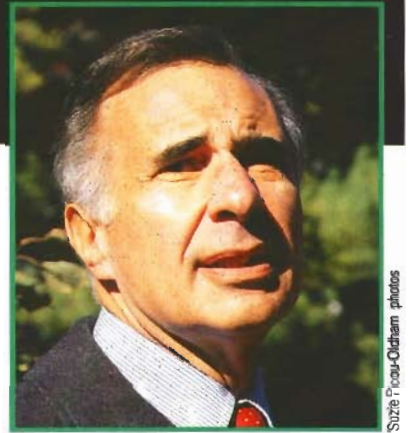


OWNER PROFILE

Crazy like a Fox

• by Edward L. Bowen



Suzie Fou-Chatham photos

Winners of the Kentucky Thoroughbred Development Fund Breeders' Award, this dynamic duo of Foxfield Farm began with Blushing K.D., but the bloodlines — and the stakes winners — go much farther than that.

In his days as a Ph.D. heading graduate programs in counseling psychology at Rutgers University, Professor Rob Whiteley perhaps ran across such deep lines as Carl Gustav Jung's description that in growth of the mind, "each step forward has been a most painful and laborious moment."

Looking back on a decade of his new endeavor, as manager of Carl Icahn's commercial Thoroughbred breeding operation, Whiteley is moved to similar language. Speaking recently of the more than ten years spent

developing stallions and selling their offspring, with the profit motive an underlying factor, Whiteley said, with an apparent mixture of mirth and truth, that he is "having a terribly wonderful time."

He quickly added that, "It's stimulating and challenging," and, but for an innate sense of modesty, he might have shouted, AND WE'VE DONE IT!

When pressed, Whiteley will report that, "before depreciation, we've been profitable for 10 consecutive years, and profitable most of

them even after depreciation. Some years, during our early period of huge acquisition, the depreciation was substantial."

For Icahn, the highly visible American entrepreneur who financial publications style in such phrases as "corporate raider," the success in the Thoroughbred game has been one of many illustrations of business acumen. While none can truly be said to have shaped the game to their own ends, Icahn, with Whiteley as an aggressive — albeit introspective — lieutenant, is achieving what he set out to do.



In addition to achieving the bottom line goals, Icahn's operation, bearing the pleasant name of Foxfield, has been turning out major race horses. Foxfield bred 13 stakes winners of 1997. Earnings in North America stood at about \$3.5 million.

Brightest star among the 1997 Foxfield-breds was Blushing K. D. (Blushing John — Lilac Garden, by Roberto). A private purchase raced by James and Sue Burns, Blushing K. D.

streaked through a half-dozen spectacular stakes victories to rank atop the three-year-old filly division before a mid-summer injury ended her career. Her major triumphs included impressive victories in the Kentucky Oaks, Monmouth Breeders' Cup Oaks, and Fantasy Stakes.

Other Foxfield-breds that won major stakes in 1997 included Helmsman, winner of the Fastness Handicap after having scored in the Grade I Strub Stakes in 1996 and having topped the Irish juvenile handicap in 1994. Others included Brave Tender, winner of the Arlington Cup in Japan; Crafty Friend, winner of the graded Broward and Bel Air Handicaps; the aptly named Fabulously Fast, winner of the Grade I Test; Nero Zilzal, winner of the Group 3 Prix Exbury in France; and Vegas Prospector, winner of the Grade III Cicada Stakes.

Foxfield's office showed all-time totals, since 1989, of 36 stakes winners and earnings of more than \$23 million. The figures indicated a sprightly 68% winners from all starters. The Grade I winners bred by Foxfield are Great Navigator and Vaudeville, as well as the aforementioned Blushing K. D., Fabulously Fast, and Helmsman. Other high-profile Foxfield-breds have included Dalhart and Canaveral, both of which surfaced for a time as promising classics contenders.

