DRAFT
NOT FOR RELEASE

Davenport Casino Summary

April 23, 2013

Problem #1

The Isle of Capri Has Zero Land Based Investment In Davenport (except this canopy).

Market Analysis (2011)							
	Slots	Tables	Hotel Rooms	Slot W/U/D	Annual Slot Revenue	Annual Table Revenue	Total Win Revenue
Rhythm City, Davenport	948	16	0	$138	$47.7M	$1.7M	$49.3M
Isle of Capri, Bettendorf	1,014	31	504	$198	$73.3M	$5.2M	$78.5M
Jumer's, Rock Island (IL)	1,123	30	205	$179	$73.4M	$6.0M	$79.4M
Wild Rose, Clinton	598	13	60	$177	$38.3M	$1.9M	$40.2M
Catfish Bend, Burlington	645	24	142	$147	$34.7M	$4.0M	$38.7M
Riverside, Riverside	1,227	48	201	$171	$37.0M	$2.2M	$39.2M
Mystique, Dubuque	961	23	116	$159	$55.8M	$4.4M	$60.2M
Diamond Jo, Dubuque	987	21	193	$174	$62.7M	$4.5M	$67.2M
Note: Bolded sites are located within the greater Quad Cities area; Additional locations are included for comparative purposes							

Lowest Slot WUD (Davenport)

Highest Slot WUD (Bettendorf)

Problem #2

The Isle of Capri Owns Two Casinos In The Same Market, & Directs Higher "Win" Casino Customers To Bettendorf

Put Another Way …

Same Day, Same River

Davenport Closed
(front door never got wet)

Bettendorf Open

including payment of any settlements, damage awards and interest thereon. IOC shall not be responsible for any acts or omissions of the RDA, and the indemnity shall not apply thereto.

7. The RDA agrees with IOC that it will not enter into any agreements with any operators, and will not make application to the IRGC for any operator, to operate gambling excursion boats within the City of Davenport, Iowa without first obtaining the written consent of IOC which may be withheld by IOC for any reason in IOC's sole and absolute discretion. In addition, the RDA agrees to take all reasonable steps available to the RDA to prevent any other operator or excursion boat gambling license holder from having or acquiring a port-of-call or operations site within the City of Davenport without the written prior permission of IOC.

8. IOC agrees, subject to all applicable Iowa and federal laws, to dock its gambling excursion boat during the winter or off season, at the facilities it leases from the City of Davenport, and to the extent permitted by the IRGC and consistent with prudent business judgment, to maintain casino style gambling operation on the boat on a year around basis.

9. It is agreed that this Agreement is intended to comply with, and is subject to all the rules and regulations of the IRGC, the ordinances of the City of Davenport, and the laws of the State of Iowa and of the United States of America. The terms of this Agreement are subject to amendment to comply with any of said requirements or any changes in any laws or regulations. In the event that any provision of this Agreement is determined to be invalid by a court of competent jurisdiction, the remaining provisions of this Agreement shall remain in full force and effect.

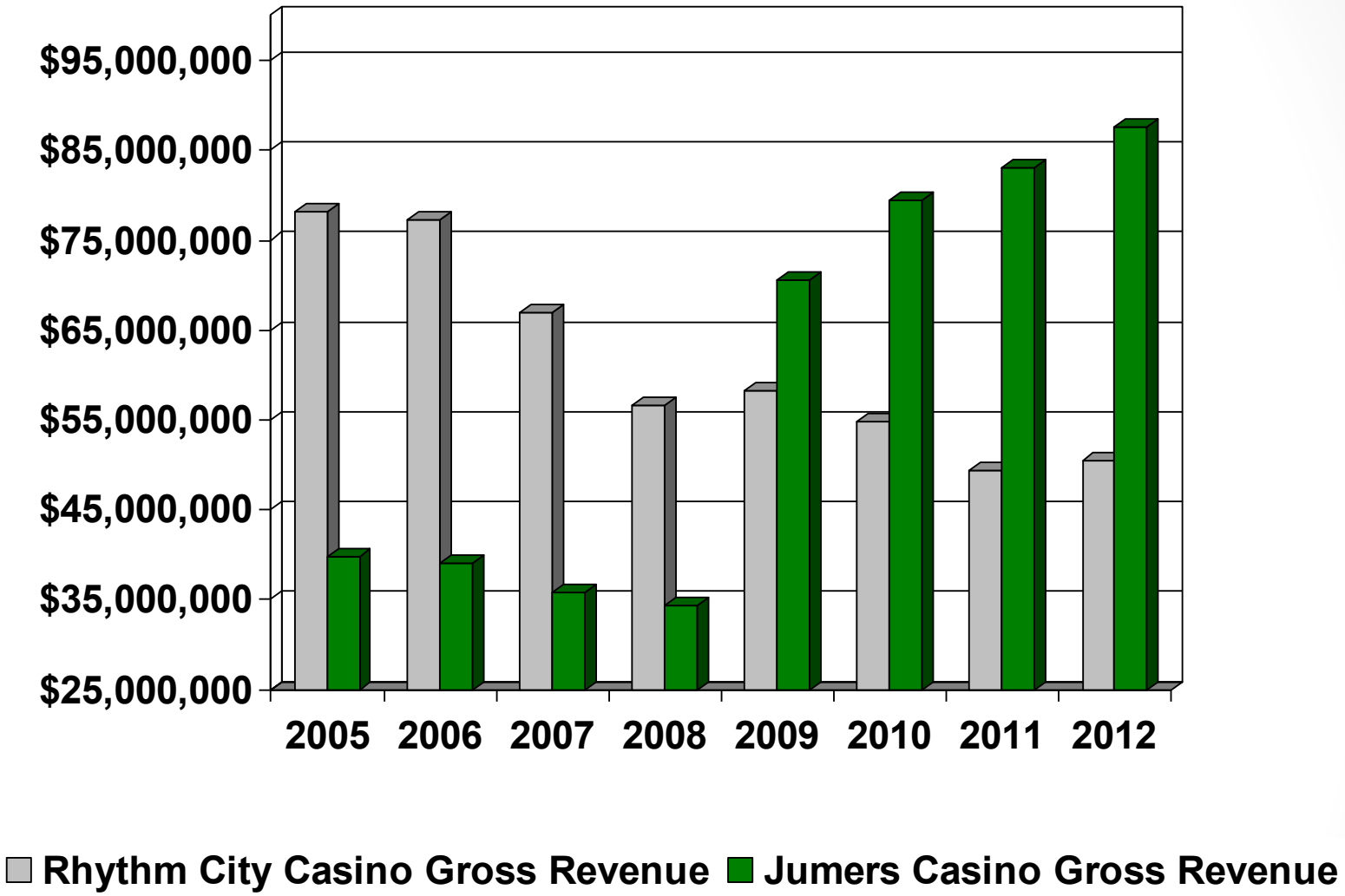
10. IOC agrees that it will provide, at its expense, within the time requirements set forth by the regulations of the IRGC, all necessary audits of financial transactions and other

IOC / RDA Operator's Agreement

"...RDA agrees ... to prevent any other operator ... within the City of Davenport without the written prior permission of IOC."

Problem #3

The Isle of Capri Has The RDA Under Its Thumb,
With A Contract That Requires The RDA To Support The Isle of Capri



Problem 1+2+3 = Revenue Decline

Rhythm City Revenue Declines, & Revenue To The RDA, City & State Declines With It

The Solution ?

