



2323 Grand Avenue · Des Moines · Iowa 50312-5307  
Telephone: 515-725-7900 · Fax: 515-725-7882  
www.ialottery.com

Terry E. Branstad · Governor  
Kim Reynolds · Lt. Governor  
Terry Rich · Chief Executive Officer

## **AGENDA**

### ***IOWA LOTTERY BOARD***

**January 29, 2014  
11:30 a.m.**

- I. Call to Order
  - a. Approval of Minutes
  
- II. Real Estate Agreement
  - a. Consideration of Real Estate Agreement
    - i. DAS Presentation
    - ii. Board Action on Real Estate Agreement
  
- III. 2323 Grand Avenue
  - a. Consideration of Options for Existing Building
  - b. Board Action on Existing Building
  
- IV. NCLGS Membership
  
- V. Pull Tab Printing
  - a. Intent to Award
  
- VI. Lotto Game Update
  
- VII. Adjournment

If you require the assistance of auxiliary aids or services to participate in or attend the meeting because of a disability, please call our ADA coordinator at 515-725-7864, or if you are hearing impaired, call Relay TTY at 1-800-735-2942.

**MINUTES  
IOWA LOTTERY BOARD  
December 13, 2013**

The Iowa Lottery Board convened at 10:30 a.m., Board Chairperson Mike Klappholz presiding.

Board members participating: Mike Klappholz, Mary Junge, Matt McDermott and Deb Burnight. Herman Richter was present via teleconference.

Lottery staff present: Terry Rich, CEO; Larry Loss, EVP; Brenda Nye, CFO; Mary Neubauer, Vice President External Relations; Teri Wood TeBockhorst, Vice President Marketing; Molly Juffernbruch, Vice President General Counsel; Steve Bogle, Vice President Security; Jack Schroeder, Vice President Operations and Systems; Jamie Becker, Sr Project Director/Board Secretary, & Dave Van Compernelle, Assistant Attorney General.

Others present: Brittany Telk, House Republicans; Marian White, Department of Administrative Services; Ben Brackett, Department of Administrative Services.

Chairperson Klappholz called the meeting to order and announced that the meeting would be held via teleconference in accordance with Iowa Code section 21.8.

McDermott moved to approve conducting the electronic meeting via teleconference. Junge seconded. Motion carried unanimously.

**APPROVAL OF MINUTES**

Burnight moved to approve the September board meeting minutes. Junge seconded. Motion carried unanimously.

**QUARTERLY REPORTS**

**FINANCIAL**

Nye stated that financials through October show sales ahead of budget by 16% and ahead of the five year average by 20% with proceeds ahead of budget by nearly 35% and ahead of the five year average by 20%. Nye stated that the November financials will show that the lottery is keeping pace with five year averages however when compared to last year, sales and proceeds will be lower due to the high jackpot from last November.

Nye reported that the fiscal year 2013 audit was released on November 18 and showed a clean opinion with no internal control deficiencies or instances of non-compliance.

**MARKETING**

Larry Loss presented the Marketing report on behalf of Teri Wood. Loss stated that the holiday VIP Club promotion, Gifts Galore, will award 10 cash prizes of \$10,000 each and 300 prizes of Sony electronics on January 13. The goal was to have 500,000 entries by the end of the promotion and there are already 508,541 entries to-date. Loss stated that the Pro Football Hall of Fame/Powerball promotion is running concurrently and will run through February 8. Total entries to-date is 12,395.

Loss stated a new Veteran's scratch ticket will launch January 6. VIP Club members can enter non-winning \$1 Ride To Riches tickets for a chance to win a one-of-a-kind custom painted Victory Motorcycle, painted by Bubba Sorensen, the Freedom Rock painter. Loss added that Victory Motorcycles is based out of Spirit Lake, Iowa. A press conference to launch the ticket and unveil the

motorcycle will be held on January 6 at Capital Square Atrium. In conjunction with this promotion, the lottery has repurposed the TV spots with veterans and is scheduled to run during this promotion.

## **SECURITY**

Steve Bogle reported that compliance investigations continue on retailers and although they find administrative errors, no thefts have been attempted. Compliance checks will continue.

Bogle stated that at the last board meeting he presented a situation where a retailer showed great integrity and self-reported an incident where one of their clerks had sold a ticket to an underage person and due to the Administrative Rule the lottery had no choice but to suspend their license for seven days. Since then Bogle stated he has worked with Molly Juffernbruch to write a proposal to change the Administrative Rule to give the lottery discretion. Bogle stated the change basically removes the word 'shall' and inserts 'may'. Bogle then asked the Board for approval to move forward in the Administrative Rule Process, which could take a few months.

Burnight added that it would be nice if the individual who precipitated this situation knew that their action and integrity prompted this change. Bogle responded that he has spoken with their legal counsel and have kept them apprised of the steps taken.

McDermott moved to approve moving forward with the proposed change to the Administrative Rule. Junge seconded.  
Motion carried unanimously.

## **LEGISLATIVE**

Neubauer reported that three states are now allowing full-scale Internet gaming – Nevada, New Jersey and Delaware. And while two separate bills have been introduced in Congress to allow federal regulation of Internet gaming, Neubauer reported that a billionaire casino developer, Sheldon Adelson, is now lobbying lawmakers both in D.C. and at the state level with the goal of banning Internet gambling. Neubauer stated that Adelson was a major donor to Republican candidates in the last election cycle and according to reports, Adelson plans to roll out an advocacy group called the Coalition to Stop Internet Gambling in January. Neubauer added that three prominent political voices have identified themselves as national co-chairman for the Coalition to Stop Internet Gambling: former Gov. George Pataki (R-N.Y.); former U.S. Sen. Blanche Lincoln (D-Ark.); and former Denver Mayor Wellington Webb, (D).

Neubauer reported that last Tuesday, there was a Congressional hearing in D.C. about Congressman Barton's bill (H.R. 2666, the Internet Poker Freedom Act) before a subcommittee of the U.S. House Committee on Energy and Commerce. Those testifying before the group included the CEO of the American Gaming Association; the executive director of the Poker Players Alliance; the national director of the Stop Predatory Gambling Group; a law professor, a public health professor; and a representative of The Sands, Sheldon Adelson's company. No lottery representatives were invited to speak.

Neubauer stated the lottery will continue to monitor developments regarding Internet gaming and keep the Board updated.

Junge asked if anyone in the United States can participate in the three states that have implemented Internet gambling. Neubauer stated that a gambling transaction that crosses state lines is in violation of current federal law and therefore online gambling is intra-state only. Klappholz inquired about those who choose to violate the law. Neubauer confirmed that there are illegal off-shore gambling sites where it is estimated that U.S. citizens spend approximately \$4 billion annually, but said that the

three states that have implemented online gaming have structures in place that should only allow those within state lines to access the system.

Burnight moved to approve the quarterly reports. Richter seconded.  
Motion carried unanimously.

#### **BUILDING REPORT**

Loss introduced Ben Brackett, Administrator, DAS Lease and Space Management Services and Marian White, DAS Deputy Administrator, State leasing Program, both of whom have been working closely with the lottery on the building project. Loss added that Dave Peterson, DAS Senior Resource Manager, has also helped out.

Loss stated that there are two documents included in the packet; Update: Property Considerations for Iowa Lottery Authority Headquarters at 2323 Grand Ave. in Des Moines, and Iowa Lottery Relocation Project.

Loss stated that this is a very delicate time as respondents in the final group are clarifying their positions and completing their Final Response Proposals. It has been the DAS's best practice to conduct negotiations in private to get the best deal for the State.

McDermott asked when the last appraisal was completed. Rich stated it was most likely 2004 when the building was purchased. Junge asked for the number of finalists and Loss stated there were approximately 20 proposals and a small group of finalists but the deadline was the end of that day (Friday, Dec 13). Junge asked about the deadline and Rich stated ideally an agreement will be approved by spring. Loss added that Ben Brackett indicated the process can go quickly once the responses are received. Loss and Rich both stated they hope to have more concrete information for the Board in January.

Junge inquired as to the role of DAS versus the role of lottery staff. Rich stated the lottery staff will have a lot more input at the next step while allowing DAS to proceed with their normal real estate responsibilities since they are the state's real estate experts. Rich added that the lottery's goal is to keep this open and fair for all involved.

#### **FISCAL POLICIES**

Nye stated there were three fiscal policies included for approval. Two fiscal policies have wording changes to mirror the similar Department of Administrative Services (DAS) policy: 230.600 Payment Policies – Memberships in Outside Organizations and 240.150 Misc – Prior Approvals – One-Time Approvals.

Nye stated that 240.102 Purchasing Policies and Services Contracting combines a Lottery fiscal policy of that same number with the Lottery policy 230.650 Payment Policies – Competitive Bidding and Contracts and several memo-style procedures to create one comprehensive policy regarding purchasing, bidding and contracting. The policy expands on the rules established in Chapter 2 of the Lottery Administrative code regarding purchasing.

Nye said there is a DAS policy 230.650 and a Lottery policy with the same number. The Lottery would like to eliminate the Lottery policy and follow the DAS policy titled Payment Policies – Employee Business Cards, which allows payment for employee business cards at the discretion of the appointing authority.

Nye requested the Board's approval of the three revised fiscal policies and elimination of the Lottery policy 230.650.

Junge moved to approve, McDermott seconded.

McDermott asked if there were any substantive changes to the policies. Nye stated that they were simply combined but no substantive changes.

Motion carried unanimously.

#### **DAS Report**

Klappholz stated that when Mary Junge was Chair, she asked that Klappholz and McDermott sit on a committee to review key employee compensation. Klappholz stated that the review has been completed, thanked DAS for their report and the detailed work said the report had been sent to the Board and released to the public.

Junge commented that the report validates the actions taken by the Board ten years ago based on the report that was done at that time. Junge then thanked McDermott and Klappholz for spearheading that committee.

#### **Accounting Software RFP**

Nye reported that the Iowa Lottery RFP IL 14-01 for Microsoft Dynamics GP software with implementation services was issued on October 15, 2013. Proposals were received from InterDyn BMI of Roseville, Minnesota, McGladrey LLP of Des Moines, Iowa, QCI of Clive, Iowa, and Summit Group Software of Sioux City, Iowa.

Nye stated that the proposals were evaluated by a committee of Accounting employees – Brenda Nye, CFO; Cindy Weber, Accounting Manager; Lily Kryuchkova, Karen Milan and Jonathan Fokken, all Accountants in the Finance division. They were evaluated against the criterion of the RFP and were scored based on cost, vendor experience and personnel, technical requirements and completeness of submission.

