%
NUECES	232	63	27.16%
OCHILTREE	6	0	0.00%
OLDHAM	1	0	0.00%
ORANGE	70	7	10.00%
PALO PINTO	36	8	22.22%
PANOLA	16	3	18.75%
PARKER	56	15	26.79%
PARMER	8	0	0.00%
PECOS	23	6	26.09%
POLK	31	11	35.48%
POTTER	91	31	34.07%
PRESIDIO	5	1	20.00%
RAINS	10	5	50.00%
RANDALL	34	4	11.76%
REAGAN	2	0	0.00%
REAL	5	1	20.00%
RED RIVER	14	5	35.71%
REEVES	8	1	12.50%
REFUGIO	11	4	36.36%
ROBERTS	1	0	0.00%
ROBERTSON	21	6	28.57%
ROCKWALL	31	10	32.26%
RUNNELS	16	0	0.00%
RUSK	29	10	34.48%
SABINE	15	0	0.00%
SAN AUGUSTIN	10	2	20.00%
SAN JACINTO	15	12	80.00%
SAN PATRICIO	68	14	20.59%
SAN SABA	7	0	0.00%
SCHLEICHER	3	0	0.00%
SCURRY	10	1	10.00%
SHACKELFORD	5	0	0.00%
SHELBY	17	3	17.65%
SHERMAN	2	0	0.00%
SMITH	116	54	46.55%
SOMERVELL	11	2	18.18%
STARR	35	20	57.14%
STEPHENS	6	1	16.67%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
STERLING	1	0	0.00%
STONEWALL	3	1	33.33%
SUTTON	8	1	12.50%
SWISHER	4	0	0.00%
TARRANT	1,133	391	34.51%
TAYLOR	105	6	5.71%
TERRELL	1	0	0.00%
TERRY	8	1	12.50%
THROCKMORTON	2	0	0.00%
TITUS	22	6	27.27%
TOM GREEN	75	4	5.33%
TRAVIS	580	168	28.97%
TRINITY	17	7	41.18%
TYLER	15	0	0.00%
UPSHUR	20	5	25.00%
UPTON	3	0	0.00%
UVALDE	26	5	19.23%
VAL VERDE	25	5	20.00%
VAN ZANDT	34	14	41.18%
VICTORIA	62	14	22.58%
WALKER	48	28	58.33%
WALLER	35	22	62.86%
WARD	12	2	16.67%
WASHINGTON	31	10	32.26%
WEBB	135	42	31.11%
WHARTON	47	25	53.19%
WHEELER	7	0	0.00%
WICHITA	103	24	23.30%
WILBARGER	11	1	9.09%
WILLACY	10	4	40.00%
WILLIAMSON	166	51	30.72%
WILSON	26	8	30.77%
WINKLER	8	0	0.00%
WISE	40	15	37.50%
WOOD	22	7	31.82%
YOAKUM	8	0	0.00%
YOUNG	17	2	11.76%
ZAPATA	12	8	66.67%
ZAVALA	13	11	84.62%
TOTAL	16,431	6,826	41.54%

