

Track buyout nearing finish line

Sat. August 04 - 2007

Peter Schnitzler - pschnitzler@ibj.com

IBJ staff

The high-stakes competition for control of Indiana Downs has entered the homestretch. And South Bend -based Oliver Racing LLC is poised to win.

According to a binding term sheet filed July 18 with the Indiana Horse Racing Commission, Oliver Racing has agreed to pay \$53.5 million for the 34 -percent share of the track owned by Carmel-based LHT Capital LLC, which is led by custom-home builder Paul Estridge Jr. The deal, which must be approved by regulators, would boost Oliver's stake to 97 percent.

Then, Oliver has big plans for Shelbyville -based Indiana Downs, public records show. The company has hired New York-based investment bank Jeffries & Co. to raise \$545 million in a pair of debt transactions.



Oliver Racing has offered \$53.5 million for control of Indiana Downs. If approved, Oliver plans to raise \$545 million for slots redevelopment.

Oliver would use \$53.5 million to buy out Estridge and his father, Paul Estridge Sr., and to pay the \$250 million license fee the Legislature mandated this spring when it authorized 2,000 slot machines at the track. That would leave \$241.5 million for redevelopment of the track as a "racino"—or \$141.5 million more than the minimum required by the state for the project.

"Obviously, with a war chest like that, a lot of things could certainly happen," said Indiana Downs General Manager Jon Schuster.

Details about the shape and scope of Oliver Racing's Indiana Downs redevelopment plan aren't yet available. Oliver Racing Chairman Ross Mangano declined IBJ's requests for comment. Paul Estridge Jr., president of Indianapolis-based The Estridge Cos., did not return repeated phone calls.

Shelbyville officials are excited about the project but don't know quite what to expect. It cost just \$35 million to build Indiana Downs, which opened in December 2002. If its investment banking proposal is successful, Oliver Racing will have more than seven times that sum available for slots redevelopment.

"I don't know if there's enough gold in the United States to build this thing," said Shelby County Development Corp. Executive Director Dan Theobald. "I don't know of anyplace else [in Indiana] other than the Honda plant with that much in it."

Although he manages the track, Schuster had little insight into Oliver Racing's plans. But he's sure of one thing: They'll be lavish.

"I can only see the same math you can," he said. "I am certain no matter who ends up with [ownership of] it, this will be a firstclass operation. The state and community will be proud of whatever we're doing. And I hope it will be soon."

The struggle for control of Indiana Downs could have gone the other way—and led to a less luxurious project.

IBJ reported June 25 that LHT Capital had offered to buy out Oliver Racing for \$60 million in cash plus a \$30 million subordinated note that would be worth \$70 million at maturity in 2015.

Indiana Downs

Address: 4200 N. Michigan Road, Shelbyville

Opened: December 2002

Construction cost: \$35 million

Track length: one-mile main course, seven-furlong turf course

Employees: 250 during racing season

Racing season: April 27 to July 3 (thoroughbred), July 13 to Nov. 3 (harness)

To finance that proposal and the track's redevelopment, Estridge had planned to raise \$480 million. After paying the license fee and Oliver Racing, \$140 million would have been available for slots redevelopment—\$101 million less than Oliver is now poised to spend.

Oliver turned down the offer, saying it had no interest in relinquishing majority control.

Ironically, back then, Estridge's investment adviser suggested Oliver was trying to finance the project on the cheap. The adviser, Matt Sodl, managing director of Las Vegas-based Innovation Capital LLC, called the South Bend company's plans "underfunded."

Sodl did not respond to IBJ's request for updated comment.

The Estridges' quest to become track owners dates to the early 1990s. Paul Estridge Sr., now 73, tried to build Indiana Downs in Shelbyville in 1993, but he lost his financial

(Business)

Seating capacity: 3,000

Redevelopment: Indiana General

Assembly this spring approved addition of 2,000 slot machines in exchange for \$250 million license fee. Existing facility expected to be expanded to accommodate.

Investment banker: Public documents show Indiana Downs has hired Jeffries & Co. to raise \$545 million in a pair of bank debt transactions to fund improvements.

Sources: Indiana Downs LLC, Indiana Horse Racing Commission

backers. After exploring alternate sites, Estridge Sr. in 1999 brought in the Oliver family, which made its money in farm implement manufacturing, as minority partner for a proposed track in Lawrence.

Regulators shot down the project, saying it was too close to Anderson. Undeterred, the Estridges returned to the original Shelbyville site and developed Indiana Downs with Oliver Racing as majority investor. The 3 percent not owned by LHT or Oliver is split among Oliver's Mangano and several small investors.

Now that Oliver and LHT have agreed to terms, Indiana Downs' redevelopment should move ahead at a rapid clip. The state has a strong motive to expedite the process. Indiana Downs and the state's other parimutuel track, Hoosier Park in Anderson, each is required to pay \$250 million in return for the right to operate slots —money that's earmarked to provide property tax rebates to homeowners.

The Indiana Horse Racing Commission isn't scheduled to meet again until Sept. 27. But Commission Executive Director Joe Gorajec said its members have signaled they're ready

and willing to meet sooner to consider any slots-related issues. The Indiana Downs term sheet, signed by Estridge and Mangano, expires Aug. 10 if regulatory approval hasn't been received.

Hoosier Park—which is owned by locally based Centaur Inc.—hasn't announced its racino-funding plan. Company Chairman Rod Radcliff told *IBJ* in June that officials were exploring bringing in a major equity investor. He said Centaur also was fielding calls from investment bankers offering to provide debt financing.

With only horse racing to attract visitors, both Indiana Downs and Hoosier Park have struggled financially—even though they split a \$27 million annual subsidy paid by Indiana's riverboat casinos. Slot machines are expected to finally secure their viability.

The terms of the Oliver-LHT buyout suggest the state struck the right balance when it set the slots licensing fee at \$250 million, said state Sen. Luke Kenley, R-Noblesville, who oversaw much of the Statehouse slots debate and now leads the Indiana Commission on State Tax and Financing Policy.

"The Estridge group and Oliver ... all seem to be good businesspeople. I think they're just making a good business decision between them," Kenley said. "The Estridges get a nice gain, but it also appears to validate the \$250 million license fee we came up with. If they were getting \$250 million, I'd think we'd undervalued the license fee." •

 [Rate this Article](#)

 [Add Comments](#)

 [Email to a Friend](#)

 [Article as PDF](#)

 [Print this Article](#)