



August 5, 2009

Delaware Horsemen
Address
City, State Zip

Dear Delaware Horsemen:

I am writing to correct the record on some false statements that have recently been made about Del Pointe. Unfortunately, it appears as if some people have chosen to spread inaccurate information about Del Pointe in an attempt to discredit us.

We have worked hard over the last year to permit a track that Delaware can be proud of – a track designed by horsemen with horse racing front and center (not buried down a back hall as if to keep it out of site of the casino patrons). We have met with countless people in the harness racing industry to learn about the issues horsemen and women are dealing with today and how we can make our track the best harness racing facility on the East Coast. We have visited the best paddocks in the country to determine the best-in-class design for our paddock. We have interviewed and worked with the best race track and grandstand architects in the country (settling on JCI) and have designed a unique grandstand in which all patrons have a great view of the track and finish line. We have even interviewed various horsemen about how they are treated at the tracks and how we can establish and manage our track in a way in which all horsemen feel they are treated fairly as opposed to being subject to the whims and moods of select individuals that may run the track like a dictatorship. It is extremely disheartening to see that even with all this effort, a select few people who are trying to protect the existing racino monopoly have attempted to convince you that a new one-mile track, with more racing days and more purse money, is somehow not a good thing for Delaware horsemen.

To set the record straight, Del Pointe is willing to race up to 120 days as indicated in a letter sent recently to the Delaware Harness Racing Commission (see attached) and a letter sent to Mr. Sal DiMario in March of this year (also attached). We are, however, only interested in racing this number of days if the existing tracks willingly give up some of their racing dates as there are only 45 +/- contiguous days available at this time in July and August. Even if Dover Downs and Harrington Raceway reduce their racing days to the minimum permitted by law/contract, there would still be 18 more racing days with Del Pointe than there are currently without Del Pointe.

It is unlikely that Dover or Harrington will significantly reduce their racing days. If they did, the purse money would remain the same and purses would increase to more than \$30,000 per race as it is spread among fewer races. Some legislators I have spoken with agree that, if this happened, they would quickly pass legislation increasing the total number of minimum racing days required for each track. Mr. DiMario, himself, recognizes this problem when he points out in a letter published in last week's Governor's Day program the exact same issue if Del Pointe were to only have 20 racing days. Oddly, the reasoning works when arguing against Del Pointe for Mr. DiMario but this same logic is conveniently ignored as a reason why Harrington and Dover could not decrease their racing dates. Mr. DiMario states that Del Pointe could

not possibly only offer 20 racing days because our purse money would be over \$400,000 per day. The same argument holds for why Harrington and Dover couldn't possibly reduce their racing dates to 60 and 80 respectively.

Del Pointe will increase the purse money going to Delaware's standardbred horsemen by approximately \$17 million per year according to a professional market study conducted by the Sage Policy Group and verified by a second reputable gaming industry market research group.

Delaware needs a one mile track. Many prominent members of Delaware's horse racing community have come to us with their support, acknowledging that we need a one mile track to support breeding programs in Delaware and to allow younger horses to race safely... not to mention the extra racing days and purse money it brings to the industry. They also fear that Chester, Meadowlands and other out-of-state race tracks may not be so welcoming to Delaware horses in the future. They are worried about the viability of these out-of-state tracks as well as what may happen when New Jersey and other states learn that we depend upon their tracks to race our younger and better horses while we (Delaware) are expanding our gaming with sports betting and table games, competing for their gaming dollars. If we have a first-class, one-mile track in Delaware, like that offered by Del Pointe, we will no longer need to rely so heavily on these out-of-state tracks to qualify and race our younger horses.