Open, Transparent Competition
For Private Sector Investment

Three Developers Propose Millions of Private Investment & Real Competition

City Opens Review Process To RDA, Media & Citizens

City Council Selects Ingenus / FDP Proposal For Negotiation

Interstate 80 Casino Will Greatly Increase Revenue, Add Jobs & Reduce Property Taxes

RDA Treasurer Opposes City Plan

From: Decker, Don [mailto:DDecker@rwbaird.com]
Sent: Monday, February 18, 2013 4:54 PM
To: 'Gene Meeker'
Cc: Lewis, Chad; Shrader, Jim; Frederick, Chris; Becky Bray; 'jgardner5559@msn.com'; 'hap volz'; 'Bob
Garman'; 'selliott@QCOnline.com'; 'springbeard@hotmail.com'; 'steve@sdlcpa.com';
rgallaghersr@gmglawfirm.com; 'Ray Allen'; Chris Wahlig; CARL O KIEFER; 'crayburn@wgblock.com';
'bstevens@peninsulapacific.com'; Trasowech, Andrew; 'Alan Harris'; 'a.harris@hotshotsnm.com'; 'Beas
Curtis'; Ed Henkhaus; 'Frank Ludgate'; Hinson, Kelly; 'Mike Zban'; Russ & Linda Kennel; rogm;
'kfreedman@kwqc.com'; 'csommer12@aol.com'; Mohr, Gary; 'MaryEllen Chamberlin'; Michael Cole;
Christian, Marie; Alta Price; 'jeff.lamberti@ankenylaw.com'; 'jjustin@bbbs-mv.org'; 'reyesmr1@mchsi.c
'bbrandsgard@quadcitieschamber.com'; deckers@netexpress.net
Subject: RE: Casino Finance Meeting

Gene – our casino contacts want to meet with you with the following stipulations: They will help pro
buying out the Isle using your present contractual price (want no problems with the Isle) --- the port
be funded by the City to be negotiated – lots of things to be discussed ; They will pick up all casino
construction costs and design a superior product with the City approval ; The City becomes a passive

Feb 18 Don Decker E-Mail, Copied To RDA Board & Peninsula Pacific

Davenport Casino Proposal
Summary of Proposed Terms

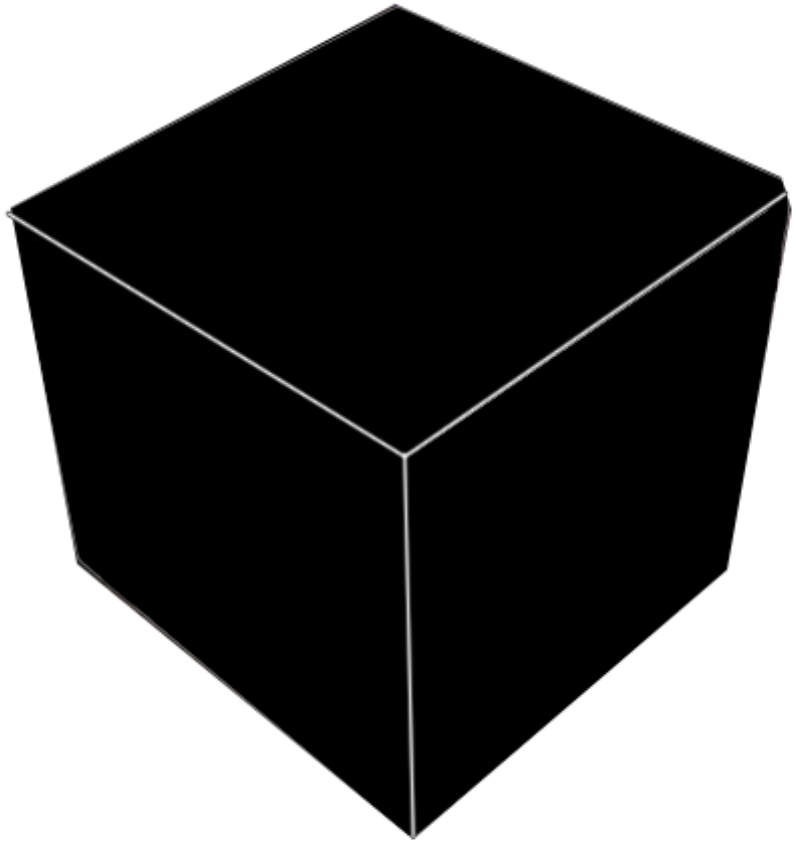
Project .....The Davenport Casino project (the "Project"), a gaming facility with a minimum size approximating the Diamond Jo Dubuque facility with similar amenities (tailored to the Quad City market) having approximately 1,000 slot machines, 20 tables and a joint venture hotel opportunity of approximately 150 rooms.

Responsibilities For Acquisition .....Peninsula Pacific ("Pacific") will provide the City with ½ of the funds necessary to purchase the Rhythm City assets from Isle of Capri pursuant to the City's ongoing process with Pacific's share not to exceed $25 million. Pacific will be repaid such sum with an interest rate that is comparable to other commercial borrowings of the City with a repayment plan to be agreed upon by the parties. Pacific shall be responsible for managing the Rhythm City operation during construction of the Project for

March Peninsula Pacific Proposal

Doesn't Inform Bar Crowd His "Casino Contact" Wants City To Buy Casino For $51 Million & Give It Away For Free*

(* after paying interest)



Three Days Before IRGC License Renewal Meeting, RDA Informs City It Will Work With Isle of Capri

RDA / IOC Process Is Secret – No Public Meetings

Meanwhile …

Casino & Finance Experts Working For City Build Financial Model To Compare Private-Public Partnership Proposals ...

… As Lawyers & Accountants Conduct Intensive Due Diligence On Rhythm City Operation & Finances

The Results ?

Conservative, Compelling
Financial Projections

How Conservative ?

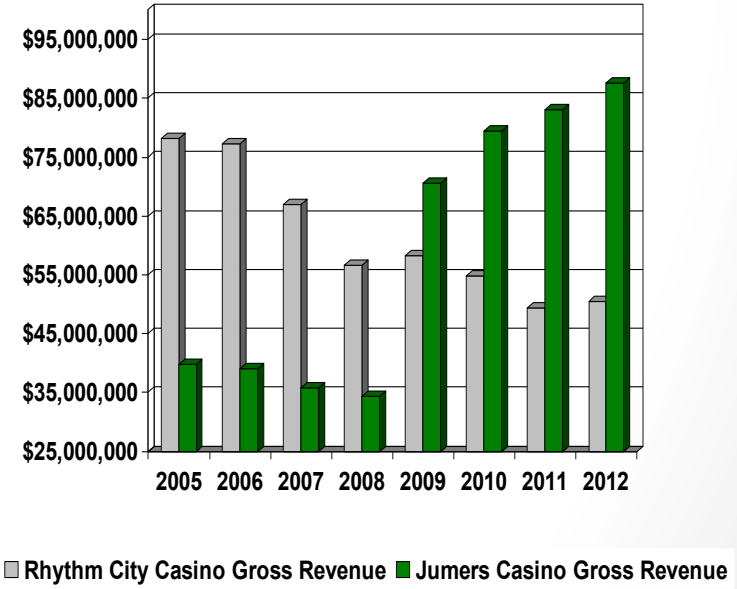
- Worst Case Acquisition Cost ($53 million)
- Nearly Double Actual Cost of Capital
- 37% Market Share With 58%+ Traffic Count
- ¼ Actual Average Casino Revenue Growth
- No Supplemental Economic Development