Nye stated that three out of the four vendors were determined to be responsive to the requests outlined in the RFP. Based on factors of cost, experience, attention to detail and willingness to collaborate, Nye stated it was the committee's recommendation to award QCI as the vendor for implementation services and support of Microsoft Dynamics GP software for the Iowa Lottery.

Nye requested the Board's approval of the intent to award the contract to QCI and to the contract included in the packet subject to the completion of a successful background investigation and non-material changes or additions to the contract. Nye stated the terms of the contract runs December 2013 through September 30, 2015 with up to five additional, one-year option periods. Nye said the contract has been presented to QCI and no changes were requested. The additions include a maintenance contract and possible additional user licenses.

McDermott moved to approve the intent to award the contract to QCI and the proposed contract with QCI under the conditions stated by Nye, Richter seconded.

Motion carried unanimously.

#### **Best New Instant Game**

Loss presented the award the Iowa Lottery received from NASPL for Best New Instant Game. Loss added that this is one of NASPL's top awards. Loss then stated the award was for a game that launched last January which set sales records. Loss said the Iowa Lottery is introducing a new concept for

January, which is a family of games. The family chosen is a "Make My" series: Make My Day, Make My Week, Make My Month and Make My Year.

**CEO Update**

Rich shared a publicly held budget presentation previously given to the Governor, Lt. Governor, Chief of Staff, Dept of Management and the press on November 26, 2013. (Presentation attached)

Motion to adjourn by Richter, Burnight seconded.

Motion carried unanimously.

Meeting adjourned at 11:40 am.

# Iowa Lottery Budget Presentation

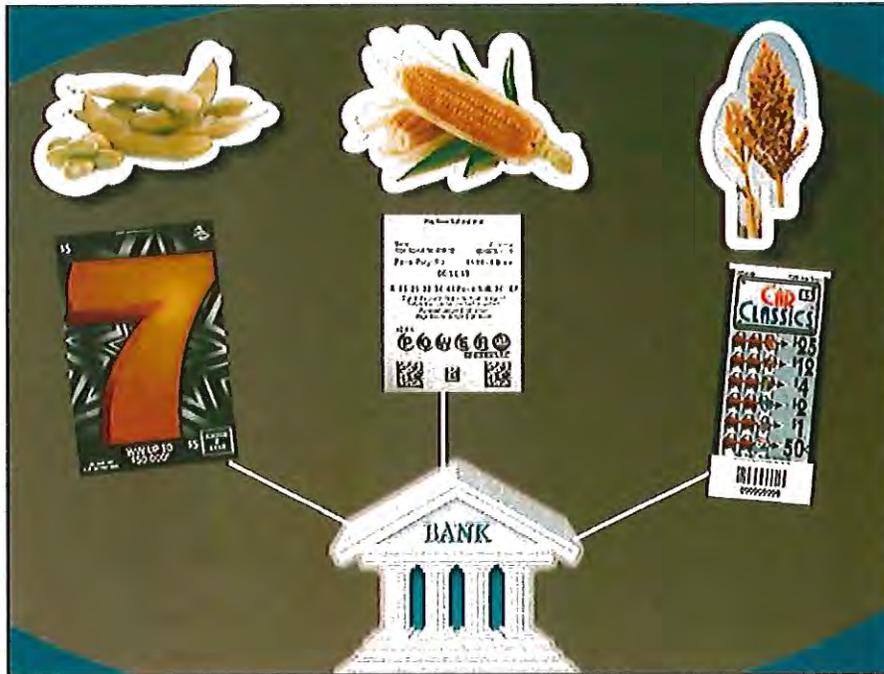
November 26, 2013



## ILOT Budget Guiding Principles

- The focus is on long-term proceeds vs. sales
- Expectations are built upon a rolling 5-year average for reliable results
- Investments in modernizing operations, product R&D and diversity of products are vital to sustained proceeds
- Monitor the social impact
- When ILOT spends \$1.00, we must sell \$4.00 to break even
- \$60 million is the new norm





## Budget for Lottery Fund

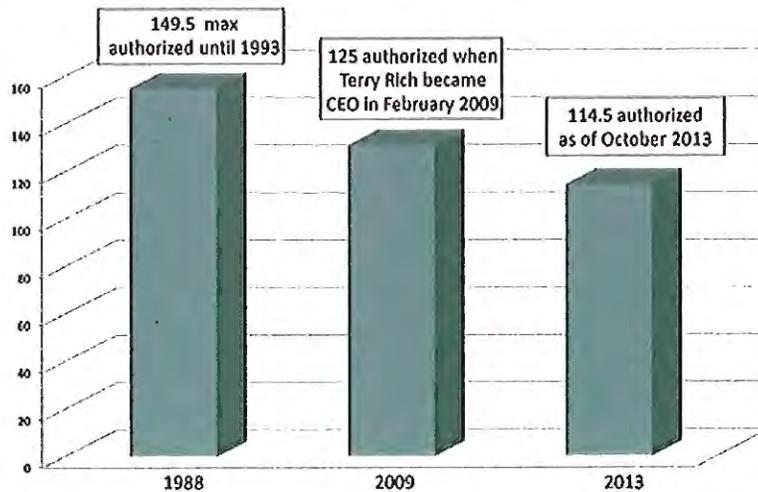
	FY 2013 ACTUAL	FY 2014 FINAL BOARD APPROVED BUDGET	FY 2015 ORIGINAL BOARD APPROVED BUDGET	FY 2015 BOARD APPROVED BUDGET
<b>Resources</b>				
Lottery sales	339,251,420	293,000,000	287,635,000	295,605,000
Interest income	110,073	600,000	600,000	600,000
Application fees	5,125	5,000	5,000	5,000
Other	11,708	5,000	5,000	5,000
<b>Total Resources</b>	<b>339,378,324</b>	<b>293,610,000</b>	<b>288,185,000</b>	<b>298,015,000</b>
<b>Expenses and Change in Net Assets</b>				
Prizes	200,801,768	171,872,697	169,357,668	173,321,198
Retailer compensation	22,110,797	18,969,721	18,625,812	19,264,839
Advertising production and media purchases	6,600,550	11,720,000	11,507,400	11,820,200
Retailer Lottery system/Terminal Communications	7,160,666	6,827,940	6,828,262	6,885,655
Instant/Pull-tab ticket expense & machine maintenance	4,605,036	4,085,000	4,155,000	4,345,000
Terminal equipment/Ticket dispensers/Vending machines	202,330	250,000	250,000	250,000
Counter delivery of Instant tickets	105,353	635,000	635,000	635,000
Interest expense (TYMPTVM/Building)	33,453	-	29,556	-
Lottery operating expense	11,753,223	13,503,394	14,619,608	13,350,054
Increase (decrease) in net assets; building	1,088,219	3,448,341	48,341	3,448,341
<b>Total Expenses and Change in Net Assets</b>	<b>254,487,695</b>	<b>231,212,993</b>	<b>225,688,645</b>	<b>233,260,287</b>
<b>Proceeds</b>				
Proceeds Transfer to General Fund	82,764,005	69,497,907	69,708,355	60,564,713
Proceeds Transfer to Veterans Trust Fund	2,126,724	2,800,000	2,800,000	2,200,000
<b>Total Proceeds Transfers</b>	<b>84,890,729</b>	<b>72,297,907</b>	<b>72,508,355</b>	<b>62,764,713</b>
<b>Total Expenses and Proceeds</b>	<b>339,378,324</b>	<b>293,610,000</b>	<b>288,185,000</b>	<b>298,015,000</b>

## Lottery Operations

	FY 2013 ACTUAL	FY 2014 FINAL BOARD APPROVED BUDGET	FY 2015 ORIGINAL BOARD APPROVED BUDGET	FY 2015 BOARD APPROVED BUDGET
Administrative payroll*	9,376,334	10,027,696	11,515,819	10,027,696
Travel	418,068	495,000	495,000	495,000
Supplies	63,045	125,000	125,000	125,000
Printing	13,459	18,000	18,000	18,000
Postage	8,337	8,600	8,600	8,600
Communications	155,765	160,000	160,000	160,000
Reprints	304,452	328,000	310,000	333,000
Utilities	103,388	105,000	105,000	105,000
Professional fees	121,004	465,000	230,000	630,000
Outside services and repair	160,870	427,810	400,000	400,000
Data processing	67,072	65,000	65,000	60,000
Equipment	177,812	430,500	250,000	270,000
Reimbursement to state agencies	415,068	475,000	495,000	495,000
Depreciation	245,805	261,659	261,659	261,659
Other expenses	107,760	105,000	105,000	105,000
<b>Total operating expenses</b>	<b>\$ 11,763,223</b>	<b>\$ 13,603,394</b>	<b>\$ 14,519,608</b>	<b>\$ 13,380,054</b>

\* 2015 Proposed Budget for "Administrative Payroll" does not include salary and benefit cost increases. Consistent with prior years, salary and benefit cost increases will be requested as a budget amendment in June 2014.

## Full-time Equivalents (FTEs)



## Negative Impacts

- Any loss of integrity
- Any complications with HQ building
- Keeping up with the competition
- Lotto jackpot luck
- Pull-tab maturation and distribution
- Concentration of retailers
  - 40% of sales controlled by four corporations



## ILOT Proceed Priorities

- Continue current practices = \$62 M
- Ticket delivery modernization
- Scratch ticket refreshers
- Re-vamp lotto game line-up
- Integrity monitoring
- Vending decisions
- Modernization of ILOT products



## Integrity Success

- Clean audits
- Security checks and investigations
- IT programming, testing and threat prevention
- Proper procurement and expense control



## The Headline We'd Like To See:

**“State of Iowa wins the Lottery!”**





2323 Grand Avenue • Des Moines • Iowa 50312-5307  
Telephone: 515-725-7900 • Fax: 515-725-7882  
www.ialottery.com

Terry E. Branstad • Governor  
Kim Reynolds • Lt. Governor  
Terry Rich • Chief Executive Officer

Date: January 29, 2014

To: Iowa Lottery Authority Board  
Re: Proposed Real Estate Purchase for Board Consideration

Dear Board:

Over the past year, the Lottery has been providing you updates about its considerations regarding its headquarters location. You'll recall that in late 2012, the Lottery identified major maintenance and improvements needs at its current headquarters located at 2323 Grand Avenue in Des Moines. Shortly thereafter, the Real Estate Team at the Department of Administrative Services - General Services Enterprise (DAS-GSE) was consulted to help evaluate the best options for the Iowa Lottery Authority and the State of Iowa. The team evaluated the options of renovating the existing property, purchasing land and constructing a new building and moving into an available existing building. As part of this process, the DAS - GSE Real Estate Team as the state's property experts conducted a search for alternate properties to which the lottery could relocate. In part, based on a risk assessment that managed the potential disruption of sales and operations for the lottery, DAS determined that the best course of action was for the lottery to move its headquarters to a different location. The DAS-GSE Real Estate Team identified an existing property that we believe best meets the needs of the Iowa Lottery. They entered into negotiations with the sellers and have secured an Offer To Purchase Real Estate for your consideration.

