

TDN

Q & A

Halsey Minor is on a mission. A horse lover and passionate racing fan, he is worried about the sport's future, which he predicts is bleak. Determined to do something to turn the sport's fortunes around, the 43-year-old Virginian is attempting to buy and revive Hialeah and has also gone public with plans to take over Magna Entertainment Corporation and its many tracks. Minor says his tracks will offer a fan-friendly experience, outstanding customer service and will do so in a bucolic setting. That, he says, is how you put people back in the seats of America's mostly empty racetracks.

Minor grew up around horses. His mother is an accomplished equestrian and he has fond memories of watching horses like Secretariat run in the Kentucky Derby

as a child. Just 29 at the time, he founded the tech-news company CNET in 1993. The media company was so successful that it was one of only two Internet companies selected in 1999 to join the elite NASDAQ 100. Minor eventually sold CNET but has remained busy since. An entrepreneur with an insatiable appetite for new ventures, he has started several new companies besides CNET and is developing a five-star hotel in Charlottesville, Va. Minor continues to invest in new companies in a broad range of fields through his current company, San Francisco-based Minor Ventures. He also recently purchased the historic Carter's Grove Plantation in Williamsburg, Va. for \$15.3 million and plans to use much of the acreage to develop his own breeding farm.

Despite his many ventures, Minor has found time to wage determined battles to acquire Hialeah and the Magna tracks. He says he is also interested in building some new tracks, including one in Virginia.

He is never afraid to step on people's toes or speak his mind, part of his aggressive style. If he wants something, he doesn't give up until he gets it.

In 2008, The Wall Street Journal estimated Minor's wealth at \$300 million.

Bill Finley sat down with Minor on behalf of the TDN.

TDN: Only a few years ago, you were relatively unknown inside racing circles. Today, you are an owner, are attempting to buy several racetracks and are waging a high-profile personal battle to bring racing back to its glory days. How did you go from one extreme to the other?

HM: In 2001, I retired from CNET after having spent every moment of my life from my high school days on running that company. When I retired, I immediately did the thing that I always wanted to do, but which requires time and money, and that was to get into horseracing. I spent a lot of time with my good friend Bill Farish doing the sales and I spent a lot of time around the Phipps family. As a media person, I came to the conclusion that the sport I knew and loved as a kid and always had a passion for was on its way to perishing and I wanted to do something about that. What I ended up doing was hiring D.G. Van Clief's son, Danny. With him, I developed a plan, a Triple Crown like-event for 4-year-olds and up that would create continuity with the Triple Crown. It was called the National Horse Racing League and the idea behind was guided by my philosophies on why racing was dying. I published a very lengthy article in 2002 in the Blood-Horse that basically laid out two things: one, why the industry was headed toward extinction and, two, my proposal for something we could do to help turn things around. I started out the article by showing a newspaper, a New York Times from 1959 that said "The Sports of Kings is now the king of sports." It was a story about how racing was the No. 1 sport in America.



TDN: What happened to the National Horse Racing League?

HM: There were people who didn't like the fact that I was just going to do classic horses in the series and the reason I was doing classic horses only is because that's what people actually want to watch on TV. Another group came out with this Thoroughbred Championship Tour. It was the most convoluted, complicated thing you ever saw and it had absolutely no chance of ever being successful. But it did have the effect of blunting whatever I

wanted to do. I sat across the table from Reynolds Bell and John Phillips and John Phillips was looking at me like I was a competitor because he was trying to start this thing. I said, 'Guys, I'm not doing this for the money.' In fact, my pro forma showed that I was going to lose money. I told him, 'I am doing this because I want fans to come back. You're opposing me, but why? All I want is to bring people into thoroughbred racetracks and have them sit down on the seats and enjoy themselves.' It was very frustrating because I got no traction whatsoever.

TDN: What were some of your theories concerning the sport's decline?

HM: What I quickly realized after I talked to people was that if you talked to 100 people, 50 would say we compete with gambling and 50 would say we compete with professional sports. The problem with the industry is that it is schizophrenic and if you're schizophrenic you don't know how to market. Who are you talking to? How are you talking to them? You can't define who you are if you don't know what you are. And if you don't know what you are, you can't communicate with people. I had a great deal of information on the demographics of the sport and saw that the average fan was 69 years old. I saw that we had to begin to build fans and put people in seats. I don't think we compete with Las Vegas. We compete with other sports. If you look at football, it only talks about the sport and yet the amount of money wagered on it is of a greater magnitude than horseracing. In the world of football, you don't even have to talk about gambling to get gambling. What you have to talk about is the sport and get people to believe in the sport. I had a conviction about one thing. In one of the NTRA handicapper competitions, a janitor from Oakland won and they put him on the front page of their website with a Penthouse playmate. Who are we trying to talk to? Who seriously thought through the marketing and positioning of the industry and decided that that graphic is going to drive more fans into the industry?