Conservative Financial Model #1

Rhythm City Purchase Cost Estimated At Unrealistically High, Worst Case, $53 Million

The City Would Never, Under Any Circumstances, Pay That Much

As Rhythm City Revenue Continues To Decline, The City Would Never Pay More Than 4.5 Times Actual Annual Earnings



Conservative Financial Model #1a

- The City Hired Deloitte To Examine Actual Rhythm City Earnings For A Reason …

- Every Million Dollars of Actual Earnings Reduction – Whether Through Continued Casino Decline or Deloitte's Accounting Due Diligence - Lowers The Purchase Price By $4.5 Million

The 4.5 Times Earnings Multiplier

- The City Negotiated 4.5 Times Annual Earnings Purchase Price Is Substantially Less Than Typical Casino Sales …
- Typical Casino Purchases Occur In The 6 – 8 Times Multiple Range
- The Most Recent Iowa Casino Sale (approved by the IRGC on 4/18) Was 7.7 Times Annual Earnings

Conservative Financial Model #2

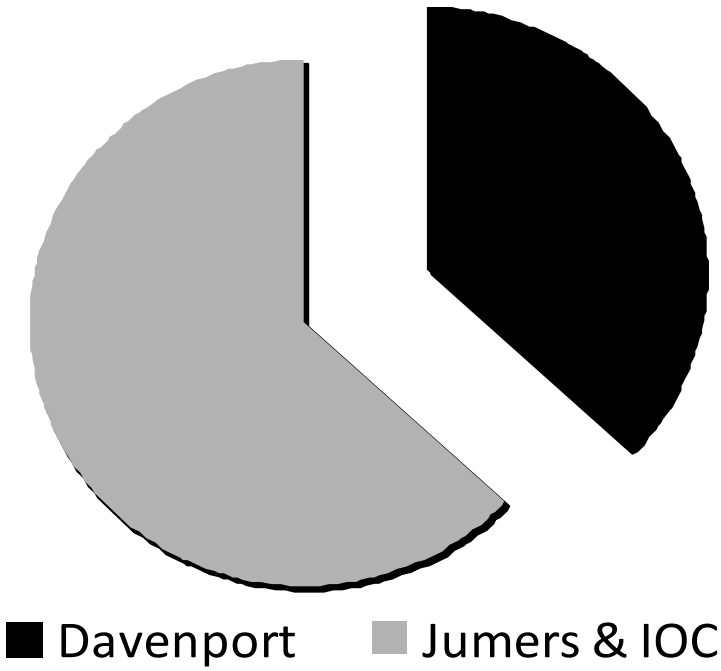
- The Financial Model Includes Cost Of Capital At Nearly Twice The Actual Cost Of Capital
- The Most Recent City Bond Sale Secured An Interest Rate Of 2.57%
- The Financial Model Includes An Interest Rate of 5%

Conservative Financial Model #3

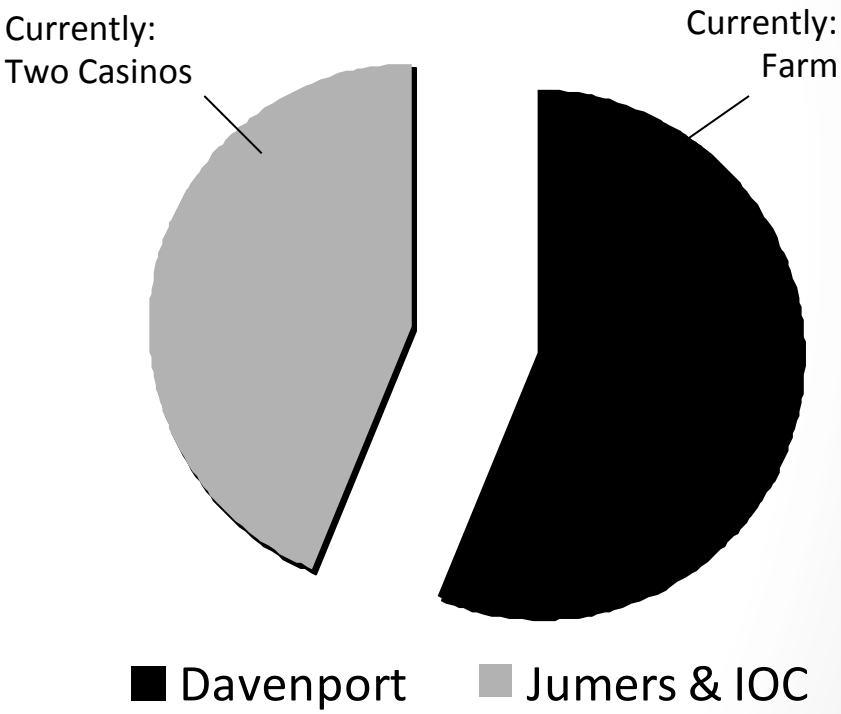
- The Financial Model Does Not Account For The Market Dominance Of An Interstate 80 Casino / Hotel
- Interstate 80 Carries Substantially More Daily Traffic Than The Combined Traffic That Passes Jumers & The Isle of Capri
- An Interstate 80 / 280 Location Cuts Off Iowa Traffic To Jumers

Conservative Financial Model #3

Projected Market Share



Actual Daily Traffic



Conservative Financial Model #4

- The Financial Model Projects ¼ The Amount Of Average Annual Casino Revenue Growth
- The Financial Model Projects 1% Annual Revenue Growth
- A Statewide Analysis, Released In March, Found Average Annual Casino Revenue Growth In Iowa Was 4.08% Over The Last Nine Years

Table 1. Compounded Rate of Iowa Casino Revenue Growth

Years	Gross Revenue	Net Revenues	Period
2003-2007	7.44%	6.90%	Growth
2007-2010	0.10%	0.16%	Recession
2010-2012	3.54%	3.58%	Post-Recession
2003-2012	4.08%	3.87%	Entire 9-Yrs

Over the entire nine years, the compounded average annual growth rate of net revenues was 3.87% for the state-regulated casinos. We applied this average annual growth rate to the initial casino and hotel

March, 2013 Strategic Economics Group Report – Page 10

Conservative Financial Model #5

- The Financial Model Includes Zero Spin Off Development For An I-80/280 Casino & Hotel
- This Is Extraordinarily (Ridiculously?) Conservative
- An Interstate 80/280 Casino & Hotel, Surrounded By Easily Developable Land Will Spur Commercial Development (unlike Jumers, surrounded by wetlands)

I-74 Development Comparison

1986

Base Assessed Value: $39.2 M
Annual Tax Revenue: $934 K
($375 K City)

2012

Base Assessed Value $422.6 M
Annual Tax Revenue: $12.6 M
($5.1 M City)

Conservative Financial Model #5

- The Financial Model Includes Zero Spin Off Development For An I-80/280 Casino & Hotel
- A 100 Acre Retail Development Generates Approximately $2.5 Million In Annual City Revenue
- The Ingenus / FDP Plan Includes Options For 300 Acres Of Land

How Compelling ?