Furthermore, as pointed out in a letter to Mr. DiMario on March 16th of this year (see attached), it is likely that if Del Pointe is not approved, another casino will be proposed in Sussex County but without a race track. This has already happened with a casino proposal in Delmar and apparently there are at least two other groups working on casinos without race tracks hoping that Del Pointe fails. I believe the one thing you can count on is that there will be a casino somewhere in Sussex County within the next five years. I simply do not see our legislators sitting back and watching Maryland, by way of Ocean Downs, take all our tourist gaming dollars from our beach market (which are not being captured by Harrington or Dover despite their claims otherwise). They will respond. The question is, would you prefer the casino in Sussex have a one-mile race track and increase the purse money and racing days available in our State or not?

In closing, it is a shame that those that are positioned to represent Delaware's standardbred horsemen instead choose to represent the monied interests of their powerful friends in the casino ownership and management business. Please do not believe this misleading information and instead research the facts on your own or, simply pick up the phone and call me (ph: 302-227-6115). I would be happy to meet with you and answer any questions you may have directly.

Sincerely,



Preston Schell
Del Pointe, Inc.

enclosures: letter to DHRC dated August 3rd, 2009 and letter to Sal DiMario dated March 16th, 2009

August 3, 2009

Delaware Harness Racing Commission
c/o Mr. Hugh Gallagher, Director
2320 S. DuPont Highway
Dover, DE 19901



Dear Mr. Gallagher:

Pursuant to the Conditional Approval granted on August 25th, 2008 by the Delaware Harness Racing Commission (DHRC) to Del Pointe, Inc., we would like to ask that the DHRC consider reserving certain live racing dates for Del Pointe for the upcoming 2010 and 2011 racing seasons. We would like to commence racing the first or second day after, at the DHRC's discretion, the last day raced by Harrington Raceway in early July and race all the way through July and August with our last day being one or two days before Harrington starts up again in August. We would like to race six days per week and will exclude Governor's Day at Harrington Raceway from our approved racing dates as well. With respect to simulcast, we would like the ability to be open and operable year-round.

Approvals for the Del Pointe race track have been progressing well. We received approval to annex into the Town of Millsboro with zoning that permits the race track and all accessory uses. We have also received approvals from the majority of the state agencies and other permitting bodies to proceed with phase one, including the race track, of the project (please see permit update attached). Unfortunately, at this time, we are uncertain whether the track will be constructed and operable in time for the 2010 racing season. We would like to reserve the racing dates for both the 2010 and 2011 seasons (knowing we will need to submit separately to the DHRC next year for the 2011 racing dates), but cannot commit to the dates for 2010. We hope that this is not a problem considering these dates are currently not being raced by either of the two licensed tracks and would, therefore, not be in conflict with dates they would have otherwise raced.

We are also willing, at the discretion of the DHRC, the DSOA and the other two licensed harness racing tracks in Delaware, to race up to 120 contiguous days should those days become available. Furthermore, we are willing to commit to a minimum number of racing days that the DHRC feels is appropriate for our track. We are aware that as per our race track application, we need to race a minimum of 30 days in order for the license to remain valid and in effect.

If you could place our racing dates request on the agenda for next scheduled DHRC board meeting, I would greatly appreciate it. Thank you for your consideration and I look forward to hearing from you. As always, please feel free to give me a call (302-227-6115) should you have any questions.

Respectfully,

A handwritten signature in blue ink that reads "Preston Schell".

Preston Schell
Del Pointe, Inc.

enclosure: Permitting and approval update from project engineer, Davis, Bowen & Friedel, Inc.

March 16, 2009

Mr. Sal DiMario
Executive Director
Delaware Standardbred Owner's Association
830 Walker Square
Dover, DE 19904



Dear Mr. DiMario:

Thank you for meeting with us last week to discuss the results of our independent market study on the proposed Del Pointe race track project.

