

CDI-RSG WAUKEGAN, LLC

Owners Application

10/28/2019



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Section 5.1 Disclosures

CDI-RSG WAUKEGAN, LLC

Responses to Section 5.1(a) 1-12 of Illinois Gambling Act

1. *The name, business address and business telephone number of any applicant or licensee.*

CDI-RSG Waukegan, LLC
900 N. Michigan Ave., Suite 1600
Chicago, Illinois, 60611
(312) 915-2485

2. *An identification of any applicant or licensee including, if an applicant or licensee is not an individual, the names and addresses of all stockholders and directors, if the entity is a corporation; the names and addresses of all members, if the entity is a limited liability company; the names and addresses of all partners, both general and limited, if the entity is a partnership; and the names and addresses of all beneficiaries, if the entity is a trust. If an applicant or licensee has a pending registration statement filed with the Securities and Exchange Commission, only the names of those persons or entities holding interest of 5% or more must be provided.*

- Type of entity (e.g. LLC, LP, corporation):

LLC

- State of formation or incorporation:

Delaware

- Members:

CDI-RSG Waukegan Holdings, LLC
900 North Michigan Avenue
Suite 1600
Chicago, Illinois 60611
Attention: Gregory A. Carlin

3. *An identification of any business, including, if applicable, the state of incorporation or registration, in which an applicant or licensee or an applicant's or licensee's spouse or children has an equity interest of more than 5%. If an applicant or licensee is a corporation, partnership or other business entity, the applicant or licensee shall identify any other corporation, partnership or business entity in which it has an equity interest of 5% or more, including, if applicable, the state of incorporation or registration. This information need not be provided by a corporation, partnership or other business entity that has a pending registration statement filed with the Securities and Exchange Commission.*

None.

4. *Whether an applicant or licensee has been indicted, convicted, pleaded guilty or nolo contendere, or forfeited bail concerning any criminal offense under the laws of any jurisdiction, either felony or misdemeanor (except for traffic violations), including the date, the name and location of the court, arresting agency and prosecuting agency, the case number, the offense, the disposition and the location and length of incarceration.*

None.

5. *Whether an applicant or licensee has had any license or certificate issued by a licensing authority in Illinois or any other jurisdiction denied, restricted, suspended, revoked or not renewed and a statement describing the facts and circumstances concerning the denial, restriction, suspension, revocation or non-renewal, including the licensing authority, the date each such action was taken, and the reason for each such action.*

None.

6. *Whether an applicant or licensee has ever filed or had filed against it a proceeding in bankruptcy or has ever been involved in any formal process to adjust, defer, suspend or otherwise work out the payment of any debt including the date of filing, the name and location of the court, the case and number of the disposition.*

None.

7. *Whether an applicant or licensee has filed, or been served with a complaint or other notice filed with any public body, regarding the delinquency in the payment of, or a dispute over the filings concerning the payment of, any tax required under federal, State or local law, including the amount, type of tax, the taxing agency and time periods involved.*

No.

8. *A statement listing the names and titles of all public officials or officers of any unit of government, and relatives of said public officials or officers who, directly or indirectly, own any financial interest in, have any beneficial interest in, are the creditors of or hold any debt instrument issued by, or hold or have any interest in any contractual or service relationship with, an applicant or licensee.*

None.

9. *Whether an applicant or licensee has made, directly or indirectly, any political contribution, or any loans, donations or other payments, to any candidate or office holder, within 5 years from the date of filing the application, including the amount and the method of payment.*

None.

10. *The name and business telephone number of the counsel representing an applicant or licensee in matters before the Board.*

Nicholas R. Vallorano
Mayer Brown LLP
(312) 701-7612

11. *A description of any proposed or approved gambling operation, including the type of boat, home dock, or casino or gaming location, expected economic benefit to the community, anticipated or actual number of employees, any statement from an applicant or licensee regarding compliance with federal and State affirmative action guidelines, projected or actual admissions and projected or actual adjusted gross gaming receipts.*

The following are key details of the proposal submitted by the Applicant (“Rivers Casino Waukegan” or the “Applicant”) for the Waukegan owners license:”