APPENDIX C

FISCAL YEAR 2008 HUB, MINORITY AND SMALL BUSINESS OUTREACH EVENTS

I. STATE ECONOMIC OPPORTUNITY FORUMS	LOCATION
TEXAS DEPARTMENT OF TRANSPORTATION SMALL BUSINESS BRIEFING	BEAUMONT
WEST TEXAS ECONOMIC DEVELOPMENT SUMMIT: "SELLING TEXAS ONE REGION AT A TIME"	EL PASO
THE UNIVERSITY OF TEXAS SYSTEM AND UNIVERSITY OF TEXAS AT AUSTIN HUB VENDOR FAIR	AUSTIN
EAST TEXAS ECONOMIC OPPORTUNITY FORUM: "SELLING TEXAS ONE REGION AT A TIME"	NACOGDOCHES
DEPARTMENT OF INFORMATION RESOURCES HUB VENDOR FAIR 2008	AUSTIN
TEXAS PROCUREMENT AND SUPPORT SERVICES 2008 PROCUREMENT CONNECTION SEMINAR AND EXPO	AUSTIN
12 TH ANNUAL GOVERNMENT PROCUREMENT CONFERENCE SPONSORED BY UT - ARLINGTON	ARLINGTON
II. TEXAS LOTTERY COMMISSION FORUMS	
TEXAS LOTTERY COMMISSION ANNUAL HUB FORM	AUSTIN
III. VENDOR FAIRS, CONFERENCES & PROCUREMENT EVENTS	
HOUSTON MINORITY BUSINESS COUNCIL EXPO 2007	HOUSTON
THE CITY OF SAN ANTONIO AND BEXAR COUNTY'S 7 TH ANNUAL SMALL, MINORITY AND WOMAN BUSINESS OWNER'S CONFERENCE	SAN ANTONIO
ENTREPRENEUR EXPO	FORT WORTH
GOVERNMENT PROCUREMENT CONNECTIONS 2008	HOUSTON
ACCESS 2008	ARLINGTON
TEXAS ASSOCIATION OF MEXICAN-AMERICAN CHAMBERS OF COMMERCE 32 ND ANNUAL CONVENTION AND BUSINESS EXPO	AUSTIN

APPENDIX D

TEXAS LOTTERY COMMISSION MENTOR-PROTÉGÉ RELATIONSHIPS

MENTOR	PROTÉGÉ	EFFECTIVE DATE	TERMINATION DATE
TLP INC.	CREATIVE PRINTING, LTD.	12/05/07	12/05/09
GTECH CORPORATION	BUSINESSS ASSETS ENTERPRISES, LP	12/05/07	12/05/09
GTECH CORPORATION	FLORES AND ASSOCIATES	12/05/07	12/05/09
GTECH CORPORATION	C-SERV COMMERCIAL MOVING SERVICES	12/05/07	12/05/09
SCIENTIFIC GAMES	BUSINESSS ASSETS ENTERPRISES, LP	12/05/07	12/05/09

APPENDIX E

WORKFORCE DIVERSITY HUMAN RESOURCES STATEMENT

The Texas Lottery Commission (TLC) strives to ensure that its employee population reflects the ethnic and gender composition of the state of Texas. A workforce comprising nearly 63 percent women and just over 42 percent minorities is the result of our aggressive approach to equal opportunity practices (see table below).

The TLC takes great pride in its workforce diversity. Efforts to maintain and enhance this diversity are apparent in the open and fair availability of employment opportunities to all members of the public, as well as to TLC employees. TLC staff is expected to treat others with respect. The agency recognizes that maintaining a diverse workforce plays a role in reaching our goal of increased minority participation. This recognition of the value of employee uniqueness is an important factor in the TLC's overall effectiveness.

Programs and policies that aid in accomplishing the goal of workforce diversity include:

- Encouraging a Team Approach
- Emphasizing employment recruiting and retention
- Monitoring workforce demographics
- Defining management roles and responsibilities
- Equal Employment Opportunity (EEO) training for management

TEXAS LOTTERY COMMISSION WORKFORCE

**TEXAS LOTTERY EMPLOYEES BY ETHNICITY
AS OF AUGUST 31, 2008**

ETHNICITY	NUMBER OF EMPLOYEES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	37	11.24%
HISPANIC AMERICAN	97	29.50%
ASIAN AMERICAN	4	1.21%
OTHER ETHNICITY	1	0.30%
TOTAL MINORITIES	139	42.25%
CAUCASIAN AMERICAN	190	57.75%
TOTAL EMPLOYEES	329	100%