- Ingenus / FDP MOU Results In $360 Million Shared RDA / City Community Benefit
  (again, conservatively projected)

- $3 - $4 Per Thousand Assessed Value Potential City Property Tax Reduction

- Hundreds Of New Jobs

- RDA Revenue Tripling From $2 Million Annually To $6 Million

The Proposals, In Sum

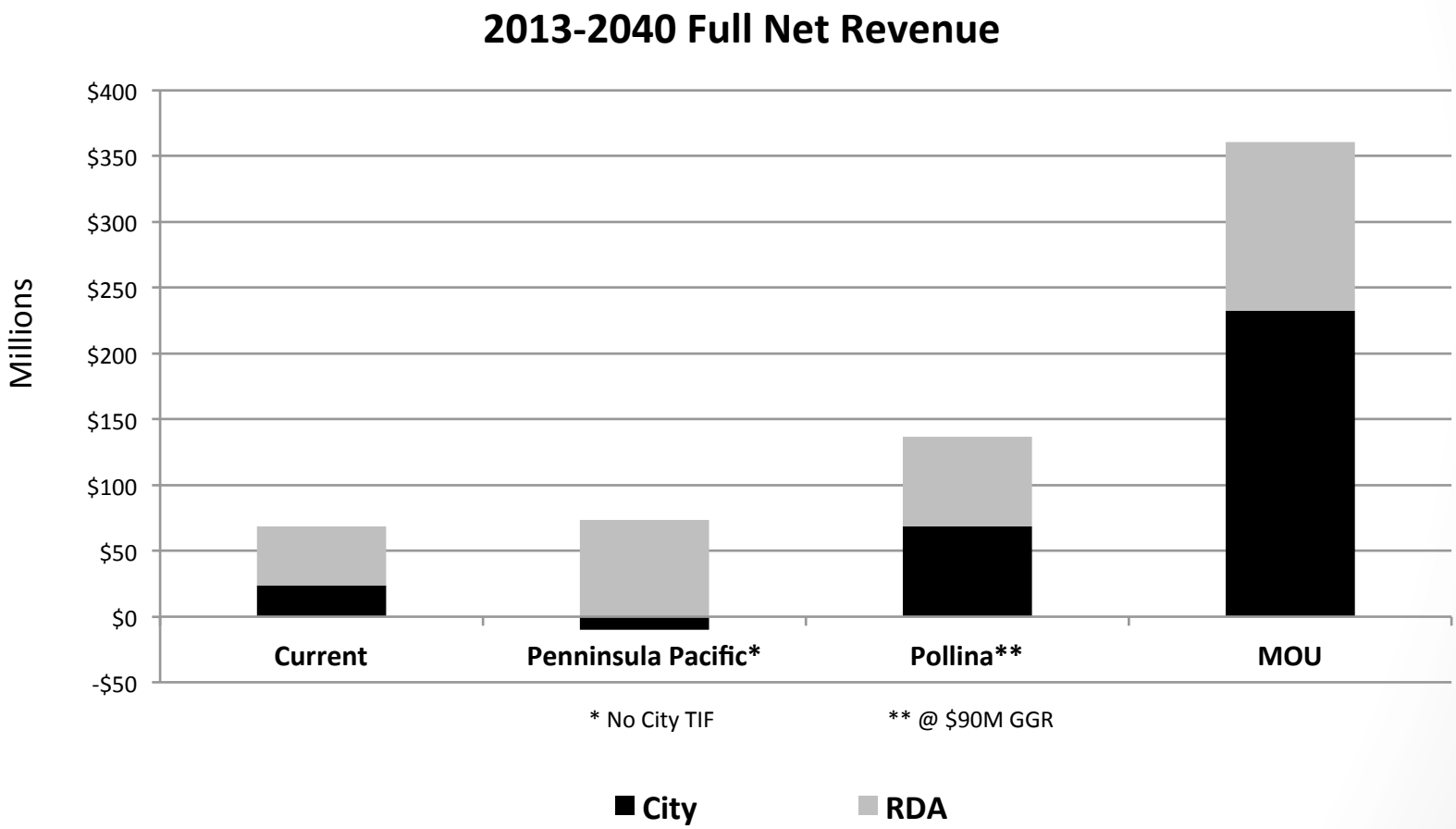
- **Current** – The Rhythm City Casino, Favorably Projected In The Future, At Half The Revenue Decline From 2007 to 2012

- **Peninsula Pacific** – Requires City To Buy Casino Business For $51 Million & Give Business To Peninsula Pacific, For Free. Pacific Peninsula Builds I-80 Casino & Provides 3.1% of Revenue To RDA & City.

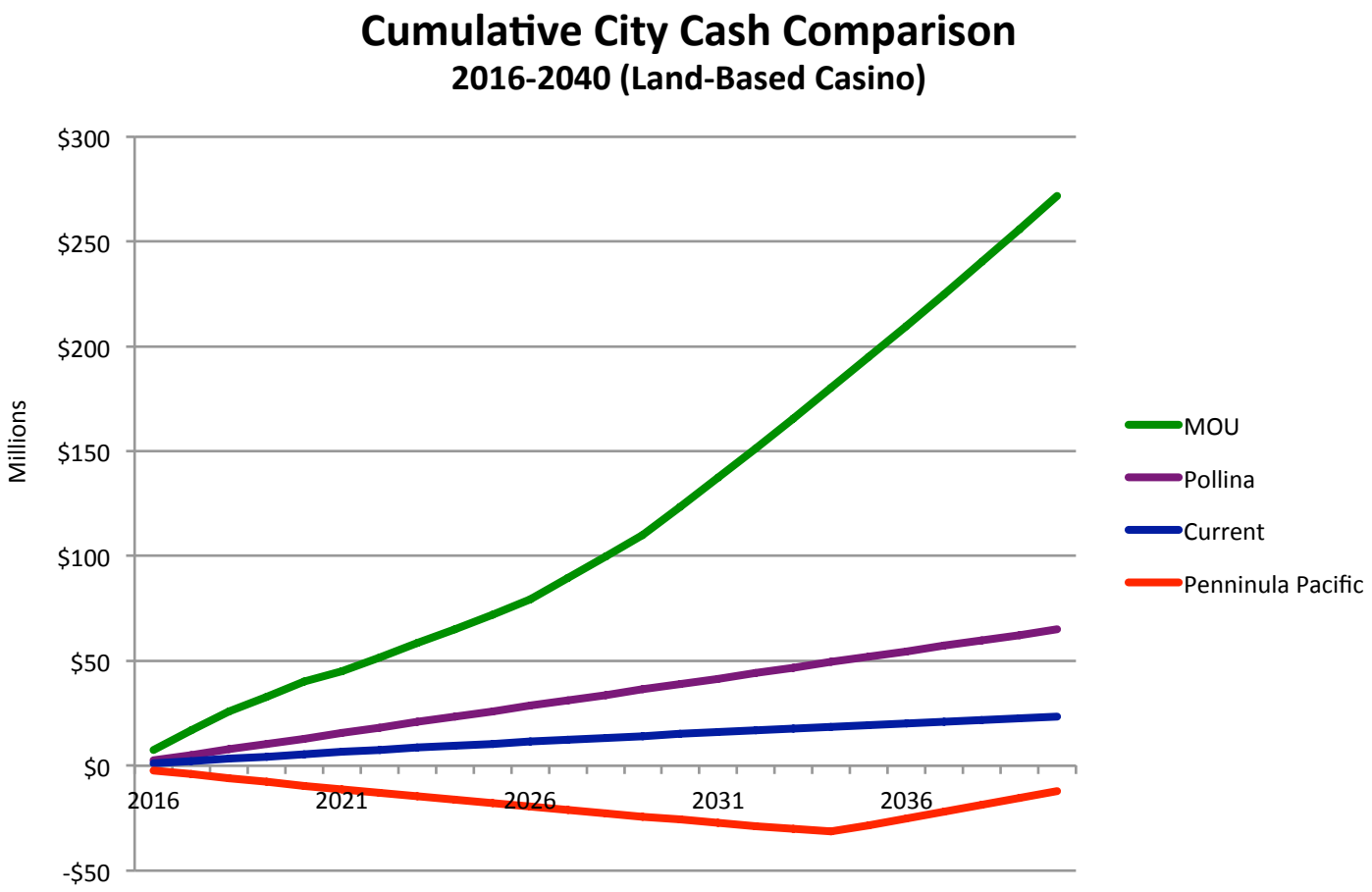
- **Pollina** – Privately Financed Casino Construction, With City / RDA "Leaseback" Of Casino Acquisition.