"Basically, we both take great satisfaction in seeing any of them win," Whiteley said of Icahn's and his approach. "And, as far as the business plan goes, we like to see happy customers, because they keep coming back. That's true with mares we sold, as well as yearlings."

The emphasis on the commercial side might seem surprising considering the sweeping success Icahn had with the early drafts of horses he bought to race. After all, the 1990 juvenile champion filly Meadow Star gave Icahn a heady introduction to the glamor of big-time stakes victories.

"When I first went to work for Carl, which was November of 1987 during the Tartan Farms dispersal, he had about a dozen horses," Whiteley recalled. "He wished to develop a program. The initial plan was to develop an integrated commercial breeding operation designed around stallion investments. So, we endeavored to develop a high quality broodmare band to support the stallion interests that we acquired. We decided to buy a dozen fillies that we could race and then put into the broodmare band as we started to build the numbers.

"So, I looked for promising prospects with strong families and residual value, as well as several fillies that were already racing that I thought could improve on their records. Out of a dozen, eight or nine ended up winning or placing in stakes for Foxfield. The yearlings in that group included Meadow Star.

"I bought a couple as two-year-olds and one of those was Really Quick, who won the Adirondack in between Meadow Star winning the Schuylerville and the Spinaway at Saratoga that year — she provided the creme filling in the Oreos, basically. The other two-year-old was Lilac Garden, who's the dam of Blushing K. D.

"Of the fillies that were already racing when I purchased them, one was Rose's Cantina, who won multiple Grade I's for us and finished fourth in the Breeders' Cup; Colonial Waters, who ran several huge races and finished second in the Breeders' Cup; Topsy Girl, who proved to be a multiple stakes winner; and Intently, who placed in a stakes for us and is now the dam of Gone for Real. So, that was the Delightful Dozen as opposed to the Dirty Dozen, and those 12 became the initial core of the Foxfield broodmare band."

So, a high roller on Wall Street and a former student of handicapping had a blast with an initial investment in race horses. Yet, there was no deviation from the clear focus of breeding to sell.

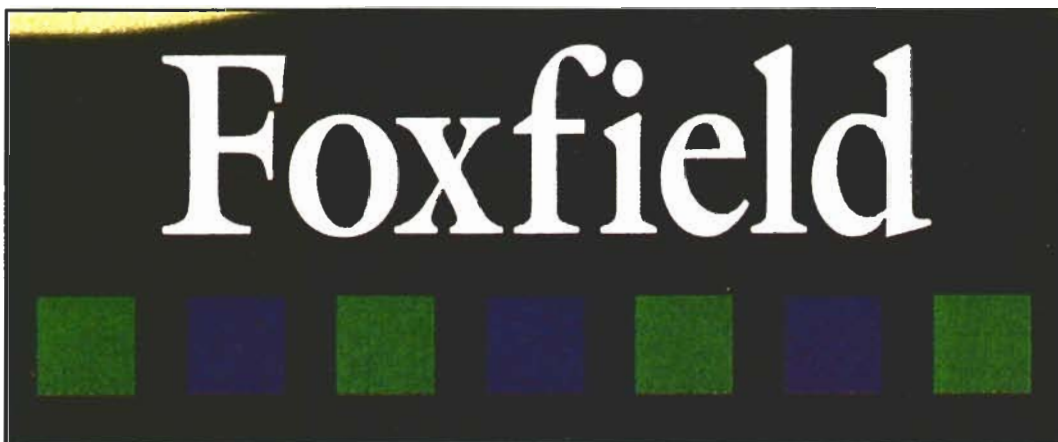
Icahn had made even a more spectacular splash into the market when he was in partnership with Peter Brant in record-setting purchases at the Newstead Farm dispersal at Fasig-Tipton Kentucky in 1985. These included Miss Oceana, at a world record \$7 million, and Larida at \$4 million. Larida was a successful broodmare, but Miss Oceana died young. Another early acquisition was an interest in Gulch, which became a Breeders' Cup Sprint winner and is today a major success at stud.