As discussed, the results of the study indicate that constructing a new, one-mile harness racing track at the proposed location along with the necessary accessory buildings and facilities is not financially feasible without the inclusion of a slot casino similar to those present at Delaware's existing two harness race tracks. Even in the best of circumstances with the most aggressive assumptions, the race track only produces net operating income before debt service of between \$976,105 and \$1,368,288 a year during the first four years of operation. At a projected capital cost of \$35.1 million, the net operating income is only sufficient to cover approximately one third of the debt carry assuming debt was used to finance the construction or represents only an approximately 3.9% return on invested capital, similar to a long-term government bond, if the project were to be financed entirely with partner equity. We are interested in your opinion as to the accuracy of our assumptions but fear that you will find that we have actually been conservative in our cost assumptions yet aggressive in our revenue assumptions making the potential of developing a new race track in Delaware without slots even more unlikely than our numbers depict.

We appreciate you sharing your concerns regarding our intent to pursue Legislative changes to allow for a slot parlor at Del Pointe, but still feel strongly that Del Pointe is in the best interests of Delaware's standardbred horsemen. In short, Del Pointe:

- Provides a unique-to-Delmarva one-mile harness racing track
- Increases the total purse money available to the harness racing industry in Delaware
- Increases the total number of racing days available by providing a meet in the heart of our beach area's summer resort season

With respect to Subchapter III of Chapter 100 - Harness Racing in the Delaware Code in which the existing race tracks could reduce their racing days in the event additional gaming becomes available in the State, we have a few comments: First, we find it unfortunate that the existing two race tracks would threaten your organization with such a retaliatory action and can assure you that, if Del Pointe is approved, you will not receive such threats from our group. Second, even if the existing two tracks honor the threat by reduce their racing days, Del Pointe will gladly pick up the 90 racing days that the two tracks could collectively give up. This would put the total racing days at Del Pointe at 120 (assuming we would have otherwise had a short 30-day summer meet), a number that Del Pointe could support with adequate purses similar to those being offered by Harrington Raceway today. Considering Del Pointe will be the newest, longest and safest harness racing track in the State, we would think moving more racing days to our track might be preferred by your organization. It is important to note that in this circumstance, the total purse money at the existing two

tracks would not be reduced - it would merely be spread over fewer racing days. Third, as we read section (1)b.3. in Subchapter III, this clause will be triggered anyway this year due to the likely introduction of sports betting in our State because it would represent the "authorization of [a] new... form of gambling."

As we discussed at our meeting, the severe budget deficit our state is facing presents a set of unique circumstances that should be considered by the DSOA in deciding whether to continue supporting Del Pointe. We believe that when facing a budget shortfall of approximately \$750 million, Delaware Legislators will naturally be looking to all existing major sources of revenue for additional income. When choosing between firing state employees, dramatically reducing health and other benefits, shutting down certain state hospitals and agencies, increasing taxes, and other very difficult alternatives, Delaware's gaming industry becomes the low-hanging fruit in the search for additional revenue.

In the absence of Del Pointe, the State is likely to do one of two things, both of which would have a significant adverse effect on DE's harness racing industry as well as the existing racinos:

- a) Increase the State's take of the existing slots revenue by dipping into the horsemen's take (11-12%) or the racino's take (46%-47%) or,
- b) Entertain gaming venues that are not tied to a race track.

If the DSOA withdraws its support of Del Pointe, we fear that either or both of the above scenarios are more likely to transpire. We believe Del Pointe (\$62 million) coupled with sports betting (\$25-\$30 million) can provide the additional revenue the State will be looking for while allowing the horsemen and the racinos to keep their percentages of the slots revenue as they are now. Furthermore, if Del Pointe lacks the horsemen's support, it takes some of the pressure off Delaware Legislator's from keeping gaming at race tracks and opens up the idea of allowing gaming at non-race track related venues in which the horsemen will share in little to none of the gaming revenues.

In closing, we thank you for your support to date for the proposed Del Pointe race track project and would greatly appreciate your continued support. Please call us if you have any questions or would like to discuss the contents of this letter.

Respectfully,



Ronald E. Lankford



Preston A. Schell