TDN: After your series concept never got going, what became your main focus?

HM: I didn't start buying horses way back then because I decided I was going to dedicate my energy to saving the sport; thoroughbred racing is as important to me as anything outside of my family. I was talking to a former board member of one of Frank Stronach's companies and I told him I'm so dangerous because I don't care about the money, I just care about the sport. There are so many self-serving people in this sport who have agendas other than growing thoroughbred racing. All I want is to put people back in the seats. That's my goal and there's nothing else. I have made plenty of money and I have seven companies and a hotel. I have my needs covered. What I don't have is confidence that the most beautiful sport there is can feel secure about its future. Tom Meeker told me in 2002 that there was not a fan problem. I promptly pointed out to him that he clearly had not seen the ESPN research that showed pro wrestling had more fans and that horse racing was about as popular as bowling. I have never agreed with the way Magna has gone about things. Every philosophy that Frank Stronach has is opposite of mine. I believe that racing should look more like Saratoga, Keeneland, Del Mar. I don't think it should look like a three-headed hydra of shopping mall, track and slots. I'm a marketer and I think I'm a pretty good one and I know those three things don't go together any more than if I served you soup out of an Alpo can. Even if it were great soup you'd probably get sick to your stomach. People think of horses and they think of grass and trees. They think of Hialeah in its day. That's what works. After I couldn't get the series going I was very despondent and I basically sort of picked up my marbles and left and went back and started some more companies and went through a divorce. Then a couple of years ago, my mom, who had always wanted to get involved in thoroughbred racing, asked that I buy some horses with her. I bought a couple of nice broodmares in the half million-dollar range. But, along the way, I was thrown right back into the same frustrations that I had experienced six years before. Only this time I had watched the carnage that had occurred as a result of the actions of Magna Entertainment and the lack of general management in the industry and the lack of general vision in the industry. It was redlined. I thought, 'what can I do where nobody can really interfere with me or interfere with me the least?' I realized that if I owned a track then I could control the experience inside the track. From the time you walk through the gates till the time you walk back through the gates, I can control that experience completely. Track ownership gives me the ability to define what thoroughbred racing is and so that's when I said, 'OK, I want to own a track.'

TDN: Which track or tracks were first on your list?

HM: I looked at Colonial Downs in Virginia and they wanted \$40 million for that, which is ridiculous because the track is in the middle of nowhere. I'm very mindful of competition for people's time and you cannot build a track that is 45 minutes away from any cities. Convenience is essential. I've been constantly looking for opportunities to build tracks. The tracks I want to build are like Hialeah. I think there's an extraordinarily good business to be had by building beautiful facilities that deliver a flawless experience.

TDN: Give us some examples of how your racetracks would be different from others?

HM: Racing is the only sport that hasn't had a reformation. Racing started out as kings and queens and lords betting against each other and then ultimately attracting people who would come and watch. The fan was secondary. The sport was run for the participants. The problem is that racing is still run for the participants. A great example is night racing. I've said that I want to run at night and what I get back from people is that a lot of horsemen don't like night racing because it keeps them up too late. I don't care. The nighttime is when people can watch racing because most people have jobs. So get over it. You can't just say the horsemen don't like it. It's not about them. It's about the fans and it's about accommodating the fans and making the adjustments you need to accommodate the fans.

TDN: How are you and Hialeah owner John Brunetti getting along these days?

HM: I haven't been able to reach terms with John Brunetti. I'll say this publicly: I think he's a very selfish man to allow the facility to just decay like that. I don't have any compassion for the people who have selfishly sucked the life out of the sport. We wouldn't be in the shape we're in if there weren't people who didn't selfishly suck the life out of the sport. He's sitting on one of the icons of the sport and he has no intention of doing anything other than walking into a restaurant and having somebody pointing at him and saying, 'Oh, there's John Brunetti, he owns Hialeah?'"

TDN: There was a report in the Paulick Report that said that the city of Hialeah actually put up much of the money to buy Hialeah from John Galbreath, held the deed to the track and leased it to Brunetti. It also reported that after 30 years John Brunetti could buy out the city for \$100, but only if Brunetti maintained a pari-mutuel license and kept up his payments to the city. Has that happened and who is the rightful owner of Hialeah?