The property for your consideration is that at 13001 University Avenue, Clive, Iowa 50266

As part of the materials you have been provided, there is a document that shows the Total Occupancy Costs and Effective Occupancy Costs associated with renovating the Lottery's existing headquarters building, leasing a different location or purchasing the proposed building in Clive. This document shows that the purchase of the proposed building has the lowest Total Occupancy Cost over a 10-year period and when you factor in the value of the property, the Effective Occupancy Cost is dramatically lower than the renovation or leasing options.

In previous Board actions for the Lottery's FY 2014 and FY 2015 budgets, you have approved monies that would allow the Lottery to pay for the purchase of the proposed location along with the costs of relocation and tenant improvements while still meeting or exceeding our goal of providing the State of Iowa with transfers in excess of \$62 million each year. With the negotiated price of \$5,350,000 for the purchase of the new property, we anticipate that the Lottery will come in under budget for this project (\$7 million in total over two fiscal years).

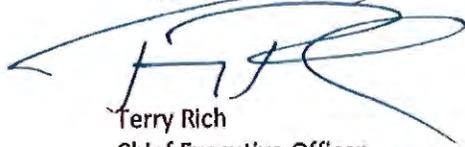
As part of the negotiated Offer To Purchase, the lottery will incur a short-term loan of \$2,350,000 and interest thereon for a period of six months or less. This is necessary to allow the

lottery to pay for the purchase over two fiscal years, however it has the option of paying the entire purchase price in FY 2014 if its revenues allow for that.

It has been the determination of the DAS-GSE Real Estate Team and Lottery staff that the best price-to-value solution is the purchase of the proposed property. This property would allow the Lottery to accomplish its goals of minimizing business risks and staying within the approved budget, while still providing the promised proceeds for the state.

Therefore, senior management asks the Board to vote to accept the recommendation by the Department of Administrative Services – GSE Real Estate Team to approve the Offer To Purchase Real Estate for purchase of the property located at and known as 13001 University Avenue in Clive, Iowa, for the price of \$5,350,000, which includes the short-term financing of \$2,350,000, with interest thereon, subject to the terms and conditions set forth in the offer.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Terry Rich', is written over a horizontal line.

Terry Rich  
Chief Executive Officer

#### EXHIBITS

- Exhibit A – December 2013 presentation – Update: Property Considerations for Iowa Lottery Authority
- Exhibit B – DAS: Iowa Lottery Relocation Project -- September 9, 2013
- Exhibit C – Iowa Lottery Space Options – January 22, 2014
- Exhibit D – CBRE listing & description for 13001 University Avenue, Clive
- Exhibit E – Polk County Assessor's Information: 13001 University Avenue, Clive
- Exhibit F – Offer To Purchase Real Estate

December 2013

## **Update: Property Considerations for Iowa Lottery Authority Headquarters at 2323 Grand Ave. in Des Moines**

In late 2012, as part of the Iowa Lottery's ongoing efforts to analyze its budget needs for the next five to 10 years, Lottery CEO Terry Rich asked lottery staff and the Iowa Department of Administrative Services (DAS) to review major maintenance and improvement needs at the lottery's headquarters building at 2323 Grand Ave. in Des Moines. The lottery has owned the building, which is nearly 60 years old, for 10 years and includes the structure's maintenance costs in its annual budgets.

Although the lottery achieved long-term savings by purchasing its headquarters property, the review revealed maintenance issues that need to be addressed in the near future and may involve major changes. Lottery executives met with state, city and private-sector experts to gather as much information as possible regarding potential solutions. The goal is to ultimately make the best-informed fiscal decision for the good of the state of Iowa and the Iowa Lottery.

Reviews by two separate engineering firms (MODUS in Des Moines and KJWW in Urbandale) have concluded that in addition to other repair and replacement needs, the lottery building's HVAC system is well beyond its life expectancy. And, because major parts for the system are no longer produced, failure of the system would force the lottery to make an emergency replacement, displacing employees and possibly compromising lottery sales, which currently average nearly \$1 million per day.

Both engineering firms also concluded that the outdated design of the HVAC system is not compatible with modern equipment and necessitates a complete replacement, including asbestos abatement.

Other major maintenance needs at the building over the next five to 10 years include roof replacement, installation of energy efficient windows, tuck pointing and elimination of a water-infiltration issue in the garage/storage area.

To date, the lottery has consulted with:

- Ben Brackett, Administrator, DAS Lease and Space Management Services
- Dave Peterson, DAS Senior Resource Manager
- Douglas Woodley, DAS Chief Operating Officer
- Marian White, DAS Deputy Administrator, State Leasing Program
- Iowa Department of Management
- City of Des Moines
- The Baker Group in Des Moines regarding building infrastructure systems
- Smith Metzger Architects in Des Moines, consultants for the Ingersoll and Grand Avenue Planning Committee
- Iowa Alcohol Beverages Division regarding warehouse options.

The lottery gathered 10- and 20-year pricing comparisons for three options:

- Renovation of the existing building
- Demolition of the existing building and construction of a smaller building on the same property

- Sale of 2323 Grand Avenue and purchase or lease of office space elsewhere.

Lottery staff provided the Lottery Board with an initial report about the building issues at the Board's meeting on June 28, 2013. At that meeting, Jack Schroeder, Vice President for Operations and Systems, discussed the building's ongoing maintenance needs in addition to issues related to its heating, ventilation and cooling (HVAC) system. The following options were identified as potential solutions:

- Replacement of the HVAC system knowing that other major items would need to be replaced in the next few years
- Selling the building and leasing or buying other existing property
- Constructing a new building.

Rich informed the Board that the lottery team would continue to work with DAS as the state of Iowa's space-management experts and the third parties involved and come back to the Board in the next few months with a recommendation.

Lottery staff continued to work with DAS representatives and identified the goal of efficiently occupying office space that matches the lottery's business requirements while maintaining economic integrity. Critical and Secondary Business Requirements were developed and incorporated into the Iowa Lottery Relocation Project. On Sept. 9, 2013, the DAS-General Services Enterprise (DAS-GSE) Real Estate Team released a public opportunity document to allow interested parties to competitively bid for the acquisition/relocation of the Iowa Lottery's headquarters as part of an open, public process designed to ensure transparency. The document established a proposal submission deadline of Sept. 27, 2013. A copy of this document is included in this packet.

At the Lottery Board meeting on Sept. 24, 2013, Jack Schroeder informed the Board about the release of the public opportunity document. Schroeder additionally informed the Board that all responses were to be sent to Ben Brackett. Brackett at DAS-GSE is who is serving as the Lottery's point of contact for this project. Schroeder also advised the Board that the Lottery would continue to update the Board as this project moved forward.

#### **December 13, 2013 Update**

DAS-GSE reports that approximately twenty (20) proposals were submitted to the public opportunity document based on four general concepts:

- Building purchase
- Land purchase
- Build-to-suit lease with option to purchase
- Redevelopment of 2323 Grand (sale-leaseback)

Following the receipt of the proposals, DAS-GSE Real Estate Team members completed an analysis of them with the focus of identifying the properties that best met the goal identified for the project. This was done through the review of proposals and sites as well as the conducting of market research and financial analysis.

DAS-GSE Real Estate Team identified a final group of locations and presented the finalists to Lottery Executive Vice President Larry Loss. Tours were conducted of the finalist locations and ongoing discussions with the property owners are currently being held.

Due to budgetary and timing factors, the focus has been on acquisition of an existing property other than 2323 Grand Ave. An aspect of the discussion includes the disposition of the Lottery's current building and the potential to include it in an overall agreement. Tours of Lottery headquarters by the respondent finalists were completed the week of Nov. 25, 2013.

In order to help determine a purchase price for the Lottery's current headquarters location, an appraisal from a third party company has been ordered by DAS-GSE.

The following are the next steps to be taken:

- **Week of Dec. 9, 2013** – Receive final deal structures from respondents
- **Week of Dec. 16, 2013** – third-party appraisal is completed and used to finalize the Lottery's position with respondents
- **Dec. 16-31, 2013** – Review proposals and develop an offer to be signed by the preferred respondent. Upon agreement of terms, the proposal will be subject to approval from the Lottery Board and the Executive Council of Iowa with notification to the legislative Government Oversight Committees.



Iowa Department of Administrative Services

*Government's Partner in Achieving Results*

Governor Terry E. Branstad  
Lt. Governor Kim Reynolds

Miko Carroll, Director

FR: Ben Brackett  
GSE Real Estate Services

DT: September 9, 2013

RE: IOWA LOTTERY RELOCATION PROJECT

On behalf of the Iowa Lottery (ILOT) and the Department of Administrative Services, General Services Enterprise (GSE) Real Estate Services is pleased to present a public opportunity to competitively bid for the relocation/ acquisition of the ILOT headquarters, currently located at 2323 Grand Avenue.

ILOT began in 1985 with the intention of making Iowa a better place to live, work, and raise a family. By providing entertainment and prizes to its players, ILOT simultaneously raises billions of dollars for state programs that benefit all Iowans. Through the years, these funds have been used in a variety of ways to enhance the state, including projects to create new recreation areas, support research at Iowa's public universities, benefit Iowa veterans, develop new products and techniques for agriculture, and promote tourism.

The intent of this broadcast is to solicit proposals for a real estate solution; a variety of results are possible. The current property at 2323 Grand Avenue is too large for the ILOT operation and a full scale review of the integrity of the property has led away from a state-funded renovation project.

More detail will be provided through the document, but generally the solutions we are open to include:

1. Purchase of raw/semi-improved land (*State of Iowa would self-perform construction*)
2. Purchase an existing structure (*State of Iowa would self-perform renovation*)
3. Build-to-suit lease with an option to purchase upon lease expiration
4. Sale-leaseback of current location with an option to purchase upon lease expiration

Due to the scope of the project, it will be handled in phases:

- Phase 1 – market research, site selection (*September – November 2013*)
  - Phase 2 – proposals, negotiations, (potentially design), final selection (*November – December 2013*)
  - Phase 3 – (potentially design), relocation, full occupancy (*2014*)
  - Phase 4 – disposition of 2323 Grand Avenue (*2014*)
- Phase 3 & 4 are likely to be simultaneous and/or overlapping actions.

Over the next 6-8 weeks, GSE Real Estate Services will compile, tour, and analyze all viable sites with the intention of paring the selection to 4-6 properties to present to the ILOT Building Committee early in November. A final selection is anticipated at the turn of the calendar year and we expect ILOT to have a clear direction as we move into 2014.