In a 1990 interview with *The Thoroughbred Times*, Icahn said he recognized that he had heard the "siren song" in some of his early purchases, but he learned, and he learned quickly.

Whiteley was a West Coast handicapper while in school at Stanford and by his mid-20s had a trifecta worth of collegiate degrees, from Stanford, Harvard, and University of California-Berkeley.

He took the Rutgers post in 1968.

By 1981, Whiteley was ready for a change. He returned to his fascination of handicapping and its companion discipline, evaluation of stock, and he eventually became president of Fasig-Tipton Appraisal Services. Icahn, who became a director of Fasig-Tipton, contacted him in 1987 and, he told the *Times*, assessed Whiteley as "intelligent



and obsessive," a combination the Wall Street maestro found appealing.

The singleness of purpose was made clear.

"Carl, from the very beginning, has been much more interested in developing a commercial operation, with a profit motive, than a racing endeavor," Whiteley reiterated. "I originally got into the business through the racing end and enjoy it very much, but it really seemed to be at cross purposes. I believe it confuses buyers at the sales if you have a prominent racing stable and are also there selling horses. I think it has helped us a lot to be clearly defined as strictly a commercial operation. Everything we raise goes through the sale, accompanied by a modest reserve."

Whiteley set about implementing the plan, and it initially involved rapid expansion of the broodmare band as well as acquisition of interests in stallions.

"As we started to acquire the stallion interests, we were fortunate to be able to buy into the right kind of stallions," Whiteley said, specifically enumerating such as Deputy Minister, Crafty Prospector, Housebuster, Silver Deputy, Gulch, Ogygian, etc.

"As we acquired the stallion interests and built up the broodmare band, there was a certain number of stallion seasons we had beyond the ones we needed. So, I sought to do a small number of foal sharings, if I liked the mating and thought it could produce an athletic sales horse that would be as profitable or more profitable than selling the seasons. All of the co-bred horses we are involved with are results of foal shares, where we have provided the season."

These arrangements sometime are passive, but more often the result of active recruiting on Whiteley's part.

"There have been some instances where I have approached a mare owner and said, 'I think this would be a terrific mating, if you want to do a foal share,' and in other cases, people have approached me.

"I read *The Racing Form* daily, I read all the sales catalogs, and I look at as many horses at the sales as I possibly can. When something catches my eye related to a prospective mating, I'll pursue it."

The classic Wall Street goal of 'buy low and sell high' was applied effectively.

"We gradually built up the broodmare band, from sale to sale and dispersal to dispersal, during the period when the curve (market) was in decline," Whiteley went on. "I



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think the most we ever acquired was 30 mares one November. In order to support the stallions, we built the broodmare band up to about 125. Once the young stallions were supported successfully, in particularly Ogygian, Blushing John, Private Terms, Housebuster, Crafty Prospector, and Silver Deputy, we began to scale back the broodmare band beginning four years ago."

The effectiveness of Whiteley's reading of the market has been illustrated not only in successful, profit-making yearling consignments. When it has been time for a major reduction, for example, in 1994 and 1995 Foxfield sold at Fasig-Tipton Kentucky autumn sales a total of 104 horses for \$6,203,700.

Late in 1997, Foxfield sold 16 mares for \$2,646,000 during the November sales at Keeneland and Fasig-Tipton Kentucky. One of them, Blushing K. D.'s dam Lilac Garden, went for \$700,000. The sales reduced the broodmare band

to about 25, and Whiteley had said earlier, "our plan will be to continue to acquire a few new mares each year, but in much smaller numbers than in the past."

Icahn continues to reap the personal interest rewards from the sales, without being tempted by the memories of his treks to the winner's circle with Meadow Star.