HM: The city took over Hialeah because John defaulted. And then the city allowed John to buy it back in 2004 for \$100 so long as he made his payments and as long as he kept his license and as long as he continued to race. Well, he didn't make his payments, he didn't continue to race and he certainly didn't have his license when he walked in and paid his \$100. I am still in the last stages of counsel, but it is my intention to file suit on behalf of the citizens of Hialeah to get their racetrack back because he's not the rightful owner. It's not going to be easy, but I'm going to play tough and I'm going play fair. But I'm going to do what's in the best interests of the sport and I'm not going to do what's in the best interests of John Brunetti. I don't care what's in the best interests of John Brunetti.

TDN: What else can you tell us about the Hialeah situation?

HM: I met with John last week John laid out what his plan was. He wants get together with Churchill and Magna and get Magna to agree to quit racing at Gulfstream and get Churchill to agree to turn Calder into a Quarter Horse facility. Then he wants Hialeah to be Florida's thoroughbred track. OK? Has he talked to anybody about this? He has not heard back from anybody at Churchill or Magna but he has talked to an aide to the governor.

TDN: Why do you think he has been so reluctant to sell you the track?

HM: People are seriously upset with him. It just isn't me. You should see the e-mails I get in support of my efforts. I've talked to many people who have been around John Brunetti and they say he doesn't want someone else to succeed where he failed and he'd rather take it to his grave than have that happen. And even though it's not the best publicity, he likes being known as the guy who owns Hialeah.

TDN: Did you ever get to the point where you made him a firm offer and, if so, for how much?

HM: The number that he wanted was so ludicrous that there was no need for a counterproposal. I don't want to get into numbers but everyone from me to the mayor to the man on the moon looked at his numbers and knew they were ridiculous. When I heard his numbers, I kind of felt that we had been playing a game. He got a lot of publicity, which he wanted. But in the end, he didn't really want to sell it. He wants to keep it as his office.

TDN: Are you near the point where you're ready to give up?

HM: I don't have a frustration point. I'm an entrepreneur and I just keep banging away until something happens. John Brunetti will never frustrate me. I'm a lot younger than him and I will get that track and I will get it back up and running. I may have to wait for him to die, but I will get that track.

TDN: Why can't Brunetti simply turn Hialeah into a shopping mall or condos?

HM: The problem that John has and will always have and the problem he fails to realize is that this is a racetrack. And it is zoned as a racetrack. And as long as I'm around the citizens of Hialeah will never let it be turned into anything else. In this economic climate, we're a long way away from needing 3,000 new condos there. I think he thinks the property has quadrupled in value since he bought it. I told him if I sold you Central Park for \$1 I would have ripped you off. He shows me these development plans and I tell him you need to understand that you own a racetrack. That's what it is and no one is going to let you do anything else. Every proposal that you've had has been shot down. Now he has this idea that he'll get together with the governor and form some sort of monopolistic alliance in South Florida. I'd like to see what happens when he runs into Bob Evans some place so he can tell him he wants to turn Calder into a Quarter Horse track. And what will happen when he runs into Stronach and tells him he wants him to shut Gulfstream down so he can have the winter dates.

TDN: Hialeah was an unsuccessful track with a poor quality of racing when it closed in 2001. Since, racing as a whole has hardly gone in a positive direction. Why then are you so confident you can make a new Hialeah work?

HM: I was the largest investor in a company called salesforce.com, which has probably been the most successful technology company this century. It had zero revenue in 2000 and they are at about \$1.2 billion right now. Early on, people would come to me and ask why are they so successful, what are they doing right? They would think I would give them a really insightful answer. My answer was, they have a really good product. People tell me that no one goes to the racetrack anymore. But people don't go to bad movies either. Would you go to a good movie? Yes. Would you go to a bad movie? No. They're both movies. It just happens that one is good. I am in a unique position. I am a media person, an audience person. I've had six TV shows and I've had magazines. I think audience development. By building a much-improved Hialeah, you can develop an audience.

TDN: That's an interesting concept. But horse racing and movies aren't the same thing. How do you turn a day at the track into the equivalent of a "good movie?"

HM: This is kind of at the core of how I think of things from a business standpoint. To develop the audience for horse racing you have to have a better product. At a lot of tracks, to get from the car to the horses you have to walk through a 30-year-old parking lot, past trash, to a facility that is unpainted and past a bunch of people who represent the last vestige of the industry. Those are the hardcore gamblers who would be better served by building a special facility just for them that fits their needs. At every facility that I get I'll build a wonderful area for the people who play multiple feeds and it will be an information-rich environment for people who don't feel they need to watch the races live. But these same people shouldn't be in the path of families with kids who don't want to see smoking and drinking. When you look at racing now, you don't see the people who should be going there. I'm 43 and I have five kids. I know what it means to be busy and trying to meet the needs of your family. You have to bring younger people and families back to the sport, which is very important to me, but there is also low hanging fruit in bringing older people to the sport.