- **MOU** – Privately Financed Casino Construction, With Community Ownership Of Operating Agreement. Based on March, 2013 Memorandum of Understanding (MOU) With Ingenus / FDP.

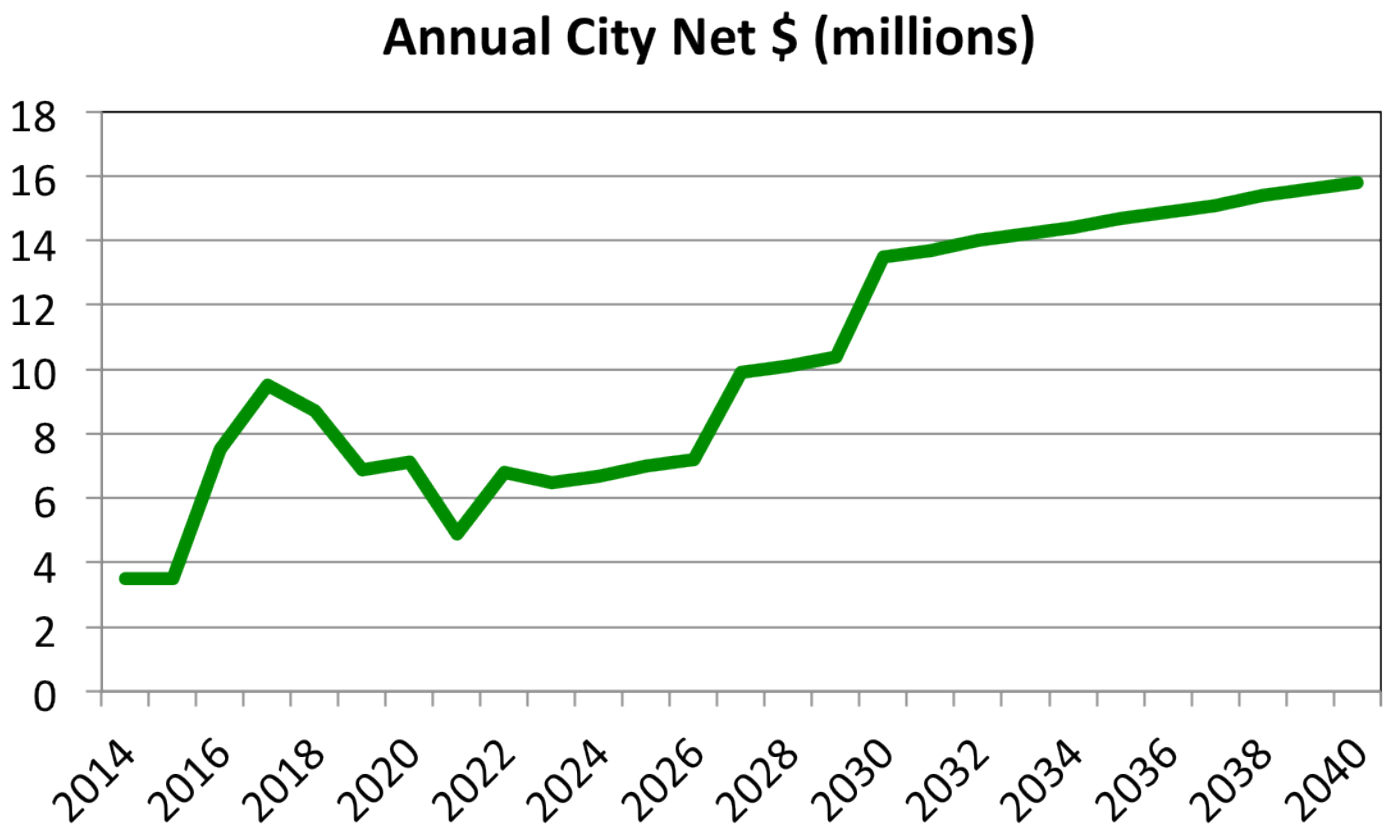
The One Page Summary Of Net Community Benefit