Thank you for your interest!

Best regards,

Ben Brackett  
GSE Real Estate Services

## **SECTION 1. CRITICAL BUSINESS REQUIREMENTS**

ILOT has a small number of requirements that are absolutely critical and will act objectively as barriers to entry for the project. Secondary requirements may apply more to existing properties and/or assist inasmuch as a barometer for the type of facility ILOT aspires to occupy.

### **I. Critical Business Requirements**

#### **a. Connectivity/IT – Fiber Optic capability/connectivity**

- Minimum bandwidth requirement of 50 MBPS, but could utilize up to 100 MBPS
- Access to State of Iowa network – solution will be driven by ILOT

#### **b. Location**

- Des Moines Metro
- Accessible
- Visible (bolstered by signage)

#### **c. Security**

- Free-standing, single tenant building
- Physical Security (existing property) – cameras, key card access, alarm system
- Design/layout (existing property)

#### **d. Generator Power**

- Current operation utilizes 750 kilowatts

### **II. Secondary Business Requirements**

#### **a. Upgrade to Modern Space Standards**

- Targeting 20,000 SF
- Open floor plan
- Multiple conference rooms/enclaves
- Break room

#### **b. Dedicated space for public-facing interaction**

- Interface with winners/guests/visitors
- Media room
- Clear delineation/separation from office area

#### **c. Parking**

- Must accommodate 55 employees
- 5-10 visitor spaces

#### **d. Computer Room**

- Raised floor
- Dedicated HVAC/cooling system
- Fire suppression
- Redundancy

#### **e. Storage Area – up to 5,000 SF**

#### **f. Secured Receiving Area and Truck/Loading Dock**

## SECTION 2. SOLUTIONS

Due to the unique nature of the requirement, GSE understands that there are a number of potential approaches to the relocation of ILOT. An additional layer is formed by the need to dispose of 2323 Grand upon successful relocation of the ILOT operation. Below are our preferred solutions; however, GSE will entertain creative solutions such as a property swap or redevelopment of the current location.

1. Purchase raw/semi-improved land (State of Iowa would self-perform construction)
2. Purchase an existing structure (State of Iowa would self-perform renovation)
3. Build-to-suit lease with an option to purchase upon lease expiration
4. Sale-leaseback of current location with an option to purchase upon lease expiration

### *Considerations for preferred solutions:*

- 2-3 acres to be required in order to accommodate the appropriately sized building
  - Current operation houses a small warehouse space – any potential for warehouse space in addition to approximately 20,000 SF of office is of interest.
  - All options that include a lease would be subject to meeting the terms of GSE standard lease form, attached as Exhibit A.
  - Lease term minimum: 10 years
  - Energy efficient solutions are of interest
  - Des Moines proper will hold a slight advantage over other markets due to location of the current operation
  - Collaboration among companies is anticipated – for example a land owner partnering with a construction company to deliver a solution or a developer to create an investment platform with ILOT as the Tenant.
- Regarding the eventual disposition of 2323 Grand: GSE understands the property to be eligible for state and federal tax credits due to the age of the property. More information can be found at the State Historical Preservation Office web site (<http://www.iowahistory.org/historic-preservation/>).

## **SECTION 3. RESPONSE**

### ***Proposal Format***

GSE strives to compare solutions in a like-for-like scenario. Accordingly, all respondents must provide similar response packages. Respondents are required to submit responses electronically. Each response is expected to include the following:

- Resume/qualifications from responding entity
- Narrative describing proposed solution
- Marketing materials
- Pricing proposal
- Floor plans and site plans – upon final selection these files will be required in AutoCAD format

Incomplete proposals will not be considered.

### ***Proposal Deadline***

GSE will accept proposals until end of business on Friday, September 27, 2013. Again, responses are required to be submitted electronically, although including a hard copy as well is welcomed.

### ***Communication***

All questions, concerns, and comments regarding this project must filter through GSE Real Estate Services. Due to the high profile of this project, any inappropriate contact with ILOT staff will disqualify the respondent from the project. All contact should be directed to Ben Brackett.

Ben Brackett  
GSE Real Estate Services  
Hoover Building, Level A  
1305 E Walnut  
Des Moines, IA 50319  
O: 515.725.2282  
C: 515.802.1729  
[ben.brackett@iowa.gov](mailto:ben.brackett@iowa.gov)

Any project-critical questions that are raised will be answered to the entire pool of respondents via email.

### ***Timeline for the Project***

- Phase 1 – market research, site selection (*September – November 2013*)
  - Phase 2 – proposals, negotiations, (potentially design), final selection (*November – December 2013*)
  - Phase 3 – (potentially design), relocation, full occupancy (*2014*)
  - Phase 4 – disposition of 2323 Grand Avenue (*2014*)
- Phase 3 & 4 are likely to be simultaneous actions or at least overlap.

**Iowa Lottery Space Options -- January 22, 2014 (FINAL)**

Renovate 2323 Grand Building -- 47,000 sq ft (all office)	Leased Location Building -- 45,972 (all office)	Proposed Building Purchase Building -- 43,298 sq ft (all office)
<b>Costs:</b>	<b>Costs:</b>	<b>Costs:</b>
Renovation & Initial Relocation 1	Purchase Price	Purchase Price
\$7,848,750	\$0	\$5,350,000
Relocation Costs3	Estimated Tenant Improvement Budgets	Estimated TI Budget
\$0	\$1,249,300	\$1,000,000
Relocation back to 2323	Relocation Costs3	(Security, Generator, IT wiring)
\$16,500	\$50,000	\$50,000
Furnishings4	Furnishings4	Relocation Costs3
\$203,500	\$203,500	\$203,500
Leasing Costs during renovations5		
\$290,000		
Initial Cost to Occupy	Initial Cost to Occupy6	Initial Cost to Occupy6
\$8,308,750	\$1,502,800	\$6,603,500
Annual Operating Expenses 7	Annual Operating Expenses 7	Annual Operating Expenses 7
\$270,250	\$897,975	\$225,150
Operating Expenses (10 Years)	Operating Expenses (10 Years)	Operating Expenses (10 Years)
\$2,702,500	\$8,979,750	\$2,251,496
<b>Total Occupancy Cost (10 Years)</b>	<b>Total Occupancy Cost (10 Years)</b>	<b>Total Occupancy Cost (10 Years)</b>
<b>\$11,011,250</b>	<b>\$10,482,550</b>	<b>\$8,854,996</b>
Less Value of Property after 10 Years8	Less Value of Property after 10 Years8	Less Value of Property after 10 Years8
\$9,900,000	\$0	\$6,000,000
<b>Effective Occupancy Cost</b>	<b>Effective Occupancy Cost</b>	<b>Effective Occupancy Cost</b>
<b>\$7,111,250</b>	<b>\$10,482,550</b>	<b>\$2,854,996</b>

**Assumptions:**

**Note 1: Renovation -- 2323 Grand**  
Architect's Estimate includes: parking lot, landscaping, mechanical, electrical, roof, windows, fire sprinkler, entrance, finishes, initial relocation)

Architect's Estimate (includes initial relocation)	\$6,600,000
Coordination Study/ARC Testing	\$100,000
Elevator Renovation	\$100,000
Asbestos Monitoring	\$25,000
Subtotal	\$6,825,000
Contingency (15% of costs above)	\$1,023,750
<b>Total</b>	<b>\$7,848,750</b>

**Note 2: Tenant Improvement Budget -- Leased Location**  
Renovation (\$25/sf) \$1,149,300  
Generator \$100,000  
**Total** \$1,249,300

**Note 3: Relocation -- Used \$50,000 which was included in Architect's Analysis -- Approximately \$900/employee (\$600/emp for phone & Internet wiring; \$300/emp for movement of desk contents)**

**Note 4: Furnishings -- \$3,700 per workstation for 55 employees**

**Note 5: Temporary Leased location -- 9 month occupancy  
20,000 sf @ \$16.00/sf FSG**

**Note 6-- Effective Occupancy Cost**  
The analysis does not include any sales proceeds from the potential sale of 2323 Grand

**Note 7-- Annual Operating Expenses**  
2323 Grand --- \$5.75/sf/year  
Leased Location -- Rental Rate \$17.75/sf/year Modified Gross; Tenant pays \$1.00/sf for electric; Total Operating Cost \$18.75/sf/year  
Leased Location -- Parking -- 60 parking spaces at City Parking Ramp -- Monthly rate of \$50/space  
Proposed Building Purchase -- \$5.20/sf/year (10% increase over 2010-2011 Actual Operating Expenses)

**Note 8 -- Value of Property**  
2323 Grand --- Appraisal value with improvements after 10 years.  
Leased Location -- No Value  
Proposed Building Purchase -- Estimated Value of Building after 10 years

	2323 Grand		Proposed Bldg		
SF	47,000	Per SF	43,298	Per SF	
<b>Expenses:</b>					
<b>Utilities</b>					
Electricity	\$44,485.00		\$55,804.00		
Gas	\$34,198.00		\$236.00		
Water	\$1,674.00		\$6,073.00		Includes Irrigation & Sewer
Sewer	\$5,233.00		\$0.00		
Trash	\$2,347.00		\$4,681.00		
<b>Subtotal</b>	<b>\$87,937.00</b>	<b>\$1.87</b>	<b>\$66,794.00</b>	<b>\$1.54</b>	
<b>Lawn Care</b>					
Snow	\$4,748.00		\$9,013.00		Flowers, Irrigation repairs, fertilizer, etc.
	\$12,248.00		\$17,400.00		
<b>Subtotal</b>	<b>\$16,996.00</b>	<b>\$0.36</b>	<b>\$26,413.00</b>	<b>\$0.61</b>	
<b>Maintenance &amp; Repairs</b>					
	\$43,800.00	\$0.93	\$95,540.00	\$2.21	2323 Grand -- Stroh Proposed: HVAC, Electrical, Plumbing General, Painting, Parts & Supplies
<b>Fire Prevention/Alarms</b>					
Concrete/Parking	\$11,036.00		\$1,399.00		
Elevator	\$5,397.00		\$1,541.00		
Generator	\$3,507.00		\$2,708.00		
<b>Subtotal</b>	<b>\$22,648.00</b>	<b>\$0.48</b>	<b>\$5,648.00</b>	<b>\$0.13</b>	
<b>Carpet Cleaning</b>					
Pest Control	\$2,205.00		\$5,415.00		
Window Cleaning	\$1,055.03		\$627.00		
<b>Subtotal</b>	<b>\$3,260.03</b>	<b>\$0.07</b>	<b>\$10,420.00</b>	<b>\$0.24</b>	
<b>Janitorial</b>					
	\$0.00	\$0.00	\$0.00	\$0.00	Janitorial provided by ILOT Staff
<b>Grand Total</b>	<b>\$174,641.03</b>	<b>\$3.72</b>	<b>\$204,815.00</b>	<b>\$4.73</b>	
	<b>Assume \$2.00/sf for additional Maintenance</b>	<b>\$5.75</b>	<b>Assume \$.47 rise due to time (10%)</b>	<b>\$5.20</b>	