TDN: You have taken an anti-slots position, which is contrary to the way virtually everyone else in the industry thinks. Considering how profitable they usually are, how could you not want them at any racetrack you owned?

HM: I've actually changed my mind about slots. I believe that slots are fine as long as the money goes to rebuild the facilities. There are slots everywhere. I don't come at them from a sociological standpoint. I know there are people who can make sociological arguments against slots, but that's not me. The point I'm arguing is that when you do what happened at Gulfstream, you basically end the possibility of real fans showing up. You have turned it into a gambling facility and people will not bring their kids. I also don't like the notion that people also believe that this sport cannot stand on its own. It can't stand on its own because it is mismanaged. It's been mismanaged for quite some time. I don't want the whole industry to basically say that we don't believe in ourselves, we don't believe in our sport and we need a handout from the government. In places where there are slots and racing, you basically don't have fans. You have purses but you don't have fans. The problem with that is that once the last fan is gone you open yourself up to a number of problems. In a recession, governments decide to change the rules and, when they do, what control over your business will you have? With slots, you've completely given control to the government. If you can find a way to have slots, help rebuild the infrastructure of racing and not have the slots area near the track, then that's OK. What most people with slots will do is not invest anything back into their tracks. Magna, if they get slots in Maryland, will sell the tracks to somebody else or try to pay down some of their debt, but there won't be a dollar that goes toward fixing two of the more tragic facilities in the country, Pimlico and Laurel. He's not going to use the money to make the experience better. Maybe it's just the hands that the slots are in. They are used by people who want to use horse racing as a vehicle for enriching themselves on slots. I don't like that. I've been so hard on the slots issue that I think I've miscommunicated my reasons for not liking them. It's not slots; it's about controlling our sport, believing in our sport. It's about using the money from slots in a way that adds to the industry and is not destructive. What was the falloff with slots the first year at

Gulfstream? Their attendance was way down. How does that help racing?

TDN: Barring the unforeseen, what's the future going to bring for Magna Entertainment?

HM: Part of the reason I am trying to take control of these tracks is that the single worst thing that could happen to the industry is if no one is standing there when Magna goes bankrupt to catch it. When that thing gets thrown into bankruptcy, you'll have two years of sorting out salaries and taxes and bank loans and, with vendors, figuring out who owns what. Then the assets get sold off. You won't have the Preakness for two years. Magna's stock is worth nothing; maybe it's worth \$5 million and that is option value. There is no value to the equity. And the debt that is publicly traded is worth half. The market is telling us something. In 2002, I said to everybody that the problem with some racetracks is going to be that the land is going to be worth more than the businesses on top of them. We've had some momentary reprieves, but it's going to go back to where these businesses become worth less and the land becomes worth more. Just like Bay Meadows. Poof! Hollywood Park. Poof!

TDN: You have offered to purchase the debt Magna Entertainment owes parent company MI Developments, which would put you in an excellent position to eventually take over MEC. But, as has been the case with Hialeah, there have been roadblocks in your way. Considering this, are you still confident that you will eventually take over the Magna tracks?

HM: Yes. I will own Magna. I started CNET and turned it into a NASDAQ 100 company. I started a search engine company that was ultimately bought by NBC and I helped my friend start salesforce.com. We had a company called Grand Central that was ultimately sold to Google. With every one of these situations, I used the same methods, which is you just push every day. And, with Magna and Hialeah, I have truth and justice on my side. No one can refute the situations we're in. Even if people question my methods, my vision, we know how bad the situations are now. There's nothing to lose. Hialeah can't be in a worse state. It's not running and it's decaying. Magna can't be a more poorly run operation.

TDN: If you do acquire the Magna tracks, what are some of the major changes you have in store for them?