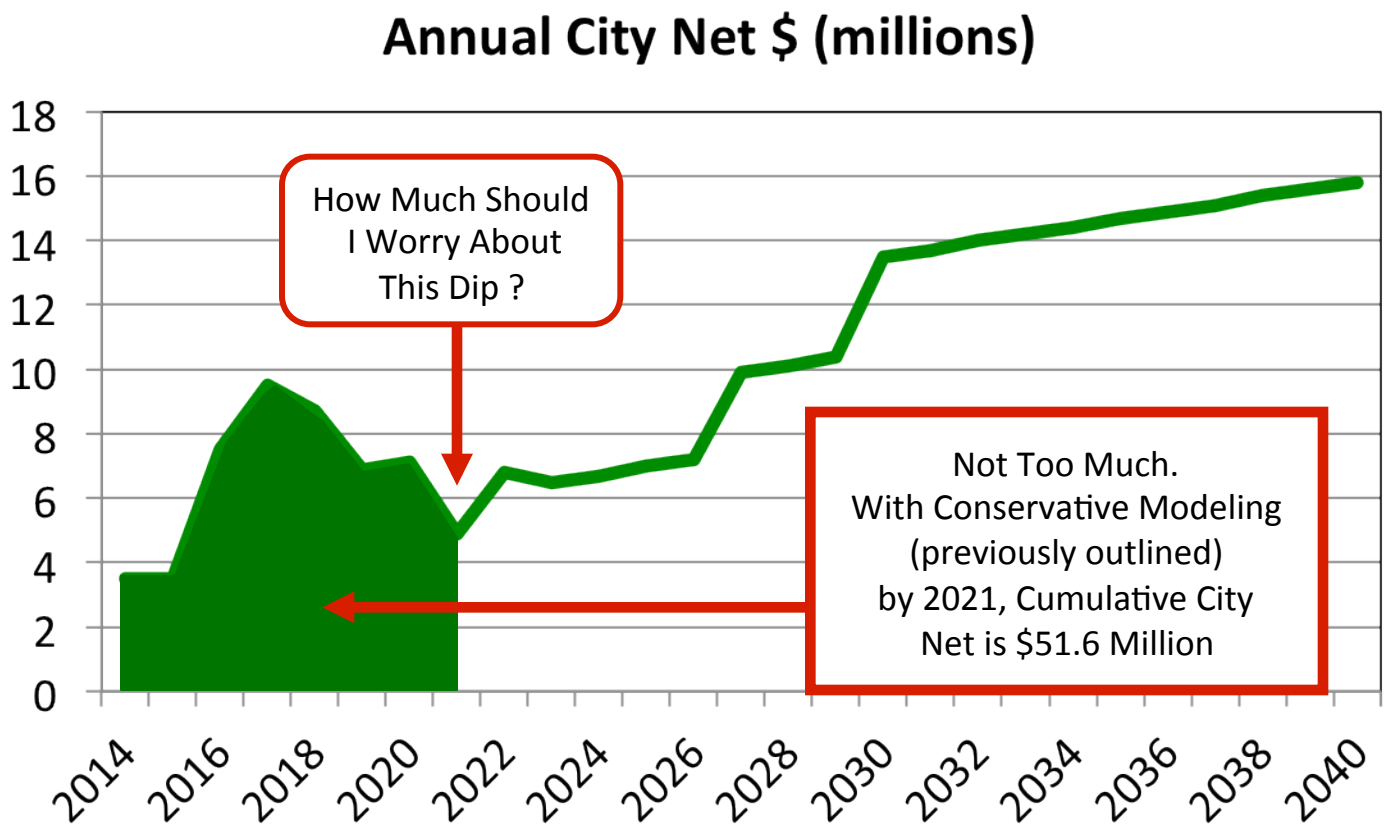
The Cumulative City Benefit …



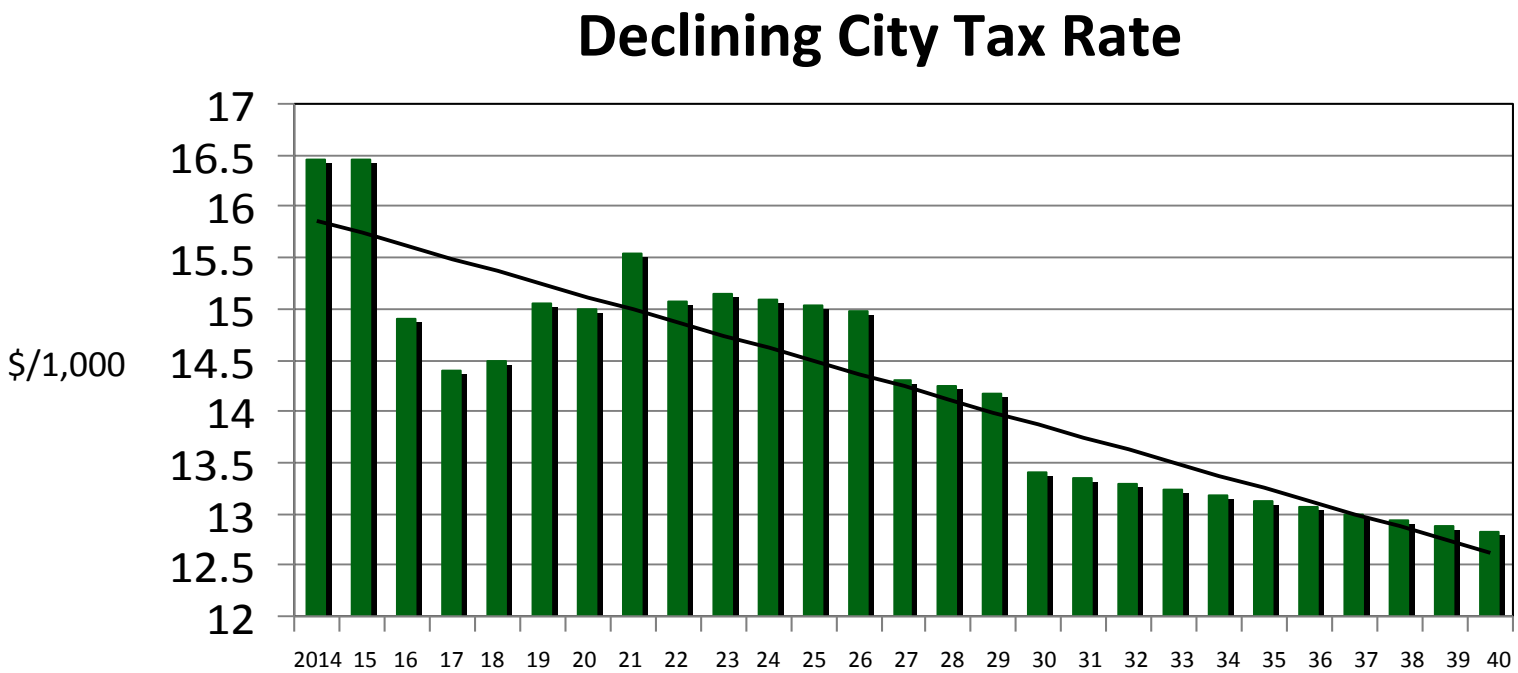
… As Annual City Net Revenue



… As Annual City Net Revenue



… As Potential City Tax Rate (with trend line)



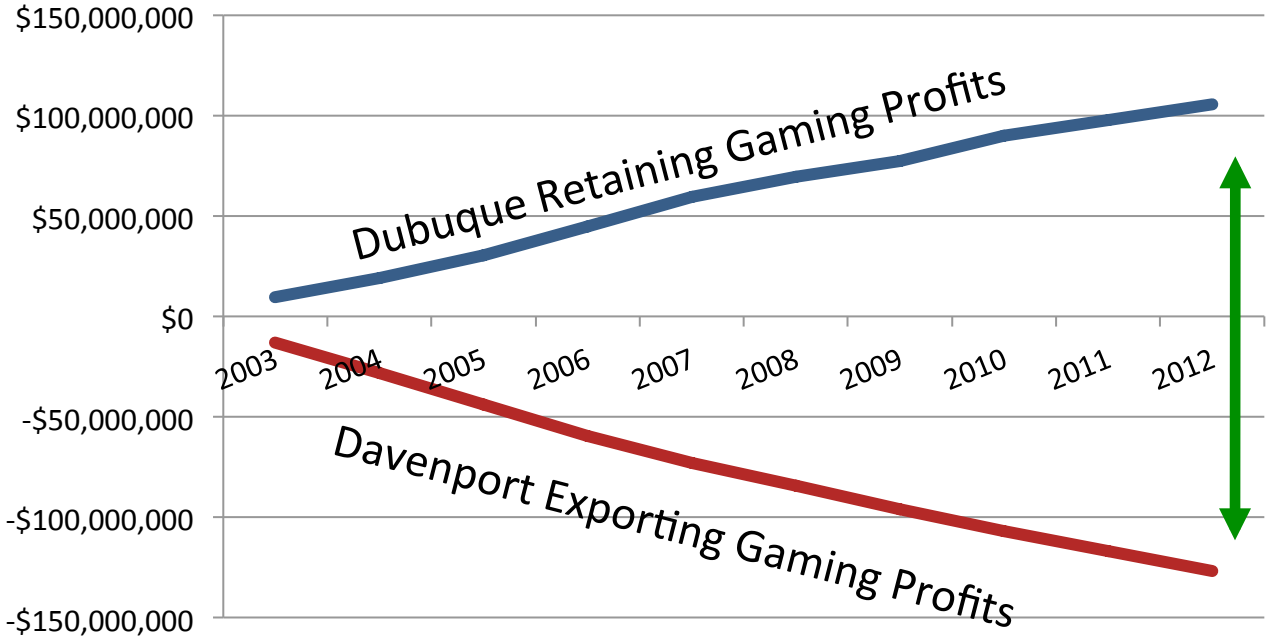
Notes:

1) FY14 Requires Tax Rebate, As Tax Rate Already Established
2) Current City Tax Rate $16.78 ($/1,000)

How Is That Possible ?