**Notes on Differences:**

1. Lawn Care/Snow Removal -- Proposed building has more landscape and common area to be maintained -- (\$10,000/year higher)
2. Proposed building assumes increased carpet cleaning & window washing than currently being done at 2323 Grand (\$7,000/yr/higher)
3. Proposed building assumes Janitorial is provided by ILOT staff member
4. Utilities -- The new building uses about 20% in utility costs ( \$ 20,000/year lower)
5. Maintenance/Repairs -- 2323 Grand - \$3.41/sf/year; Proposed Building -- \$2.34/sf/year

Exhibit D

FOR  
SALE/LEASE

**13001**  
**UNIVERSITY**

# SIGNATURE OFFICE BUILDING



FOR MORE INFORMATION  
PLEASE CONTACT:

**Riley Hogan**

Senior Associate

+1 515 221 6683

[Riley.Hogan@cbre.com](mailto:Riley.Hogan@cbre.com)

**Tyler Dingel**

Vice President

+1 515 221 6662

[Tyler.Dingel@cbre.com](mailto:Tyler.Dingel@cbre.com)

Listing 629604

13001 University | Clive, Iowa

**CBRE** | **Hubbell**  
Commercial

Part of the CBRE affiliate network

**13001**

**UNIVERSITY**

CLIVE, IOWA

FOR  
SALE/LEASE

**43,298  
CONTIGUOUS  
SF AVAILABLE**



The refreshing alternative to ordinary office space.

## HIGHLIGHTS

- Exquisite Class A office building with high-end finishes
- Imported granite, black hills stone and alder wood finishes throughout building
- Original construction costs exceeded \$13 million with no expense spared
- Atrium has dramatic two-story waterfall and elegant gas fireplace
- State of the Art technology package includes: Lutron Lighting System, HVAC, Audio/Visual and data systems
- Lower Level conference center is designed for full range of communication capabilities, from a stage with specialized multi-media presentation equipment, to the live-linked satellite truck connections in the parking lot, all controlled by the separate recording and broadcast studio
- Fully capable, secure server room with ansul fire suppression, removable floor system, racks, wiring systems, battery back up, and dedicated Liberty unit for temperature and humidity control
- Building controls can be operated from anywhere in the United States
- Large windows provide abundant natural lighting and beautiful views
- Master suite office includes secondary private office with full bathroom and private staircase to underground parking

**13001 University | Clive, Iowa**

**CBRE** | **Hubbell**  
Commercial

Part of the CBRE affiliate network

**13001**

**UNIVERSITY**

CLIVE, IOWA

FOR  
SALE/LEASE

**43,298  
CONTIGUOUS  
SF AVAILABLE**

Creative Working Environment



**13001 University | Clive, Iowa**

## BUILDING INFORMATION

### AVAILABLE SPACE:

Lower Level	14,778 SF
First Level	14,567 SF
Second Level	13,953 SF
<b>TOTAL</b>	<b>43,298 SF</b>

Sale Price: ~~\$7,000,000~~ **\$6,200,000**

Rental Rate : \$15/SF NNN

Term : 5 - 10 Years

Availability : Immediate

Parking: 4/1000 SF Ratio

Over 50 private offices  
Tenant Controlled HVAC  
Elevator  
Heated drive-up entryway

**CBRE** | **Hubbell**  
Commercial  
Part of the CBRE affiliate network

**13001**  
**UNIVERSITY**  
CLIVE, IOWA

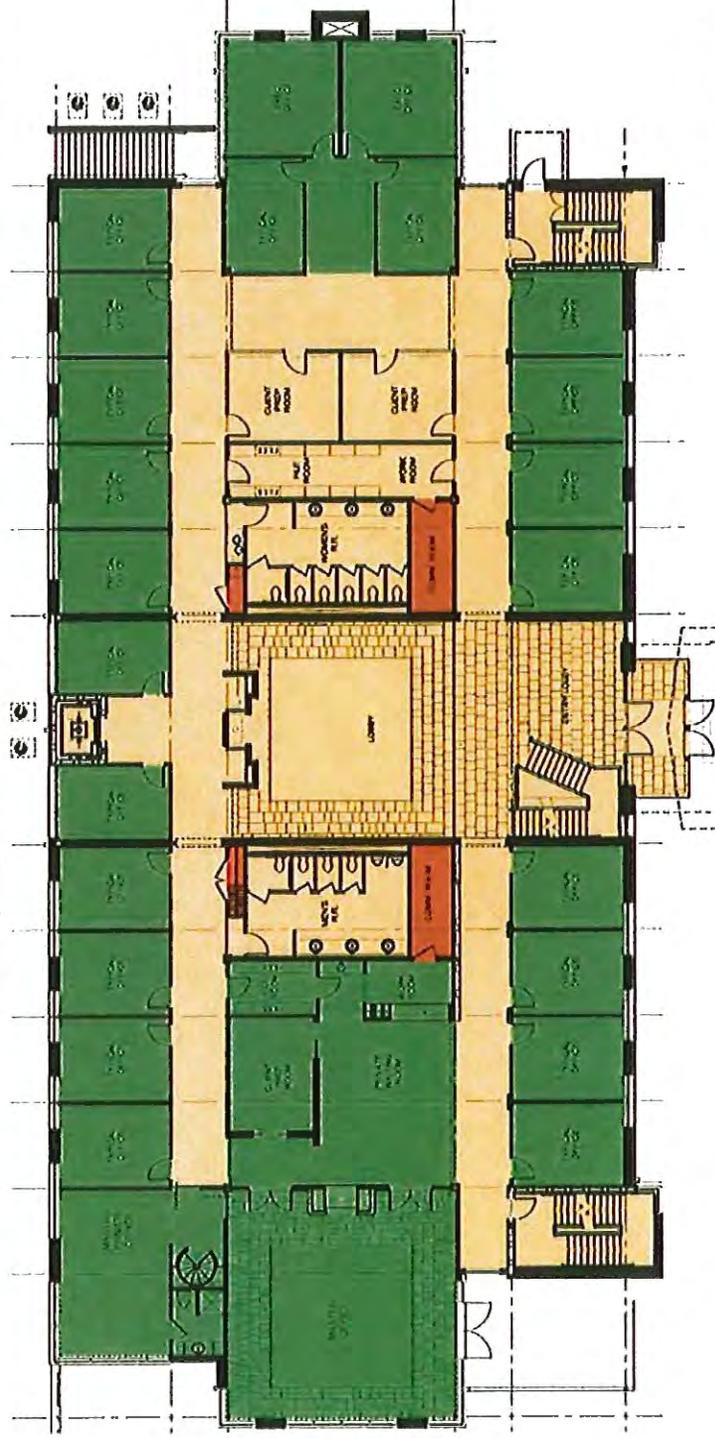
FOR  
SALE/LEASE

**43,298**  
**CONTIGUOUS**  
**SF AVAILABLE**

## MAIN LEVEL PLAN

## FEATURES

- AVAILABLE SPACE: 14,567 SF
- 25 Private Offices
- Atrium lobby
- Striking waterfall
- Secondary reception area
- Aquarium feature
- Multiple work and file rooms
- Stone & granite finishes
- Master suite office and balcony



13001 University | Clive, Iowa

**CBRE** | Hubbell  
Commercial  
Part of the CBRE affiliate network

**13001**  
**UNIVERSITY**  
CLIVE, IOWA

FOR  
SALE/LEASE

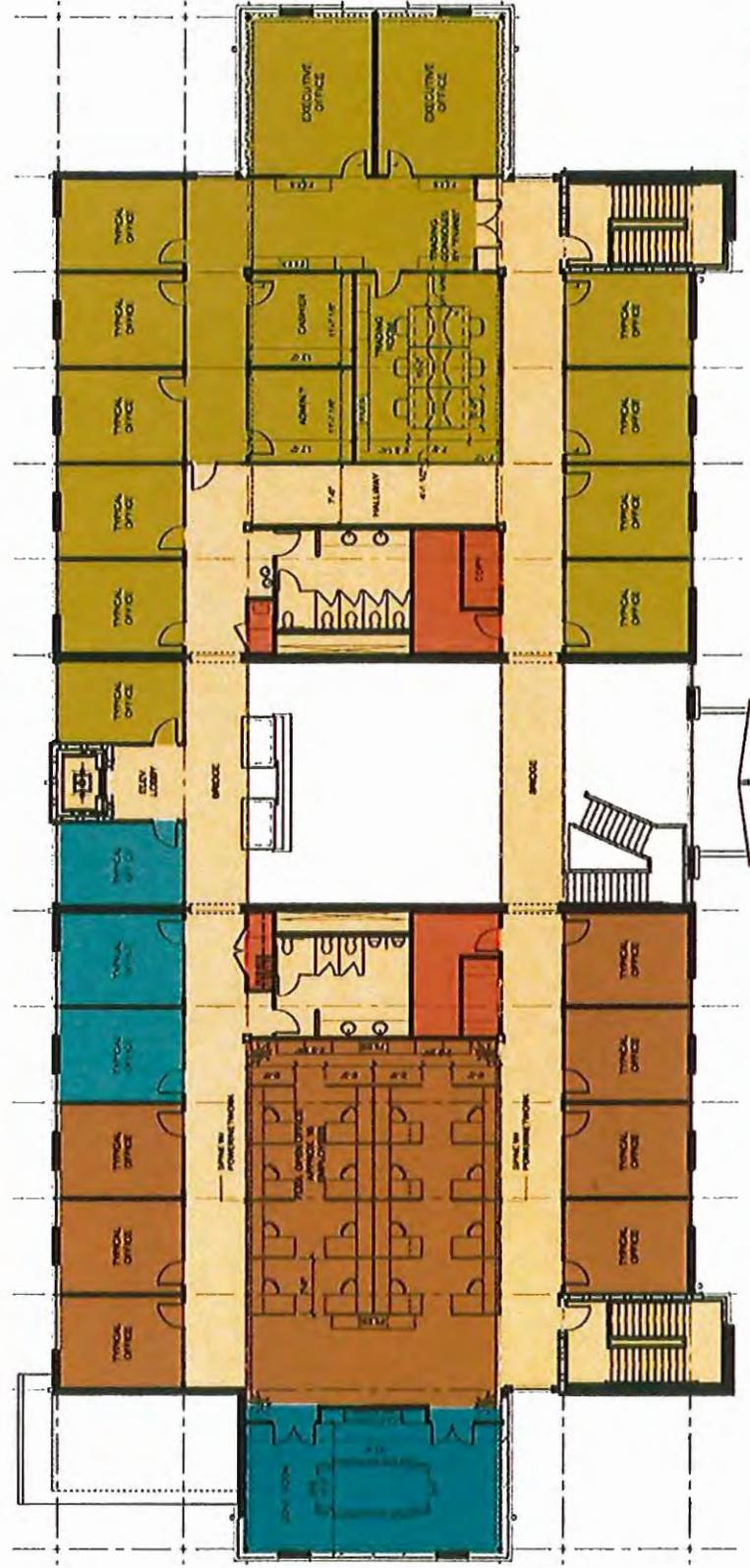
**43,298**  
**CONTIGUOUS**  
**SF AVAILABLE**