HM: I would build a brand new facility in Maryland and I would close Pimlico and Laurel. I want to get Hialeah and then I would shut down Gulfstream. If I don't get Hialeah, I would operate Gulfstream the best I can. There are some obvious ways to improve the way it is operated, but there are some basic fundamental flaws in the structure that can't be addressed economically. I would like to consolidate South Florida racing at Hialeah. Santa Anita is a massive opportunity. As charming as it is, and I would never take the charm away, it hasn't had any work done on it in a very long time. I have a very different vision than what Frank has. Whereas Frank wants to build a mall next to it, I want to landscape the parking lot and turn some of that area into an open grass area. As our society becomes more urbanized, people are going to want to escape to something that feels like a park. They don't want to go from urban to urban. They want to go from urban to park. That's why people talk about facilities like Saratoga and Keeneland and why their memories of Hialeah are so potent. It's the juxtaposition of our daily hurried life in the concrete jungle with going out and enjoying a natural sport that is a connection with nature. Racing has an animal-human relationship and it should happen in a bucolic setting. Everything that I do will have that attribute.

TDN: You've discussed some of your concerns about how Hialeah and the Magna tracks have been handled, but what about the sport in general? What has the industry done wrong that has gotten it into some of the jams it is in today?

HM: It's a bad product now. I can't go to a racetrack where I don't feel ill looking at the site. There's no reason why the facilities shouldn't be like Busch Gardens or Disney World, where everything is pristine and clean and the employees are friendly. Those are the places racing competes with. You walk over to Golden Gate Fields and there is trash everywhere and it's an old facility. It's a bad product and you have to fix the product. The NTRA launched that big "Go Baby Go" campaign. The industry did itself a disservice with that. Even if it worked it would be sending people to decrepit tracks that were poorly managed and where most of the employees didn't care. Gulfstream has the reputation of having some of the rudest people in all of entertainment. Given the environment they operate in, it's probably not unusual. These things have to be rebuilt. It isn't hard This is a sport that in 1959 was the No. 1 sport in America. There's no reason it should be as pathetic as it is now. As a society, we have not evolved so much since 1959 that a sport should no longer appeal to us at all.

TDN: There are probably some racetracks out there that can be acquired without the kind of problems you have faced with Magna and Hialeah. Are there any other tracks that you are looking to buy?

HM: There are places where I am looking to build new racetracks. I don't want to say much about that. In some places, I may end up competing with an existing operator. It's a matter of finding the right environment within striking distance of a large population. I'm interested in Virginia. I don't think what's there now is very successful. There are some political problems there, but nothing I don't think I can't overcome. Virginia is the wellspring of thoroughbred racing. All thoroughbred stock basically came through the James River. I bought Carter's Grove, which is one of the James River plantations, and I want to use it as a horse farm. I'm a Virginian and I'd like to see Virginia reclaim some of its past glory. I also sort of lament my own state's decline. When I was a kid, Secretariat was from Virginia. We were a force.

TDN: You certainly have the means to acquire a large stable filled with expensive horses. Yet you have had only two horses race for you this year--Fierce Wind and Dream Rush. Why haven't you gotten more involved in this end of the sport?

HM: My own personal racing operation is second to the time I spend on the industry. I believe you should build slowly as a matter of course. I'm not the kind of guy who would go out and throw up a 100-broodmare band. I'll never be bigger than my ability to know the names of my horses and to be able to recognize every one. That's just what I like. I like high quality. Dream Rush is like my princess. She's an absolutely beautiful creature. I think Fierce Wind is going to be one heck of a horse next year. I also have some homebreds coming along. To buy a horse, I just have to feel it. I saw Dream Rush and said, 'I have to buy her.' She was like Grace Kelly. The reason I bought Fierce Wind? The moment I knew I loved racing was when I was a kid and was watching the Kentucky Derby and the horse in the lead actually looked back at the horses that were closing in and stepped up and won the race. When that happened I said, 'Oh my God, the horses want to win, too.' I had never thought about that. I just thought it was the jockeys on them whipping them and making them run. All the stories about Fierce Wind were about how he would eye the horses out on the track when he ran. I watched the Sam Davis and he had three horses come at him and he put all three away. Right after that, I said I want that horse. I do it as it moves me; I don't do it because I want numbers.

TDN: You can be blunt and you are obviously not afraid to openly criticize others. Is this just your nature? Do you worry that you will offend some people who might then stand in the way of your goals?

HM: I don't think anything will get done if I approach this any other way. I can approach things in a more political way. But I don't think that's called for here. I actually want to highlight the realities. There are a lot of polite people in this sport, but the problem is that politeness is not going to solve a problem. I honestly think racing is like a ticking time bomb. I don't mind be candid because I cannot be accused of anything other than being a passionate supporter of the sport who wants to see it turn around. That's it. I'm not going to worry about people criticizing me. People who are motivated by their self-interests will absolutely criticize me. Their problem is that I'm going to be very difficult to manage because I don't want anything other than for racing to succeed. Yes, I'm going to be blunt, but as long as my intentions stay pure I don't think that's a problem.