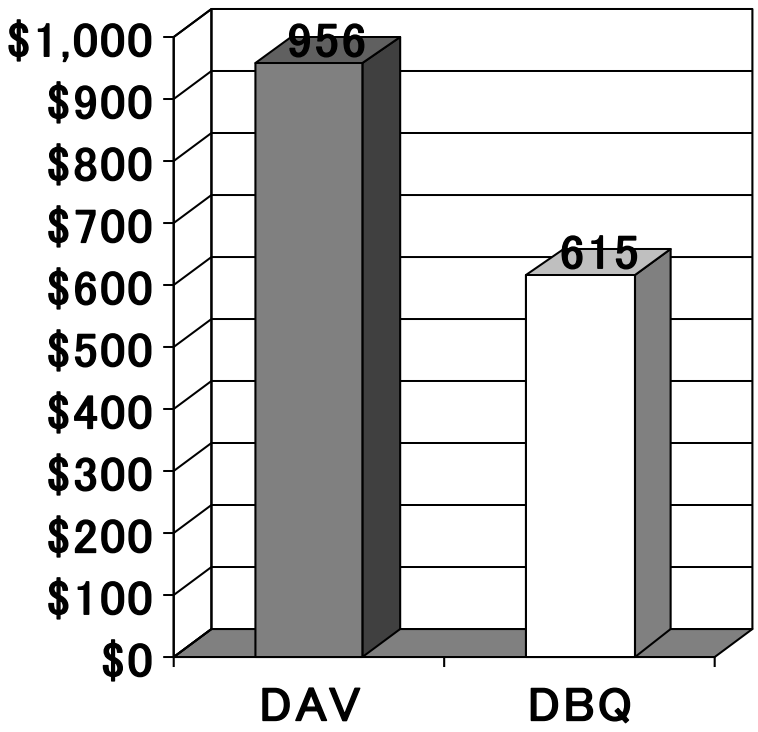
See: Dubuque

The "Dubuque Model"
Gaming Profits Stay In Community

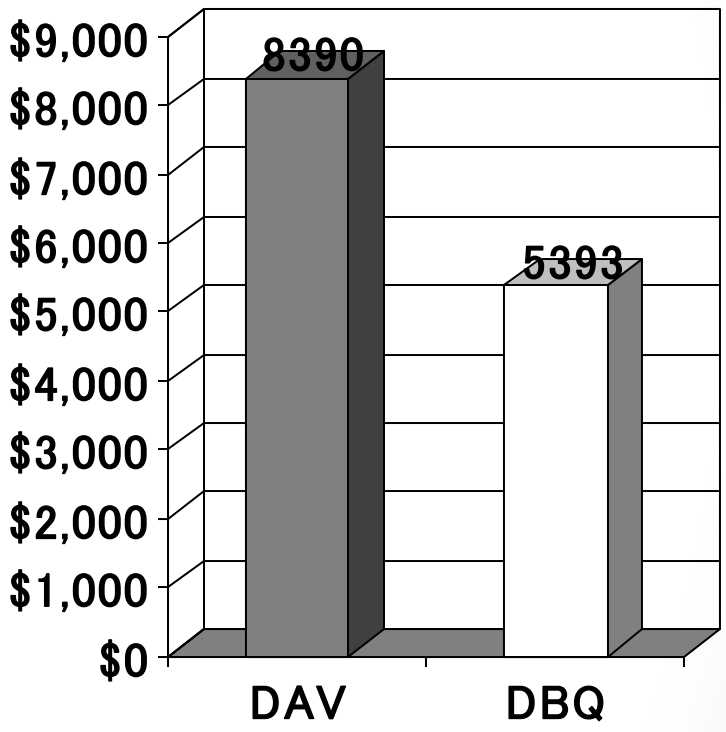


$200+ Million Difference In A Decade

Dubuque Uses Casino Revenue To Reduce Property Taxes …



Median Home



$500K Business

Annual City Property Taxes @ DAV / DBQ Property Tax Rates

… & Uses Reduced Property Taxes To Grow The Dubuque Economy

IOWA life | changing®

BUSINESS sphere

Vol. 21 No. 1

NEWS FROM THE IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT

NEW IBM CENTER IN IOWA

Location:	downtown Dubuque
Operation:	technology services delivery center
Jobs:	Up to 1,300
Incentives:	City of Dubuque, Dubuque Initiatives, the Greater Dubuque Development Corp., Iowa Department of Economic Development

IBM's great news for Iowa

Company announces 1,300 jobs in Dubuque

IBM has announced it will open a new technology service delivery center in Dubuque, Iowa, creating up to 1,300 jobs and providing high value information technology services to IBM customers. Working with Governor Chet Culver, the Iowa Department of Economic Development, the City of Dubuque, the Greater Dubuque Development Corporation, and Dubuque Initiatives, IBM intends to employ several hundred people in downtown Dubuque by the end of this year and up to 1,300 by the end of 2010. IBM will work with institutions of higher learning in the tri-state area of Iowa, Illinois and Wisconsin for recruitment and training of potential employees.

"We selected the City of Dubuque for our new delivery center based on several criteria, including the strong positive public-private partnership within the city, its competitive business model and the talent and skills that Iowa and the Midwest have to offer," said Mike Daniels, senior vice president, IBM Global Technology Services. "We continue to invest in IBM's future and recruit the skilled persons we need to grow our business. The Dubuque service center is a model for creating new opportunities and we look forward to working with the City and the State of Iowa to accomplish great things together."

According to Iowa Governor Chet Culver, "IBM's announcement is one more sign that people around the country are discovering what we have known all along – that with our highly skilled workforce, inviting business climate and quality of life, Iowa is a great place for business. As Governor, I will not rest when it comes to bringing jobs like these to Iowa."

IBM has signed a 10-year lease, with optional extension years, to occupy the historic Dubuque Building in the downtown area. The City of Dubuque, Dubuque Initiatives and IBM plan to upgrade the facility to make it a "green" building, utilizing energy-efficient technology. Dubuque Mayor Roy Buol said "adaptive reuse of a historic structure in the heart of our downtown illustrates our shared commitment to sustainable development, historic preservation and community revitalization."

Continued on page 6

Governor Chet Culver (left) said when he sees the blue IBM logo, he thinks of the letters standing for "Iowa Builds Momentum."

Mike Daniels, IBM senior vice president (right)

Company announces 1,300 jobs in Dubuque

The City With Prairie Meadows Is Doing OK, As Well …

USA TODAY NEWS SPORTS LIFE MONEY TECH TRAVEL OPINION 48°

Tech giants look to Iowa for data centers

Donnelle Eller and Marco Santana, The Des Moines Register | 11 p.m. EDT April 22, 2013

Facebook is expected to announce new center, while Google wants to expands its operations there.