"He's intrigued intellectually with pedigrees, and with the business plan, but racing per se is of little interest to him," Whiteley explained. "We review each pedigree together at time of purchase. When we are acquiring mares at the sales, we will review each prospect together, often in late-night, meaning 11 p. m. to 2 a. m., phone calls during the sales. We review the pedigrees and fair market value and a target price for



purchase. Carl finds that stimulating and of great interest. Beyond that, in addition to his brilliant business mind, he has leant his deep pockets and staying power, but has left the selection of horses and specific matings and attention to details to me."



to find a stallion prospect with a pedigree that is going to have a commercial appeal. So, sons of Mr. Prospector are ideal. It is not surprising, therefore, that we have (interests in) Gulch and Crafty Prospector.

"What I am willing to give up is longevity in the race record. In today's commercial climate, if profitability is the main motive, the most desirable profile to find is a brilliant horse who meets my criteria but who may have had bad racing luck in the biggest races, or one that showed uncommon ability but was injured before he could go on and amass a high profile. Those that are more fortunate and happen to win a key race or dance a lot of dances in Grade I company tend to have a price tag that goes with them."

"I go by my own analysis of the racing quality in the family members and by the physical qualities that the mares possess themselves," Whiteley went on.

As for applying any popular formulas, he said that "I think dosage, as it has been developed, is a flawed and partial approach to a complex issue and many of the nicking efforts that are available are largely pseudo-science. In most cases what are represented as nicks are not true nicks; the statistical sample size is much too small to draw conclusions of any statistical significance."



Blushing K.D. at the 1997 Kentucky Oaks and Fair Grounds Oaks. *Suzie Picot-Oldham photos*

While the initial stallion corps is still productive, Whiteley said he is "always looking for promising stallions at a reasonable price. But they are few and far between right now, especially with the shuttling that's en vogue. It's very difficult to compete for stallions of great interest without paying a huge premium. Carl is intrigued intellectually with pedigrees and with the business in general. But he is also driven by the profit motive, and the current stallion market makes it very difficult. So, we remain grateful we were able to get such outstanding stallion interests and at the prices we were able to get them for."

What he typically looks for in a stallion, Whiteley said, typically, fell into a well-considered response:

"I come from 30 years of handicapping and watching a zillion races. I look first at racing quality. I want to see speed and fluid movement, but I also want to see competitiveness. That's one thing that's always drawn me to Crafty Prospector and his offspring. He exudes that, and his offspring are such competitors. And I also want to see a type horse that, for American racing, is very competitive at a mile, one that is well balanced and reasonably correct, with good bone — and the shortest cannon.

"As a commercial breeder, it is very important for me

Whiteley was asked if he found himself intellectually fighting the market, caught between what he perceives as the best racing prospect versus the best sales prospect.

"I've had to always be cognizant of having both objectives (raise a good horse, but also one that has market appeal)," he said. "Personally, I'm grateful I've had both objectives. To get the well-balanced athlete that's also commercially appealing, has made it a significant challenge, but also more rewarding.

"One obvious key to our success is that we have been able to acquire (interest in) stallions that have allowed us to produce that type of individual. Deputy Minister, Gulch, Crafty Prospector, etc., have not only had outstanding results on the race track, but they are all capable of getting outstanding sales horses. Over the years, we have specifically selected mares for both their racing attributes and their physical qualities, often acquiring them with one of our stallions specifically in mind. Incrementally, year by year and in measured amounts, we have moved forward with the program, which continues to build on itself.

"The program has benefitted from Carl's brilliant business mind and his circumspect nature. Even though he's a calculated-risk taker, he has an extraordinary discipline. In that way, I think we're probably a good match. I'm a very patient and disciplined person myself, who prefers to build things slowly with a long-range plan in mind, rather than push things together simply on a year-by-year

basis. So, I think whatever success we are enjoying at the present moment is really the product of a slow and gradual, consistent, evolution."

Each aspect involves judgment, and the placement of yearlings in the optimum selling environment is no exception.

