

Unique collaboration of lawyers resulted in racetrack deal: A transaction that should've taken 30 days took 11/2 years, Stein & Stein partner says

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When Montreal lawyer Neil Stein bought a pony for his young daughter a few years ago and then accompanied her at numerous weekend competition events around the province in the same way other parents attend their children's soccer or hockey games, he never imagined he would one day be one of the legal principals behind a deal set to breathe new life into Quebec's flagging horse racing industry.

But Stein, senior partner at the law firm of Stein & Stein Inc., has spent an intense year and a half, along with at least nine other lawyers in Montreal and Quebec City, overcoming multiple hurdles during the course of the privatization of Quebec's harness racing and off-track betting business, an industry that employs more than 3,000.

"A transaction that should have taken 30 days was a year and a half long. Yes, it was an adventure," said Stein, whose firm represented Senator Paul J. Massicotte's Attractions Hippiques Quebec Inc., the new owner of the province's four harness racing tracks. The deal closed formally on Dec. 1.

Complications began not long after the government awarded the tender to Attractions Hippiques following a public process for privatization proposals through the Societe national du cheval de course, or SONACC, the government agency that oversees operations at race tracks in Montreal, Quebec City, Trois Rivieres and Aylmer.

Weeks into working out the purchase and sale agreement, the award was challenged in court by competing bidder Remstar Corp., a Montreal-based entertainment company. The suit was dismissed for being without grounds.

Then, some SONACC board members tried to quash the deal by working up opposition among horse breeding and racing associations in Quebec, a move that ultimately led to government intervention to remove all board members through a special law that also ordered an audit of SONACC's activities.

(A report by Quebec's auditor-general a few weeks ago revealed highly questionable spending practices and generous financial benefits under the reign of the ousted SONACC board that are the object of further investigation.)

On top of that, figure in negotiations with horse breeding and racing associations, numerous regulatory and permit matters with the federal and provincial government (off-track betting is regulated by both), agreements with racing commissions worldwide (for the use of live time races), and talks to work out property acquisitions, leases and land assemblies.

"The lawyers really had to endure," said Stein, whose firm, a specialist in real estate and financial restructuring, is no stranger to complex deals.

"The contract - I don't even know how many drafts of the contract there were. There were so many. It was really unbelievable."

What made the transaction "unique," Stein said, was the collaboration of all lawyers involved under the guidance of an independent board set up by the government to oversee the process.

What about collaboration of lawyers on opposing sides?

"It was unique in the sense that normally, there is a negotiation process between the lawyers. If you have an issue you don't agree on, the lawyers negotiate back and forth, and the parties negotiate back and forth, and very often what will happen is the parties will come to a loggerhead, and one will say: 'no, that's it,' and the deals can fall apart, and they do fall apart," Stein said.

"In this particular process, it didn't work that way," he added. "Everybody throughout the process tried to help the other as opposed to trying to hinder the other. Everybody worked together on both sides of the table, together with the independent committee."

Other Stein & Stein lawyers who worked on the deal were Annie Mathieu, Donald Michelin and Julie Korman.

Francois Amyot, senior partner at McCarthy Tetrault LLP's Quebec City offices, represented SONACC, assisted by Simon Marchand-Fortier, Jean-Francois Routhier and Louis-Nicolas Boulanger. Lynne Roiter, senior in-house counsel at Loto-Quebec, represented the provincial lottery corporation, assisted by Dominique Gourgues.

Loto-Quebec is involved because of the 1,900 video lottery terminals operated at the racing tracks, or racinos, as the hybrid operations are called. Massicotte's Attractions Hippiques will receive 22 per cent of VLT revenues as part of his proposal to rejuvenate Quebec horse racing with investments of \$280 million over the next five years.

It is an industry whose historical roots can be traced back to the first recorded race in Canada in 1764 on the Plains of Abraham in Quebec City. For a fascinating thumbnail sketch of the Quebec history of the so-called Sport of Kings, see the August 2005 feature at www.standardbredcanada.ca. Thousands of spectators used to attend races there in the early 1800s.

The next phase, expected in the next few months, involves the moving of the Montreal race track, Hippodrome de Montreal, to a new destination in the north end of the city.