- **Greatest Financial Strength** - According to data from Johnson Consulting (the City’s consultant), the Applicant has more than three times the assets of any other bidder. This has helped RSG deliver projects where others could not. RSG won one of two licenses in Philadelphia, PA before the Great Recession. The other was awarded to another gaming company at the same time who, in light of the Great Recession, was unable to commence construction, had its license revoked, and, over a decade later, has still not opened a casino in Philadelphia. RSG rescued what is now the Rivers Casino in Pittsburgh, PA when only about six months into the construction in 2008 the original licensee ran out of money and could not secure additional funds; RSG took over the project and completed it. RSG was selected for the 10th license in Illinois in December of 2008, in the depths of the Great Recession. It persevered and delivered Illinois’ most successful casino on-time and on-budget. Having the financial strength will allow for the Applicant to weather financial market disruptions, recessions and many other impediments to delivering the project.
- **Synergy, Not Conflict with Rivers Des Plaines** - Rivers Casino Waukegan would substantially grow revenues for the City and the State. Rivers Des Plaines does attract customers from northeast Illinois and southeast Wisconsin, but those customers come less frequently than they would if a closer Rivers facility were available to them. Therefore, a facility in Waukegan along with the strong, well-known Rivers brand, customer database and operational expertise, as well as a Gibsons restaurant, would draw customers from Northeast Illinois and Wisconsin would bring substantial returns to the City and the State.

RSG and CDI will use a new entity (the Applicant) with a completely different capital structure than Rivers Des Plaines. We believe that Rivers Casino Waukegan is an attractive investment standing on its own. We will invest fresh new equity capital and take steps to prohibit any potential “shifting” of revenue among Des Plaines and Waukegan. There is no

incentive at all for ownership to want more revenues to go to Des Plaines vs Waukegan.

The Applicant plans to build a first-class project in Waukegan in line with its brand in Illinois and elsewhere and it plans to operate it manner consistent with its strong brand image and database to uniquely deliver the most new revenue to Illinois and Waukegan.

- **Development Track Record** - RSG was spun-off from one of the most successful real estate organizations in the country, with over \$60 billion of real estate developed or acquired over the last 50 years. RSG has developed, from the ground up, each of the properties it operates, leveraging its roots as a real estate company. On each development, RSG engages the same development consultant (Development Management Associates) that has built high-end mixed-use developments for Mr. Bluhm's real estate companies for the last 35 years. Each casino development project has come in on time and on budget. Each has also had good financial returns - the returns of which, not only accrue to the developer but also to host communities through employment, vendor spending, charitable contributions and taxes.
- **Greatest Tax Revenue** - According to data from the City's consultant, based on the independent projections of the bidders, Rivers Casino Waukegan is projected to generate substantially more gaming taxes than the other remaining bidders for the Waukegan license. The Applicant would have the benefit of the strength of the Rivers brand, database, leadership in sports betting and operating know-how in the market - assets that are critical to most effectively compete. Further, RSG has successfully delivered six other regional casinos in North America and have produced market-leading results. Based on all these factors, it is no surprise that the Applicant's estimated revenues are the highest.
- **Greatest Investment** - According to data from the City's consultant, Rivers Casino Waukegan is projected to have the highest development cost (\$433 million) in its project of any bidder.
- **Most Permanent Jobs and Diverse Workforce** - Rivers intends to generate more than 1,200 permanent jobs. According to the City's consultant. Rivers Casino Waukegan is projected to generate significantly more permanent jobs at its project than the other bidders. Through its Diversity and Inclusion Plan, Rivers Casino Waukegan will work to achieve a diverse workforce similar to the efforts Rivers Des Plaines has undertaken. At Rivers Des Plaines, 61% of employees are minority persons, with 33% of the property's executive management being minority persons, and 45% of employees are women.
- **Revenue Share for the City** - The Applicant has proposed to provide the City with a share of its revenues above certain thresholds. For each year in which the Applicant's annual adjusted gross receipts, ("AGR") exceed \$200 million up until they reach \$250 million for that year, it will pay 2% of such excess amount (i.e., the amount of AGR between \$200 million and \$250 million) to the City, and, should AGR in any year exceed \$250 million, it will pay 3% of such excess amount (i.e., the amount by which AGR exceeds \$250 million) to the City. Beginning in the fourth full calendar year in which Rivers Casino Waukegan is open to the general public, the \$200 million and \$250 million revenue threshold amounts shall be adjusted each year to account for any inflation.
- **Charitable Contribution to City, North Chicago and Park City** - The Applicant has

pledged that it will pay 2% of its annual pre-tax income for charitable causes to the City, North Chicago and Park City, combined, and allocated in the same proportion as the Illinois gaming tax allocation for those communities. The Applicant guarantees that such payment shall be at least \$400,000 in aggregate each year. These payments are expected to provide \$26 million over twenty years for charitable use. The Applicant has also guaranteed that, for the period in which the casino is operating, at least \$20 million of funds will be made available to allocate to charities. The Applicant has provided estimates for what this contribution should be over time and the annual and aggregate guarantees to clarify and support its contribution plan.

12. A description of the product or service to be supplied by an applicant for a supplier's license.

Not Applicable.