**TEXAS LOTTERY EMPLOYEES BY GENDER
AS OF AUGUST 31, 2008**

ETHNICITY	NUMBER OF MALES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	11	3.34%
HISPANIC AMERICAN	33	10.03%
ASIAN AMERICAN	3	0.91%
OTHER ETHNICITY	1	0.30%
CAUCASIAN	75	22.80%
TOTAL MALES	123	37.38%
ETHNICITY	NUMBER OF FEMALES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	26	7.90%
HISPANIC AMERICAN	64	19.45%
ASIAN AMERICAN	1	0.30%
OTHER ETHNICITY	0	0.00%
CAUCASIAN	115	34.95%
TOTAL FEMALES	206	62.61%
TOTAL AGENCY EMPLOYEES	329	100%

APPENDIX F

SAMPLE ADVERTISEMENTS IN MINORITY NEWSPAPERS

SAMPLE ADVERTISEMENTS IN MINORITY NEWSPAPERS



DON'T MISS OUT!

Texas Lottery Commission Annual Historically Underutilized Business Forum

Thursday, July 10, 2008 | 1:00 - 4:30 pm | 611 E. 6th St. - Austin, Texas

The forum will provide information about the TLC's HUB program, procurement processes, and Mentor Protégé initiatives. It will also feature a roundtable networking session with key Lottery Commission staff and prime contractor representatives.

Roundtable assignments will be made on a first-come, first-serve basis on the day of the forum.

**The TLC HUB Forum is FREE
of charge!**

Register on-line on or before 7/3/08
at: www.txlottery.org/hub

For more information contact:

Joyce Bertolacini, HUB Coordinator
512.344.5293
joyce.bertolacini@lottery.state.tx.us

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SAMPLE ADVERTISEMENTS IN MINORITY NEWSPAPERS



¡NO TE LO PIERDAS!

La Comisión de la Lotería de Texas Foro Sobre
Empresas Históricamente Subutilizadas (HUB)

Jueves, 10 de julio, 2008 | 1:00 - 4:30 pm | 611 E. 6th St. - Austin, Texas

El foro proporcionará información acerca del programa HUB del TLC, procesos de procuración, e iniciativas del programa mentor y pupilo. Además, se hará una mesa redonda para establecer contactos con personas clave de la Comisión de la Lotería y representantes de sus principales contratistas.

La asignación de lugares para la mesa redonda será por orden de llegada el día del foro.

¡La inscripción al foro TLC HUB es gratis!

Regístrese en línea el mismo día o antes del 3/7/08 en: www.txlottery.org/hub

Para más información contacte a:

Joyce Bertolacini, Coordinador de HUB
512.344.5293
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SAMPLE ADVERTISEMENTS IN MINORITY NEWSPAPERS



HUB Certification: It's a Winning Idea!

The Texas Lottery Commission is committed to including Historically Underutilized Businesses (HUBs) in its procurement opportunities. Your minority- or woman-owned company may qualify to be certified as a Historically Underutilized Business (HUB) with the State of Texas.

For information about state certification and Texas Lottery procurement opportunities, contact our HUB Coordinator, Joyce Bertolacini at (512) 344-5293 or joyce.bertolacini@lottery.state.tx.us

To learn more about the State of Texas HUB Program, visit the Texas Procurement and Support Services web page at: <http://www.window.state.tx.us/procurement/prog/hub/>



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SAMPLE ADVERTISEMENTS IN MINORITY NEWSPAPERS

La certificación HUB es una idea ganadora.

La Comisión de la Lotería de Texas está comprometida a incluir a las Empresas Históricamente Subutilizadas (HUB) en las oportunidades de adquisición. Las compañías de dueños minoritarios o mujeres podrán calificar para ser certificadas como las Empresas Históricamente Subutilizadas (HUB) por el Estado de Texas.

Para más información acerca de la certificación del estado y las oportunidades de adquisición de la Lotería de Texas, contacte a Joyce Bertolacini, su coordinador HUB al (512) 344-5293 o a joyce.bertolacini@lottery.state.tx.us

Para saber más acerca del programa HUB del Estado de Texas, visite la página web de información y soporte de los servicios de adquisiciones: <http://www.window.state.tx.us/procurement/prog/hub/>

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AN AGENCY OF THE
STATE OF TEXAS