"The basis of placing our yearlings in particular sales," Whiteley said, "derives strictly from assessing their maturity and readiness, appropriateness for a particular sale. If we have 12 robust, high-quality, correct yearlings that are ready for July, we'll take 12. If the whole crop needs additional time in order to be its best at sale time, we'll wait until September with all of them and take nothing in July. Saratoga is a unique situation that involves a small number of horses on the sales ground over a number of days, and it's very very important to have the quality horse without flaws, because of the intense group you have. So, subjectively, if I don't have one that I think can take it physically and mentally, then I'll leave it home.

"In the early 1990s, when the broodmare band was over 100 and we had multiple individuals by the same stallion, we sent some yearlings to Maryland, Canada, etc. This was done in order to spread out the offspring, keep them from piling up on each other, but also to expose the offspring to the regional markets. However, I was never able to sell the offspring profitably as a group in each of those markets. Additionally, there is a lot more money to be made with Kentucky-breds racing in Kentucky, so we pulled back from that strategy, especially as our broodmare numbers declined. So now we breed strictly in Central Kentucky and produce Kentucky-breds.

"Our basic plan is to take every saleable horse to a yearling sale. I will appraise each one realistically and then put the reserve at about two-thirds of what I believe to be a realistic, fair market value. If they don't get sold, including those that have a veterinary problem, or if they are not saleable at the time, then we take them on to a two-year-old sale.

"I do my very best to avoid that, because I'm very uncomfortable with it. I believe young horses should be brought along patiently and in keeping with their individual readiness, and I am not happy with having a scheduled timeline to march them to, in order to be able to breeze in a certain way on a certain date. Secondly, when we first started selling two-year-olds, it was possible to bring them along conscientiously, but within themselves, and gallop them through the stretch if that's all they were ready to do. But now, there is a high correlation between how fast they work and how much they bring, and there is a real risk that if you just gallop them, you might not even get a bid. So, I try to avoid it if I can.

"The handful that we keep to race are the ones that have defied all my efforts to sell them. Once they are in training and at the track, we still seek to market them sensibly. The best way, obviously, to sell one is to have him win his first start; everybody wants him and will pay a premium. But not many fit that profile, so we'll keep them in train-

ing and attempt to sell them at the barn."

"One of the keys to our commercial success has been that we offer what we call the Foxfield Guarantee, which means we'll stand behind our horses. If there is any significant problem with a horse, we're happy to take the horse back or work with the buyer to fix the problem.

"We will scope all our sale horses before taking them to the sale, to make sure they meet conditions of sale. Except for the least expensive horses, we will also X-ray them and put the X-rays in the repository, so the buyer can see what they're getting in advance. And, the buyers are always welcome to do their own veterinary work if they wish to.

"There are certain instances where a high profile, very popular horse has many, many scopes. I'm not happy with that, and I'm sure the horse isn't happy with that, but I don't know what to do about it. We sold a horse at the Keeneland September sale last year that was scoped 20 times. It's a very problematic situation. Everyone wants to do their own scoping, and if they're not allowed to, they're probably off the horse. So, I don't know a way around it."

One of the key early decisions Icahn and Whiteley faced was whether to establish a farm or to board the stock. Typically, close study was involved. Whiteley recalled:

"Since the bottom line is the primary concern, I advised him that we were most likely to be profitable if we boarded all of our horses and avoided having the payroll, workers' comp., roads, fences, building repairs, and other overhead that saps most commercial breeding operations on a daily basis. After examining the data, Carl concurred.

"It has truly helped our bottom line and helped us achieve our financial goals. It's increased our cash flow, made more money available at the right time.

"From the very beginning, we have been based at Trackside Farm. We have no farm. When we got up to more than 100 mares, I distributed the overflow at a number of Central Kentucky Farms.