**SECOND LEVEL PLAN**

**FEATURES**

- AVAILABLE SPACE: 13,953 SF
- 25 Private Offices
- Open flex space
- State of the art conference room

Attractive window lines



13001 University | Clive, Iowa

**CBRE** | **Hubbell** Commercial  
Part of the CBRE affiliate network

**13001**

**UNIVERSITY**

CLIVE, IOWA

FOR  
SALE/LEASE

**43,298**  
**CONTIGUOUS**  
**SF AVAILABLE**

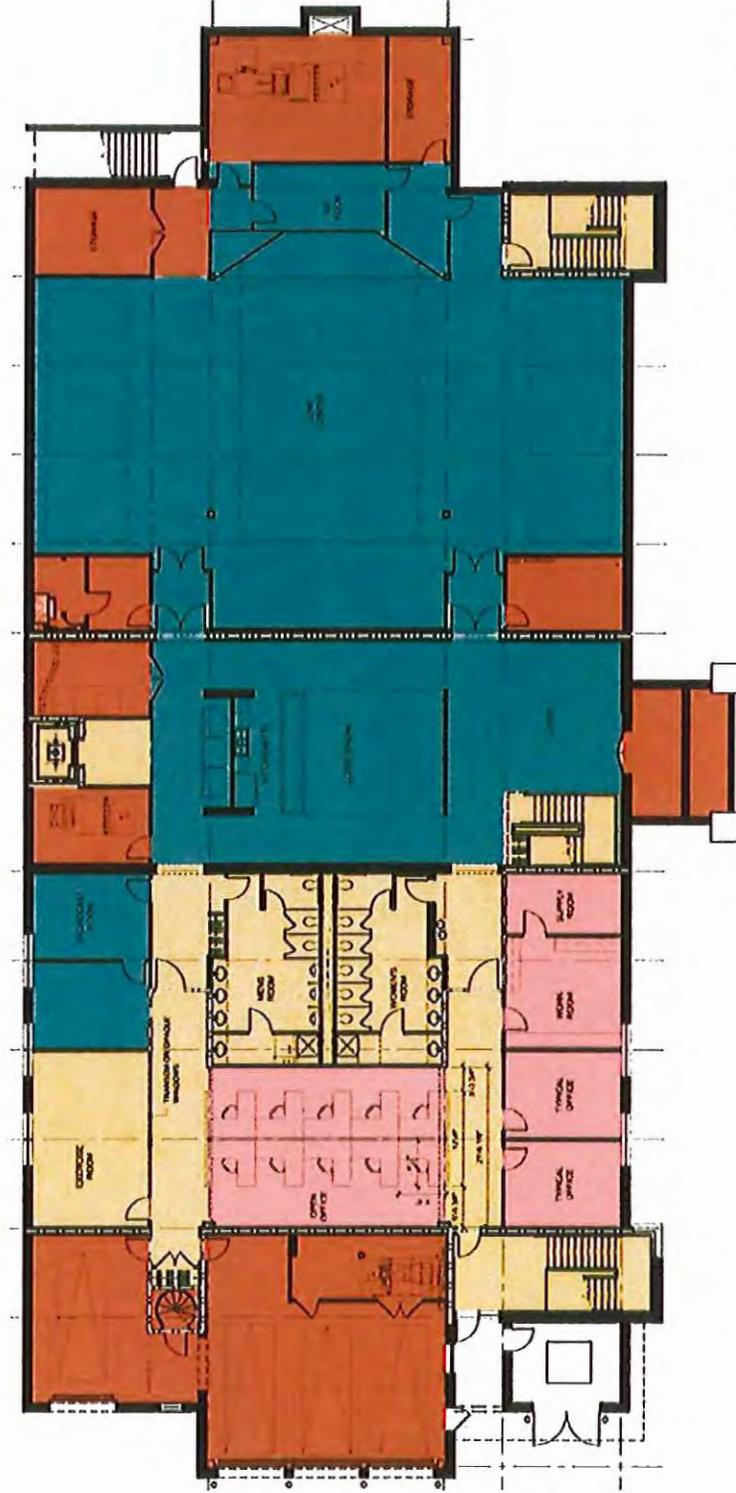
## GROUND FLOOR PLAN

## FEATURES

AVAILABLE SPACE: 14,778 SF

State of the art conference center  
Underground parking  
Recording/Broadcast studio

Large kitchenette & break area  
Open flex space  
Tiled restrooms with shower



13001 University | Clive, Iowa

**CBRE** | Hubbell  
Commercial  
Part of the CBRE affiliate network

**13001 UNIVERSITY**  
CLIVE, IOWA

FOR  
SALE/LEASE



**ADJACENT  
PROPERTIES**

**BUILDING 5 – 12951 UNIVERSITY - UNDER CONTRACT**

- 16,183 SF      \$2,100,000

**DEVELOPMENT SITE – 13101 UNIVERSITY**

- 3.05 Acres      \$1,600,000 or \$12.00/SF

13001 University | Clive, Iowa

FOR  
SALE/LEASE

**13001**  
**UNIVERSITY**  
CLIVE, IOWA

**43,298**  
**CONTIGUOUS**  
**SF AVAILABLE**

**LOCAL AREA AMENITIES**



DEMOGRAPHICS	1 Mile	3 Mile	5 Mile
Medium HH Income	\$105,169	\$88,552	\$77,133
Population	4,457	56,356	116,307
Per Capita Income	\$51,768	\$42,735	\$39,766

**13001 University | Clive, Iowa**

**CBRE** | Hubbell  
Commercial  
Part of the CBRE affiliate network

**13001**

**UNIVERSITY**

CLIVE, IOWA

FOR  
SALE/LEASE

**43,298  
CONTIGUOUS  
SF AVAILABLE**



## FOR MORE INFORMATION

**Riley Hogan**

Vice President

+1 515 221 6683

[Riley.Hogan@cbre.com](mailto:Riley.Hogan@cbre.com)

**Tyler Dingel**

Vice President

+1 515 221 6662

[Tyler.Dingel@cbre.com](mailto:Tyler.Dingel@cbre.com)

**CBRE | Hubbell Commercial**

6900 Westown Parkway

West Des Moines IA 50266



2013 © Hubbell Commercial Brokers, L.C., d/b/a CBRE/Hubbell Commercial. We obtained the information above from sources we believe to be reliable. However, we have not verified its accuracy and make no guarantee, warranty or representation about it. It is submitted subject to the possibility of errors, omissions, change of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice. We include projections, opinions, assumptions or estimates for example only, and they may not represent current or future performance of the property. You and your tax and legal advisors should conduct your own investigation of the property and transaction.

**CBRE** | Hubbell  
Commercial

Part of the CBRE affiliate network

**Exhibit E**

**Polk County Assessor**

111 Court Avenue #195  
Des Moines, IA 50309-0904

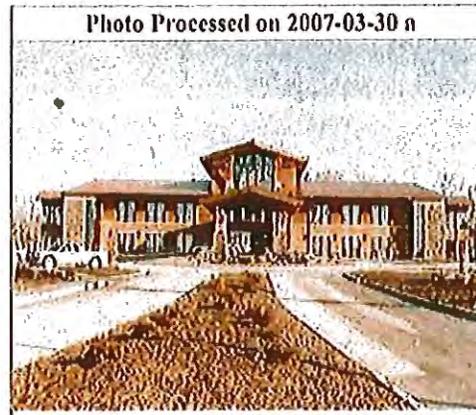
(515) 286-3014 Fax (515) 286-3388  
polkweb@assess.co.polk.ia.us

Location					
Address	13001 UNIVERSITY AVE				
City	CLIVE	Zip	50325	Jurisdiction	Clive
District/Parcel	291/00065-037-011	Geoparcel	7925-31-478-039	Status	Active
School	West Des Moines	Nbhd/Pocket	CV02/Z	Submarket	Western Suburbs
Appraiser	Bryon Tack, MAI, CAE, ICA 515-286-2013				

**Map and Current Photos - 1 Record**

Click on parcel to get a new listing

Get Bigger Map  
Google Map <sup>GA</sup> Pictometry <sup>GA</sup>



**Historical Photos**

**Ownership - 1 Record**

Ownership	Num	Name	Recorded	Book/Page
Title Holder	1	COMMERCE PARK PROPERTIES INC	2012-12-31	14597/664 <sup>GA</sup>

**Legal Description and Mailing Address**

LOT 1 COMMERCE PARK PLAT 2	LEGACY BANK 502 8TH ST SW POB 309 ALTOONA, IA 50009
----------------------------	---

**Current Values**

Type	Class	Kind	Land	Bldg	Total
2013 Value	Commercial	Full	\$1,339,000	\$3,161,000	\$4,500,000

**Assessment Roll Notice**

**Zoning - 1 Record**

Zoning	Description	SF	Assessor Zoning
C-4	Planned Shopping Center Commercial District		Commercial

*City of Clive Community Development Community Development Department  
communitydevelopment@cityofclive.com (2009-12-10)*

Land					
Square Feet	130,326	Acres	2.992	Year Platted	2006
Topography	Blank	Shape	Irregular	Vacancy	Blank
Unbuildable	Blank				
Commercial Summary					
Occupancy	Office	Age, Weighted	2006	Total Story Height	2
Land Area	130,326	Gross Area	25,904	Finished Area	25,904
Unfinished Bsmf Area	13,848	Finished Bsmf Area	10,528	Number of Units	0
Primary Group	Office General	Percent Primary Group	65.16	Percent Secondary Group	0.00
Grade, Weighted	2/Grade 2	Bldg Class, Weighted	3/Brick Veneer	Condition, Weighted	NM/Normal
Ground Floor Area	13,848	Perimeter	582	Bsmf Parking Area	1,848
Commercial Sections - 1 Record					
Commercial Section #101					
Section Multiplier	1	Occupancy	Office	Foundation	Concrete
Submerged	No	Exterior Wall	Brick Veneer	Insulation	Yes
Roof	Gable	Roof Material	Copper	Covered Area	17,128
Covered Quality	Above Normal	Entrance Square Foot	160	Entrance Quality	Above Normal
Wiring	Adequate	Plumbing	Adequate	Number Fireplaces	1
Number Passenger Elevators	1	Number Passenger Stops	3	Passenger Elevator Quality	Good
Total Story Height	2	Frame Type	Steel	Fireproof Construction	No
Bldg Class	Brick Veneer	Total Section Area	39,752	Ground Floor Area	13,848
Perimeter	582	Grade	2+00	Year Built	2006
Condition	Normal				
Comment	I=ATRIUM P=PORTE COCHERE Q=COVERED AREA, R=GLASS ENTRY				

