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PLEASE REPLY TO RED BANK

Dear Tommy:

I am writing at this time to address the e-mail which you forwarded to me where Jeff Gural suggests that the thoroughbreds and standardbreds accept 5% for purses. Obviously you and I both oppose that percentage because the amount of money generated would be inadequate to support both racing and breeding in New Jersey. I thought when we had our meeting with Jeff last month, he clearly understood our position and we collectively, including Jeff, agreed that 18% was the right number; although the NJTHA and the SBOA had been seeking a higher amount for many years.

Let's step back for a moment and evaluate where we are. I think Jeff Gural has stated that Trenton, or the Governor, does not have an appetite to subsidize horse racing. He recognized, correctly, that in order to move forward with legislation, that we all need to be on the same page because otherwise nothing will get done. The NJTHA and the SBOA has been fighting this battle for slots and/or casinos at the racetracks since the late 1990s. I have personally been involved in this battle for fifteen years. The battle has primarily been casinos versus racetracks and always boiled down to a very clear divide where 80%-90% of the legislators supported horseracing but in order to get an expansion of gaming outside Atlantic City the fight was north versus south and the bottom line is that you needed three people to move forward with the agenda to expand gaming beyond the Atlantic City borders. The three people are the Governor, Senate President and Assembly Speaker. Over the years we generally had two out of three. Most recently the Senate President, Steve Sweeney, had opposed the expansion of gaming. Before his tenure the Senate President, Dick Codey, and the Governor supported the expansion of gaming but the Assembly Speaker did not. Assembly Speaker Roberts worked hard to support racing by endorsing casino payments instead. Instead of expanding gaming out of Atlantic City, the casinos paid the racetracks \$30 million dollars per year for the right to keep their monopoly. Under Governor Christie's tenure a deal was made with Senate President Sweeney to give Atlantic City five years to try

and make a comeback before the discussions about expanding gaming became reality. We are approaching that deadline and moving forward on a discussion, given that there is probably a year left on that deal. It is time for the discussion to at least be seriously advanced and studied; although actual legislation may be a year away.

Over the past fifteen years in which I have been involved in this issue, the discussions with the casinos have always resulted in a strong opposition to an expansion of gaming but the casinos always conceded that if and when the reality existed where slots or casinos would be permitted beyond the borders of Atlantic City that they would be willing to operate a casino or slots at racetracks with the Meadowlands and Monmouth Park being the desired locations. The formula which was discussed was that since the casinos paid a casino tax and a CRDA tax of 9¼% that that would leave 90 3/4% of the revenue to be divided. The concept was always a four way split of that revenue with 25% going to the State, 25% going to the operator (which was the NJSEA at the time), 25% going to the casinos and 25% going to the horsemen to be split evenly between the two breeds. I strongly supported and advocated that plan.

Along comes Jeff Gural. Obviously, Jeff saved standardbred racing at the Meadowlands and invested significantly in the future of the Meadowlands spending \$100 million dollars between the Grandstand and Bayonne. I certainly would like to see Jeff succeed but must also try to protect thoroughbred racing and breeding. Jeff Gural's plan has been to offer the Governor 55% of the revenues for the State and for him to receive 45% as the operator of the Meadowlands. Jeff has advocated publically and privately that the horsemen should receive a limited 5% share of the State's revenue to be split between the two breeds for purses only. While that plan may be great for Jeff, it is inadequate to restore thoroughbred and standardbred racing to a world class level and remain competitive. I do not want to suggest that Jeff is being greedy but I do think that his plan is unrealistic and cannot be supported by the thoroughbred industry. I understand that the SBOA agrees with my assessment.

At our last meeting with Jeff he recognized the merits of our argument and agreed, as I do, that in order to move forward we must all be on the same page. You had stated that if Jeff wants to keep 45% you don't want to fight with him but we needed a plan for the industry to collectively support, including Jeff. That plan which I thought we all agreed to support, would be for the horse industry to receive 18% to be split evenly between the two breeds. I also explained to Jeff, and he agreed that he understood my position, that Monmouth Park must also be included in the plan because in addition to purse money Monmouth Park needed money for the operators in order to survive. Jeff and I clearly recognize that the operator cannot survive under the current circumstances without some additional revenue source. If slots go only to the Meadowlands, Monmouth Park needs some revenue share for the operator.

I guess the point of this letter is to emphasize that we are at a crossroads in terms of the politics of moving forward with a plan for gaming in New Jersey. On one hand, we have Jeff's plan which is great for Jeff Gural but leaves the industry with inadequate purse and revenue support. On the other hand we have the casino plan. If push comes to shove and the casino plan becomes the adopted political agenda, the casinos would operate slots or a casino at the Meadowlands complex and Monmouth Park and the casino tax would be significantly less than what Jeff has offered but the industry would receive a

significantly larger share. If you step back and look at the casinos' plan, the State would have received 25% and the operator who was the Sports Authority, a State agency, would have received 25%. Therefore, the State would have received 50% of the revenue; the same net effect as Jeff's plan. The casinos would have received 25% and the horse industry would have received 25%. Today, where the NJSEA is no longer the operator, that 25% operator share would go to the new operators of the Meadowlands and Monmouth Park. If we have to make a choice which political plan to rally around it would be better for the NJTHA and the SBOA to concentrate their political strength and hire lobbyists and attorneys to advocate for the casino plan and not Jeff Gural's plan. We would prefer to support a unified front and combine our strengths with Jeff Gural, but in order to do so Jeff must be willing to come to an agreement that treats the SBOA, NJTHA, Breeders and the Monmouth operators fairly and equitably. If Jeff believes that the legislators or the Governor will not support a higher percentage than 5% then he has the ability under current law to enter into a written contract with the horsemen and breeders for a percentage of his share. I believe that Jeff told us that 5% equals between \$20-\$30 million dollars per year. If that is correct, then his share is nine times that amount. While I recognize that he invested a significant amount of money, along with his investors, in a new building at the Meadowlands, that does not give him an entitlement to receive \$180-\$270 million dollars per year for his share. I want to combine all of our political strength to get slots or a casino at Monmouth and the Meadowlands. In the alternative, if reality is that it can only happen at the Meadowlands, Monmouth would support a unified front as long as it receives a fair share for both purses and the operator.

I know that you intend to write a letter to Jeff today so I have prepared this letter to you so that you can have the benefit of my thought process.

Very truly yours,



DENNIS A. DRAZIN

DAD/bf