"The first mares we acquired were from the Tartan dispersal in November of 1987 and I was lucky enough to meet Tom Evans and Pam Clark at the sale. They were highly recommended from several sources I was acquainted with. Tom, I learned, had worked at the track with Woody Stephens and at the sales with Lee Eaton. I sent the first mares to Trackside. I observed that they both were people of great experience, they both were intelligent and sensible, had a great work ethic, looked after other people's horses like they were their own, and had great integrity. They have been a very significant component to our formula for success."

Blushing K. D. ranks among the more satisfying examples of success to Whiteley, although she was a prob-

lem to get sold and then brought only a modest price.

"She was a June foal," he said. "When she was a weanling, Tom and I went through the entire group. This was probably in October. When it was all over, I said, 'You may think I'm crazy, but I've got the Lilac Garden at the top of the list.' He says 'I can see where you're coming from.' I looked over at his list, and he had her Number 6. Then we took her to the September yearling sale and bought her back for \$32,000.

"I knew with the June foaling date that we wouldn't do much better at a two-year-old sale. So I took her to the Fair Grounds (New Orleans) sale, simply with the idea of making her eligible to the sales stakes that only graduates of the sales were eligible for. I had six or eight other leftovers in that sale that I was just trying to lose. I didn't get anything sold. She was the one that I had an offer on, so I sold her for \$25,000, although knowing she was high quality. Then to see her come from that lack of commercial acceptance to be what she became was very satisfying."

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As would be expected from someone as thoughtful and introspective as Whiteley, he is sensitive to both the commercial realities and the personal disappointments which he believes the industry faces:

"We are clearly at a crossroads in the industry, and there is cause for cautious optimism. The National Thoroughbred Racing Association (NTRA) represents significant progress in attaining co-operation. If this can be sustained and channeled effectively, we will see a much more effective marketing scheme, something which has been woefully lacking.

"I know the more favorable marketing emphasis is likely to emerge from a funding base and increased co-operation. This will be favorable, if it's not too late. We've lost so much ground to all the other sports. It takes extra energy and time to turn back the

pendulum which has turned so far.

"We do have the prospect of a reshaped, but more viable, racing scene. We are going to continue to see contraction, fewer tracks, less demand for horses because there will be fewer racing dates, and it will increase emphasis on quality horses. We are already seeing that at the sales, anyway.

"Buyers are paying a premium for the quality horse, and the other kind are hardly getting any bids, as the smaller tracks disappear. We will see much more emphasis on top-level racing, with fewer places for fewer horses. The bigger players are going to continue to thrive and the smaller players are going to be chewed up and spit out. I don't know if this is a good thing.

"I regret that so many of the small guys who have just a handful of horses and get up each day and work with them in a hands-on way, and dream about them, day after day, aren't going to make the cut and are going to disappear from the scene. This is kind of sad.

"I'm also worried short term that the perception of things getting better is in turn fostering an enthusiasm which is helping to drive up yearling prices. My worry is that that will translate into stallion fees going up. I'm really hoping that stallion owners can resist the temptation to grab the money right now.

"I have consistently been a conservative on raising stud fees. With Crafty Prospector, we have steadily raised him over the years, but in tiny increments, well below what his statistics warrant. He's a horse we own more than half of, so I have considerable input. Also, Fred Seitz (who stands him at his Brookdale Farm) is like-minded, so that's been a help.

"I guess Deputy Minister (also at Brookdale) may deserve increase with the kind of year he had, but we don't own enough of him for me to have any leverage there. It's trite, but true, that supply and demand dictates. Nobody is really forced to pay a stud fee, but in effect, they are. It happens at all levels. Now, you see the little guys having to pay \$10,000 to \$20,000 instead

of \$5,000 to \$10,000. Then they have \$45,000 in a yearling when it walks into the ring and they get \$25,000 to \$30,000 for him. I mean, what kind of business is this?"

Whiteley does not see himself as torn between what's best for the investor in stallions and the yearling market.

"I only see myself on one side," he said, "and that's the side of what's going to be healthy for the business over the long run." •