Commercial Groups - 4 Records					
<b>Commercial Group #101 1</b>					
Use Code	Office General	Base Story	1	Number Stories	2
Total Group Area	25,904	Base Floor Area	13,848	Heating	Forced Air
Air Conditioning	Yes	Sprinkler	Wet	Exhaust System	No
<b>Commercial Group #101 2</b>					
Use Code	Basement Entire	Base Story	1	Number Stories	1
Total Group Area	13,848	Base Floor Area	13,848	Heating	None
Air Conditioning	None	Sprinkler	Wet	Exhaust System	No
<b>Commercial Group #101 3</b>					
Use Code	Basement Finished	Base Story	1	Number Stories	1
Total Group Area	10,528	Base Floor Area	10,528	Heating	Forced Air
Air Conditioning	Yes	Exhaust System	No		
<b>Commercial Group #101 4</b>					
Use Code	Basement Parking	Base Story	1	Number Stories	1
Total Group Area	1,848	Base Floor Area	1,848	Number Parking Spaces	24
Heating	Forced Air	Air Conditioning	Yes	Exhaust System	No



Grantor	Grantee	Instrument Date	Recording Date	Instrument Type	Book/Pg
COMMERCE PARK L.L.C	LEGACY BANK	2012-11-16	2012-12-10	Warranty Deed Corporate	<u>14565/60</u> <sup>G</sup>
<b>Permits - 3 Records</b>					
Year	Type	Permit Status	Applention	Description	
2008	Permit	Complete	2006-02-14	construction/office (40189 sf)	
2007	Permit	Partial	2006-02-14	construction/office (40189 sf)	
2007	Permit	Complete	2005-10-06	construction/footings/foundation	

**Historical Values**

Yr	Type	Class	Kind	Land	Bldg	Total
2013	<u>Assessment Roll</u>	Commercial	Full	\$1,339,000	\$3,161,000	\$4,500,000
2011	<u>Board Action</u>	Commercial	Full	\$1,339,000	\$3,161,000	\$4,500,000
2011	<u>Assessment Roll</u>	Commercial	Full	\$1,339,000	\$4,481,000	\$5,820,000
2009	<u>Assessment Roll</u>	Commercial	Full	\$1,339,000	\$5,274,000	\$6,613,000
2008	<u>Assessment Roll</u>	Commercial	Full	\$1,339,000	\$5,274,000	\$6,613,000
2007	<u>Assessment Roll</u>	Commercial	Full	\$1,339,000	\$4,214,000	\$5,553,000

This template was last modified on Thu Dec 5 16:12:58 2013 .

**Exhibit F**

**OFFER TO PURCHASE REAL ESTATE**

**To:** Commerce Park Properties, Inc. (Seller)  
**From:** The State of Iowa acting through the Department of Administrative Services on behalf and for the benefit of the Iowa Lottery Authority (Buyer)

**Buyer offers to buy from Seller the following real estate:**

LOT 1 COMMERCE PARK PLAT 2

Locally known as 13001 University Avenue, Clive, IA 50286

This offer to purchase is subject to the following:

**PURCHASE PRICE:** The purchase price shall be \$5,350,000 for the subject property payable as follows:

- \$100,000 upon acceptance of this Offer, said amount to be held in trust by Seller's Attorney's Trust Account. Earnest money to be fully refundable through the due diligence period.
- Balance to be payable in installments by a schedule agreed upon by both parties. Buyer proposes the following schedule:
  - On or before March 31, 2014 – payment of \$1,500,000 to be held in escrow until second installment
  - On or just after April 1, 2014 – payment of \$3,750,000

**POSSESSION AND CLOSING:** Possession is to be given on or about April 1, 2014. Adjustments of interest, rents, or any other charges attributable to the Buyers' possession are to be made of like date. Closing shall occur after approval of the title, which is subject to inspection and appropriate approvals, and prior to possession. If, for any reason, possession is before or after the day of closing, the parties shall make a separate agreement with adjustments as for the date of possession. Title shall be held in trust and transferred to the Buyer upon filing of all closing documents and receipt of all funds.

Sale of the property is to close on or about April 1, 2014. Upon closing, Buyer shall provide \$3,000,000 (less earnest money) towards the purchase of the property with the balance of the purchase price to be carried by Legacy Bank and Bankers' Bank for a period of six months at a rate of three percent (3%) annually of the remaining balance. At the expiration of this six month period, the remaining balance plus interest shall be paid in full. Buyer reserves the right to pay the balance of the purchase price at any point within the six month time frame at no penalty. Accordingly, the Seller will pro-rate the interest, effectively charging one quarter percent (0.25%) per month.

**CONDITION OF PROPERTY:** The property, as of the date of acceptance of this offer, will be preserved by Seller in its present condition until closing. Seller agrees to remove all debris and personal property, if any, from the premises prior to possession. Buyer will do a final walk

through prior to possession to ensure condition of property has been preserved.

**INCLUDED PROPERTY:** Included with the property shall be all fixtures that integrally belong to, are specifically adapted to, or are part of the real estate, whether attached or detached, such as: attached carpeting, light fixtures (including light bulbs), awnings, storm windows, storm doors, screens, air conditioning equipment, electrical service cables, fencing, shelving, gates, bushes, trees, shrubs and plants. Also included shall be the following: all technology elements/infrastructure (televisions, projectors, radio equipment, etc.).

**INSPECTION:** Purchase is contingent upon a satisfactory inspection. Buyer is responsible for making its own inspection of the subject property. Buyer may, at its expense, have the property inspected by a person(s) of its choice to identify any issues, including but not limited to environmental concerns, deficiencies in soil suitability, and building and mechanical integrity. Buyer shall notify Seller in writing of deficiencies and requested remedies. If Seller and Buyer are not able to reach an agreement in writing as to the remedies, then this agreement shall be null and void.

**RISK OF LOSS AND INSURANCE:** Seller shall bear the risk of loss or damage to the property prior to closing or possession, whichever comes first.

**TITLE PAPERS AND ABSTRACT:** Promptly after execution of the Purchase Agreement, Seller, at its expense, shall have its abstract of title delivered to an abstract company to be continued through the date of their acceptance of this Offer and delivered to Buyer for title examination. Buyer's attorney shall, either approve the title or point out specific objections and return Seller's abstract to them. After all valid objections have been satisfied or provided for, Seller shall have no obligation to pay for further abstracting excepting any made necessary by Seller's own affairs. At the time of closing, Seller shall convey the premises to the "State of Iowa acting through the Department of Administrative Services" by warranty deed approved by the Iowa Attorney General's office. In a separate agreement, the Department of Administrative Services will assign the ownership of the building to the Iowa Lottery Authority, effectively transferring possession and all rights and responsibilities therein.

**COURT APPROVAL:** If the property is an asset of any estate, trust, conservatorship, or receivership, this agreement shall be subject to Court approval, unless declared unnecessary by the Buyer's attorney. If necessary, the appropriate fiduciary shall promptly proceed to a hearing for Court approval. In that event a Court Officer's Deed shall be used to convey title.

**REAL ESTATE TAXES AND REAL ESTATE TRANSFER TAX:** Seller shall be responsible for payment of real estate taxes and special assessments for all periods to date of closing. No later than the date of closing, Seller shall establish an escrow account for all back real estate taxes and special assessments due and payable to the County Treasurer after closing dated unless Buyer agrees to an alternative mechanism for payment of such taxes and assessments. Seller shall be responsible for payment of real estate transfer tax and shall deliver to Buyer at closing a check payable to the Polk County Treasurer in the amount of the real estate transfer tax on the sale.

**REMEDIES OF THE PARTIES:** If Buyer or Seller fail to timely fulfill the terms of this agreement, then the other party shall be entitled to utilize any and all remedies of actions at law or in equity

which may be available to them (including but not limited to: forfeiture, foreclosure, termination, rescission or specific performances), and the prevailing party shall further be entitled to obtain judgment for costs and attorney fees.

**BUYER'S RIGHT OF CANCELLATION:** Buyer's offer is contingent upon funding of which the Buyer's source of the purchase price is restricted by certain checks and balances:

- Approval from the Iowa Lottery Board
- Approval from the Executive Council of Iowa
- Notification to the Legislative Government Oversight Committee

Buyer reserves the right to cancel this agreement up to the date of closing in the event of a loss or disapproval of funding beyond the Buyer's control. Under no circumstance will there be payment or penalty due to lack of funding or approval. Seller waives any and all rights to make a claim against the Buyer if funding is not approved.

**OTHER PROVISIONS:** Buyer requires up to sixty (60) days to complete Due Diligence including, but not limited to, approval of and securing funds, asbestos testing, Phase I Environmental Study, etc. Prior to the conclusion of Due Diligence, the Buyer will either remove the contingency and proceed to closing or terminate the agreement. Both instances will require written notice and will occur at the Buyer's sole discretion. Upon written notice, Buyer will then have fifteen (15) days to close. All other terms and conditions of the purchase of the property will be made in accordance with a mutually acceptable Purchase and Sale Agreement. If Buyer and Seller are not able to reach a mutually acceptable Purchase and Sale Agreement, this agreement shall be null and void.

**LEGALLY BINDING CONTRACT:** When executed by Seller, this document shall be a binding contract containing the entire agreement of the parties and superseding all prior agreements or representations with respect to the property which are not expressly set forth herein. Any modification to this agreement must be in writing and signed and dated by all parties. Either party may file this document with the office of the Polk County Recorder.

**CONFIDENTIALITY:** To the extent permitted by Iowa law prior to the closing, Seller and Buyer agree to keep the terms and conditions of the offer, including the identity of the Buyer, confidential.

**TIME IS OF THE ESSENCE** in the performance of each part of this agreement.

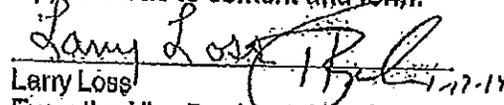
**ACCEPTANCE DATE:** If this agreement is not executed by the Seller and delivered to Buyer on or before the 21<sup>st</sup> day of January 2014, it shall be deemed null and void.