(Photo: KAREN BLEIER AFP/Getty Images)

STORY HIGHLIGHTS

- Facebook's investment in Altoona could grow to $1.5 billion

DES MOINES -- Two tech heavy-hitters — Facebook and Google — are weighing capital investment in Iowa that could push up to $2 billion into the state, a move that could create dozens of technology and construction jobs.

Facebook is expected to announce Tuesday that it will build a new Altoona, Iowa, data center that could grow to $1.5 billion in investment. The company has invited state leaders to a news conference that's scheduled in Altoona. A wind energy project also could be tied to the announcement.

Separately, Google wants to expand its data center

Facebook expected to announce $1.5 BILLION data center in Altoona

But Dubuque Paid Less

That Is True …

Also True …

- **Dubuque Got Their Start 28 Years Ago**

- **Dubuque's Casino Is A Cobbled Together Building On A Riverfront Brownfield**

- **Davenport's Casino Would Be A New Interstate 80 Casino**

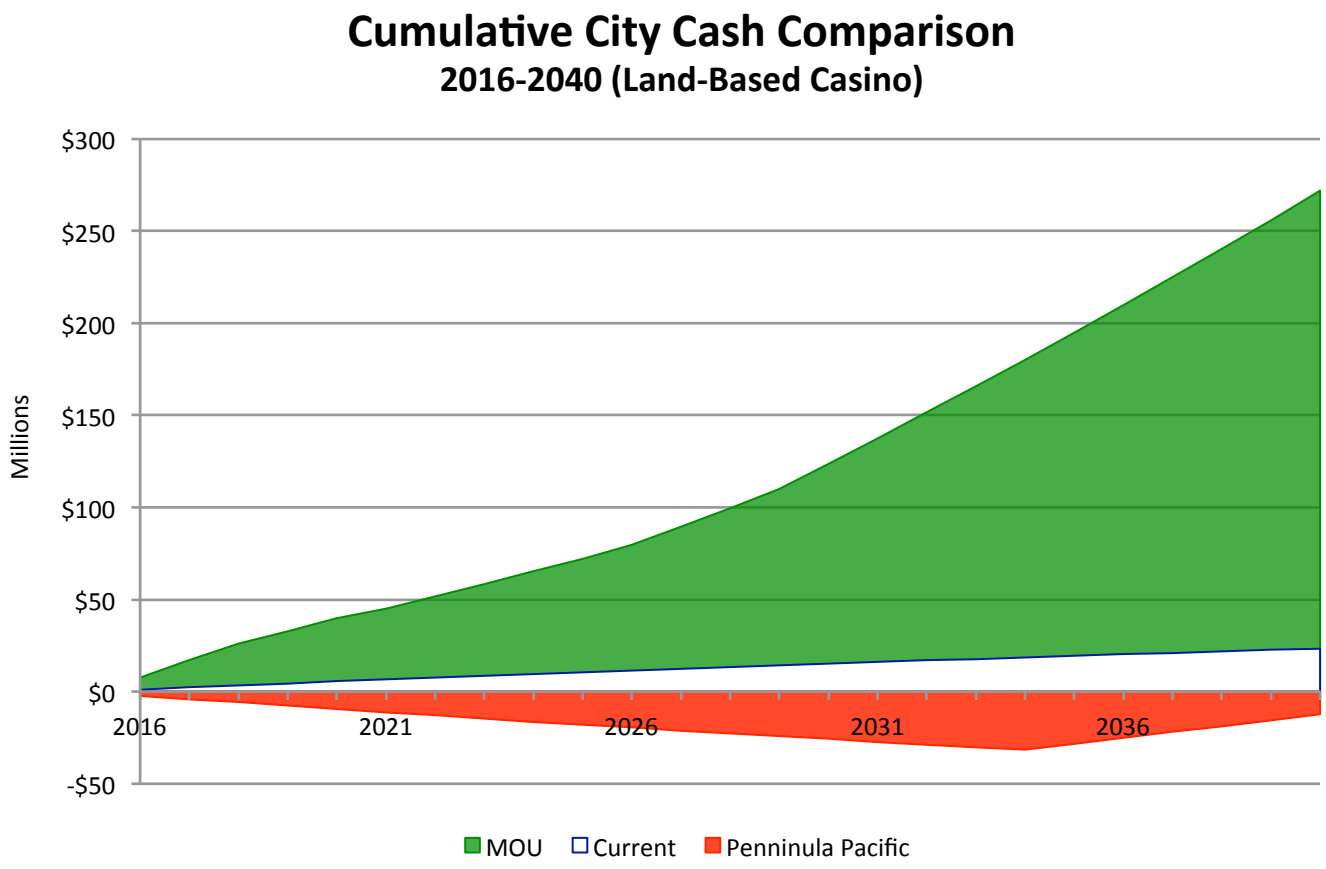
  Costs More … Worth Significantly More

- **Davenport's New Interstate Casino Would Be Built With <u>Private Funds</u>, Per The MOU**

  The MOU Brings <u>$60 Million - $95 Million In Private Funds</u>

  To The Private / Public Partnership

The Fundamental Choice: $$$ Stays In Community, Or Leaves …



Ingenus / FDP MOU Retains Hundreds Of Millions In Gaming Revenue In Community

City Remains In Red With Peninsula Pacific Proposal

But What About Risk ?

But What About Risk ?

But What About Risk ?

Would You Like To Own Something

Worth $37 Million More Than You Paid ?

The Reality Of Risk

- The State Protects Casinos From Unregulated Competition
- The Two Local Governments Which Control Their Own Gaming Licenses Have Extraordinary Fund Balances & Better Bond Ratings
- City Negotiated A Purchase Price of 4.5 Times Earnings
  - Most Recent Iowa Casino Sale Was 7.7 Times Earnings
- The March 19 Ingenus / FDP MOU Moved $70+ Million To The City
- **Ingenus / FDP MOU Results In I-80/280 Casino Costing $143 Million** ($53M acquisition + $30M FFE + $60M casino / hotel)
- **In 2010, The Jumers Casino Sold For $180 Million**
  - I-280 Has 20,000 Fewer Cars Per Day Than I-80
  - Surrounded By Swamp
  - Sold In The Depths Of The Recession, With State No Smoking Law

The Reality Of I-80 Casino Risk

$180 Million (Jumers Casino Sale)
- $143 Million (Dav Casino Cost)

= $37 Million

On Day 1 Of I-80/280 Casino, City Controls An Asset Worth $37 Million More Than It Cost

Owning Something Worth $37 Million More Than You Paid Is The Opposite Of Risk

The Basic Facts

- An Interstate 80 Casino Can Dominate The Market & Will Be Profitable Under Any Reasonable Scenario.
- If Casino Profits Leave Davenport, The Community Loses Wealth. If Casino Profits Stay In Davenport, The Community Gains Wealth.
- Dubuque Is A Regional Economic Development Competitor. We Either Compete Using The Capabilities We Have, Or We Concede The Contest To Them.
- Davenport Property Taxes Could Decline By $3 - $4 Per Thousand.

Neither The "Dubuque Model" Nor I-80 Casino Profitability Is "Rocket Science"

But If They Were, America's First, Best & Most Badass Astronaut Put It Well …

“Why don’t you fix your little problem, and light this candle.”

Alan Shepard
atop Freedom 7
May 5, 1961