

The Isle of Capri has told city officials it will cooperate on the sale of its interest in Davenport's gaming license only if the size of a new investment is at least \$139 million, significantly higher than the \$75 million proposed by Chicago developer MSEG LLC.

In a letter dated Nov. 9, attorney Jay Eaton of the Des Moines-based law

firm Nyemaster Goode, wrote that the city's development agreement with MSEG LLC and developer Steve Edelson contained factually incorrect information. Specifically, the phrase "Isle of Capri approved of the City of Davenport's solicitation of a new casino developer/operator" was inaccurate, he wrote.

Rather, the letter added, any transaction involving a new operator in the city needed to compensate IOC at the level indicated in a 2008 Cummings Associates study that pegged the value of a Davenport gaming license at between \$139 million and \$178 million.

"IOC's intention regarding a new developer also was the subject of a March 2, 2010, letter from Mr. Paul Keller (chief development officer of Isle) to City Administrator Craig Malin," he wrote. "Mr. Keller's letter stated IOC's position to work with the city to attract a developer who will build a casino as outlined in the Cummings Study, which includes the sale of IOC's operation at market rate. IOC intends to continue its Davenport operations and also to work cooperatively with the City of Davenport to address issues regarding this matter, as IOC previously said it would."

Davenport Mayor Bill Gluba said he isn't concerned about the letter and thinks the Isle is attempting to intimidate aldermen with the threat of litigation. However, he said, the city won't be deterred.

"We're trying to do what's in the best interests of the citizens of Davenport," he said. "If they don't like it, let them get the biggest law firm in the world. We're not going to back down. They had the opportunity to do what was right and invest in the city, and they chose not to."

Neither Eaton nor officials from Isle of Capri returned calls seeking comment about the letter Thursday.

In addition to the letter sent to City Hall, at least one Davenport alderman was contacted by phone by an Isle official before Wednesday's vote.

At-Large Alderman Gene Meeker confirmed he received a call from an individual from or associated with Isle whom he knew from his days working for DavenportOne's Downtown Partnership.

"It was not a threatening call, I guess I'd call it a call expressing disappointment," he said.

Meeker did say he did become "a little uptight" about whether he could be sued as an individual by Isle, based on decisions he's made as an alderman. However, after speaking with both his attorney and city corporate counsel Tom Warner, he learned all aldermen are covered through a blanket policy by the city.

"I wasn't scared about it, I was just asking for clarification," Meeker said.

Third Ward Alderman Bill Boom said he heard both about the letter to the city and the call to another council member before Wednesday's vote.

"I look on it as posturing," he said. "I think it's unfortunate if they are attempting to intimidate council people, but it's nothing I didn't expect."

Shortly after Wednesday night's vote, Edelson said he planned to contact Isle to try to begin discussions. Malin said he still expects that to happen.

"Mr. Edelson will schedule a meeting with the IOC, and we look forward to a positive resolution," he said. "We're going to get to a discussion point with the IOC. They'll play the cards they have, and we'll play the cards we have, and we look forward to that discussion."

Malin did point out that the 2008 Cummings Associates study may not be the appropriate measure by which to start negotiations. He said the city rehired Cummings last August to update the study, citing changes in the global economy.

“The first study was done in a different economy,” he said. “I think it is more appropriate to focus on the Aug. 4 study, which showed that a continued decline and lack of investment with the present operation is projected to result in annual adjusted gross gaming revenues of \$52 million whereas a competitive land-based casino bring in \$86 million. That’s the more pertinent information.”

The letter from Isle cautioned the city that it reserves its rights “against the city and against any individuals or entities with respect to any damages caused by incorrect or misleading information disseminated.”

Gluba, however, doesn’t believe the matter will end up in litigation.

“It’s not in anyone’s interest to have a big court case,” he said. “The only ones who make out in court cases are the lawyers. I would hope the Isle would try to work out a reasonable and fair negotiation with Mr. Edelson.”

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