**BUYER, The State of Iowa acting through  
the Department of Administrative Services  
on behalf and for the benefit of the Iowa  
Lottery Authority (Buyer):**

  
Doug Woodley  
COO, Department of Administrative  
Services - General Services Enterprise

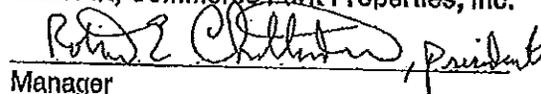
01-18-14  
Date

Approved as to content and form:

  
Larry Loss  
Executive Vice President, Iowa Lottery  
Authority

1-17-2014  
Date

**SELLER, Commerce Park Properties, Inc.**

  
Manager

1-21-14  
Date

## NATIONAL COUNCIL OF LEGISLATORS FROM GAMING STATES (NCLGS)

### Overview of Contributing and General-Member State Privileges

---

*All states are deemed to be NCLGS members, distinguished as either contributing or general.*

Contributing members receive the following enhanced benefits:

- voting privileges on standing committees and the Executive Committee, with opportunities for committee membership
- reduced meeting registration fees
- full access to the NCLGS web site, [www.nclgs.org](http://www.nclgs.org), including minutes and models/resolutions
- weekly e-mails that compile insurance articles from a wide variety of media
- legislative alerts on breaking issues, including the latest on congressional activity

Contributing membership is afforded to states that pay \$3,000 annual dues.

*General members receive full access to the NCLGS web site and the ability to participate in NCLGS discussions.*

*The National Council of Legislators from Gaming States (NCLGS) is the only organization of state lawmakers that meets on a regular basis to discuss issues in regard to gaming. Members of NCLGS chair or are members of committees responsible for the regulation of gaming in their state legislative houses. NCLGS does not promote or oppose gaming but is primarily concerned with the proper regulation of the industry.*



2323 Grand Avenue · Des Moines · Iowa 50312-5307  
Telephone: 515-725-7900 · Fax: 515-725-7882  
www.iawlottery.com

Terry E. Branstad · Governor  
Kim Reynolds · Lt. Governor  
Terry Rich · Chief Executive Officer

Date: January 29, 2014

To: Iowa Lottery Board  
Terry Rich  
From: Steve Bogle  
Deirdre Demmerly  
Diane McCool  
Re: Pull-tab Printing Recommendation

The current contract and all extensions for pull-tab ticket printing and related services expired on December 31, 2013. Accordingly, the Iowa Lottery issued RFP IL 14-02, Request for Proposal, Purchase of Pull-tab Tickets on December 13, 2013.

The purpose of this Request for Proposal (RFP) is to solicit proposals from qualified firms or vendors interested in printing pull-tab tickets and providing related services for the Iowa Lottery Authority (Lottery), pursuant to the authority of Iowa Code, Chapter 99G. The Lottery intends to award one vendor a single contract but reserves the right at its' sole discretion to award additional contracts to print Lottery pull-tab tickets. The award of a contract does not guarantee the Lottery will print any tickets with that Vendor.

#### **Background Information**

Instant ticket sales for calendar year 2013 were \$15.9 million.

The Lottery operates on a multiple game strategy and multiple price point strategy and plans to have at least 20 games available for sale at all times. New pull-tab tickets will be introduced approximately every month. The Lottery has a base of approximately 825 retailers selling pull-tab tickets within Iowa.

#### **RFP Process**

Several Lottery staff members participated in the RFP process.

##### **RFP Coordinator**

- Tammy Cooper

##### **RFP Evaluation Team**

- Steve Bogle
- Deirdre Demmerly
- Diane McCool

##### **RFP Advisors**

- Molly Juffernbruch
- Larry Loss

The staff members listed above met on several occasions to write the RFP. The following timeline was developed:

<b>Event</b>	<b>Date</b>	<b>Time</b>
RFP issued to Vendors	December 13, 2013	
Letter of Intent Due	December 23, 2013	4:00 pm
Questions from Vendors Due	January 6, 2014	4:00 pm
Questions and Answers provided to all Vendors	January 8, 2014	4:00 pm
Deadline for Submission of Proposal	January 17, 2014	11:00 am
Site Visit by evaluation team (if necessary)	January, 2014	
Board of Directors vote on Notice of Intent to Award subject to successful completion of DCI Investigation	February, 2014	
DCI Investigation	February, 2014	
Contract Execution subject to successful negotiations and Lottery Board of Directors Approval	February, 2014	Board Meeting TBA
Contract period begins	February/March, 2014	

The Lottery received Intent to Bid letters from:

- American Games, Inc. a Pollard Banknote Company
- International Gamco, Inc.
- Arrow International, Inc.

Questions from vendors were received and answered in accordance with the RFP timeline. Proposals were received from:

- American Games, Inc. a Pollard Banknote Company

A site visit was not conducted at American Games, Inc.'s facility in Council Bluffs, Iowa.

As the Lottery received a sole bid, the Evaluation Committee reviewed the proposal on a "Pass/Fail" basis to ensure that it met the criteria established by the Lottery. All categories were scored a "Pass" by the evaluation committee. After the Evaluation Sheets were completed, the Price Proposal was opened. The committee reviewed the price proposal and assigned it a "Pass" score as well.

### **Pricing**

The pricing in the proposal is in line with the most recent pricing that the Lottery had for pull-tab printing. At some higher quantities, the pricing is lower than what the Lottery recently paid for pull-tab printing. The pricing was deemed acceptable by the committee.

**Recommendation**

It is the Evaluation Team's recommendation that the Iowa Lottery issue a Notice of Intent to Award, subject to successful completion of DCI investigation, to the following vendor:

- American Games, Inc. a Pollard Banknote Company, Council Bluffs, Iowa

Furthermore, it is the Evaluation Team's recommendation that:

- the CEO, working with the Lottery's Vice President, Security, authorize the completion of background investigation of American Games, Inc. a Pollard Banknote Company, Council Bluffs, Iowa
- the Vice President, General Counsel begin contract negotiations with American Games, Inc. a Pollard Banknote Company, Council Bluffs, Iowa

**Attachments**

Evaluation Sheets

**EVALUATION PROCESS**

All proposals received by the specified date and time will be reviewed for compliance with the requirements of the RFP. If a proposal fails to meet a mandatory RFP requirement, the proposal will be eliminated from further consideration. If the Contractor fails to pass evaluation for Section 3.5 Plant Security or Section 3.7.6 Financial Statements, the proposal will be eliminated from further consideration.

**Scoring Methodology:**

1. The score for "Cost" will be calculated as follows:  
Lowest Single Proposal Price / Contractor's Single Proposal Price

2. The score for the other components will be as follows:  
0 = not acceptable or applicable;  
1 = marginally meets the Lottery's requirements  
2 = meets Lottery's requirements  
3 = marginally exceeds Lottery's requirements.  
4 = exceeds Lottery's requirements

3. For each component the score will be multiplied by the points available to get a weighted score.  
The weighted scores from each component will be added together to get a final score for the Contractor.

The following example reflects the maximum score possible. During the evaluation process the maximum score column will reflect the actual scores of the Contractors.

COMPONENT	POINTS	MAXIMUM SCORE	WEIGHTED SCORE	Vendor 1 Score	Vendor 1 Weighted Score	Vendor 2 Score	Vendor 2 Weighted Score	Vendor 3 Score	Vendor 3 Weighted Score
<b>COST</b>	600 *	1.00	600.00	P					
<b>TECHNICAL</b>									
3.1.1 Stumps	30 *	4	120.00	P					
3.1.2 Ticket Construction	15 *	4	60.00	P					
3.1.5 Play Numbers/Symbols	15 *	4	60.00	P					
3.1.7 Confirming Capitan/Verification Symbol or Device	15 *	4	60.00	P					
3.1.8 Validation and/or Barcode functions	15 *	4	60.00	P					
3.1.13 Randomization	10 *	4	40.00	P					
3.1.24 Ticket Security	15 *	4	60.00	P					
3.1.22 Ticket Osmis	15 *	4	60.00	P					
3.1.14 Working Papers	40 *	4	160.00	P					
3.1.15 Ticket Production Timetable	20 *	4	80.00	P					
3.6.1 Suggested Game/Promotion/Marketing	20 *	4	80.00	P					
3.6.2 Plant Security Requirement	35 *	4	140.00	P					
3.6.3 Waste Materials	10 *	4	40.00	P					
3.6.4 Storage	15 *	4	60.00	P					
3.7.5 Vendor Printing Equipment	30 *	4	120.00	P					
3.7.4 Vendor Performance	10 *	4	40.00	P					
3.7.3 Vendor Business Experience	10 *	4	40.00	P					
3.7.2 Vendor Personnel	30 *	4	120.00	P					
<b>TOTAL SCORE</b>	<b>950.00</b>		<b>2,000.00</b>						

P = Passing Score of 2 or higher from above scale  
F = Failing Score below 2 from above scale

Vendor Proposal Scored on January 23, 2014  
Scoring Panel Members  
Steve Bogie  
Deirdre Diemmerly  
Diane McCool

**COMPILATION OF THE SINGLE PROPOSAL PRICE - EXAMPLE**

Ticket Quantity	Number of Orders	50% CPI Index Markup		3% Inflation		YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5	
		Cost of Order	Yearly Cost	Cost of Order	Yearly Cost	Cost of Order	Yearly Cost	Cost of Order	Yearly Cost	Cost of Order	Yearly Cost	Cost of Order	Yearly Cost	Cost of Order	Yearly Cost
1,500,000	1	\$19,260.00	\$19,260.00	\$19,548.90	\$19,842.13	\$19,842.13	\$19,842.13	\$20,139.76	\$20,139.76	\$20,139.76	\$20,139.76	\$20,139.76	\$20,441.86	\$20,441.86	
3,500,000	14	\$41,580.00	\$582,120.00	\$42,203.70	\$590,851.80	\$42,836.76	\$599,714.64	\$43,479.31	\$608,710.34	\$43,479.31	\$608,710.34	\$44,131.50	\$617,841.00		
<b>Ticket Orders:</b>	15		\$601,380.00		\$610,400.70		\$619,556.77		\$628,850.10		\$638,282.86				
<b>New Game Development</b>	11		\$3,722.00		\$3,777.83		\$3,834.50		\$42,812.22		\$3,892.02		\$3,950.40		
<b>Yearly Total:</b>			\$642,322.00		\$651,956.83		\$661,736.27		\$671,662.32		\$681,737.26				

**\$3,309,414.68 SINGLE PROPOSAL PRICE - EXAMPLE**