FBL 17
Interviewee: Wayne Huizenga
Interviewer: Julian Pleasants
Date: October 28, 1999; January 13, 2000

P: This is Julian Pleasants. I am speaking with Wayne Huizenga in his office in Fort Lauderdale, Florida. It is October 28, 1999. Would you tell me when and where you were born?

H: I was born in Evergreen Park, Illinois, which is about thirty miles south of Chicago, on December 29, 1937.

P: What impact did your Dutch background have on your career and your values?

H: The Dutch people are really noted for their deep religious roots and feelings. Also, the Dutch people are noted for their cleanliness. Both of those surely have followed me and helped me through my career. Even though in the early days, I was in the waste business, our trucks were always the cleanest on the street, they were always painted the nicest, and they were never the greasy old garbage trucks you would typically see. We prided ourselves on that. More importantly than that is, when I was growing up, my father and mother were very religious. In the early days, we went to church on Sunday morning and Sunday night. I went to catechism and Sunday school. My parents were deeply involved in the church, and that was a way of life for us. I think it has been great, for my sister and myself. Those early upbringing years stick with you for a long time. I think when it comes to the business side of life, the feeling was always a feeling of openness and candidness. I know candid [can be understood] in a bunch of different ways, but you just told it like it was, and there was no bologna in being a Dutchman growing up. Now, I do not think that has changed, but when I was a kid growing up, that is the way everybody operated. The Dutch community was a very small community, so everybody knew everything, and there were no secrets. So, it was easy to be open because if things were good, everybody knew it, and if things were bad, everybody knew it. So, I am happy that I have had the religious upbringing that I had.

P: That was the Dutch Reformed Church?

H: Yes.

P: A lot of people describe your career and they talk about some of the terms you just mentioned, but they also talk about industriousness and intensity and enthusiasm and a drive for perfection. Where did that come from?

H: I think my father was that way but, there again, I think that the Dutch people are that way. They are very industrious, they work hard, [and] they take pride in what

they do. I have always followed in my father's footsteps. [As] I grew up, my parents were not wealthy, but they were not poor. But then, my father came close to going bankrupt. [He] came down here to Florida and built some houses, got caught in the interest rate crunch; the interest rates went sky-high, [and] he sat with a bunch of houses that he could not carry on and ended up having some problems. So, it taught me early on that you can be aggressive in the operating side of business and try to grow, but I always felt I needed to be conservative when it came to the balance sheet. Even in our businesses today, we are very aggressive on trying new things operationally [and] we are very aggressive in acquiring companies to fit into the overall package, but we never put the balance-sheet at risk. You know, in case there is a downturn in the economy, we always keep one foot behind us so that we are not going to be caught in a position we do not want to be caught in.

P: Does your father's failure in business have any influence on you? I notice that, later, you included your father in many of your business deals.

H: Yes, that is true and, yes, my father's failure did have an impact on me. I was in my teens at that time. It is like I said: it taught me [that] it is one thing to be aggressive–my father was always aggressive because he had several businesses–but do not put everything at risk.

P: What kind of student were you in high school?

H: When I first went to high school, it was in the Chicago area. When I was there just two or three months, my mother and father moved to Fort Lauderdale. So I came to Fort Lauderdale, and I went to Pine Crest School. I was not a real good student. My grades were not poor; I just did not like being in school. So, I ended up really working hard in high school, and because I was going to a small private school, the headmaster of the school kind of worked with my parents. I went to three summers of school in order to get through high school in three years, so that helped me. I just wanted to get on with life. I did not want to stay there. Then I worked for a year. After that, my uncle in Chicago, who has since passed away, was the one who said, Wayne, you should go to college; you really need to go to college. So I enrolled in Calvin College, and I stayed there a little more than a year, not two years, but more than a year. I did not like it because it was cold; it was in Grand Rapids, Michigan, and the snow was up to your kneecaps. When I came home at Christmastime, I told my parents; I do not want to be in school any more. I said, what I want to do is, I want to take a couple of months off, and I want to go to the University of Miami. My father said, fine, if that is what you want to do, [then] okay. Well, that never happened because at that time, you either had to go in the Army Reserves or you had to be drafted for a couple of years. I did not want to go into the Army for a couple of years, so I signed up to get my six-month stint over with in the Army and went to Fort Jackson in

Columbia, South Carolina, and did six months there. The day I got out of the service, my father took me for lunch. As we went into the restaurant, this man jumped up from a table and said, Harry, nice to see you; I have not seen you for a long time. It was a guy that he went to high school with, and that person was Herman Mulder. Herman Mulder was down here looking for a new manager for his waste collection business, which was not real large; it was three trucks. It really was not a full-scale manager job either because they paid the bills up north and did the books up north, so it really was more like an operating supervisor's job. So, Herman asked me, what are you doing, Wayne? I said, I am not doing anything; I just got out of the service yesterday. He said, good, you are my new manager. I did not really want that job [and] I said, no, that is not for me. I said, first of all, I do not want to do that [and], secondly, I do not know anything about that business. He said, well, just help me out until I can go back to Chicago [and] get one of my people to move down here. You can do that; all you have to do is this, this, this, and this. He told me where to go, and he left town and, the next morning, I went to become the manager of his company. That was the beginning of my waste collection days.

P: Was this Southern Sanitation?

H: No. At that time, Broward County was franchised out to a company, and he subcontracted to this company that was franchised out, and they called themselves Associated Independents. That was the name of the company. So, he was one of the Associated Independent group. I think he called his end of the business Pompano Disposal at that time. I stayed with him for awhile up in Pompano Beach. Three months turned out to be six months, nine months, more than a year. One day I was reading an ad in the newspaper where a fellow had a small trash collection route for sale in Fort Lauderdale. Today, Fort Lauderdale and Pompano kind of merge together. Back in those days, there was a long narrow road between Fort Lauderdale and Pompano with mangroves on both sides of the street, and they were really two distinct cities. So, I went and met with that fellow. The business that Herman Mulder had up in Pompano Beach was residential collection [while] this business that I was looking at was commercial collection, so it really was not competitive or anything like that. So, I went to try to buy this fellow out and, after many, many months, finally bought him out, with some help from my father-in-law. Then, I went to Herman Mulder and said, Herman, I am going to buy this business. He said, fine. And I said, and I want to buy your business, too. Well, I did not have any money. Herman was real good to me; he said, okay, fine, I am going to sell you this business, and I am going to let you pay for it over time. I bought the business from Herman and paid him off over a number of years. Then, my father came to work and run the business up in Pompano while I drove the truck in Fort Lauderdale to build up that commercial business.

P: What were the keys to your early success? Because you turned that business very quickly into a commercial success.

H: Fort Lauderdale, in the early 1960s, was a growing area. There were condominiums being built everywhere. We were just more aggressive than our competition. There were a lot of competitors here in town, but we worked harder; that was all there was to it. In the early days, you had the Dodge reports, [which] always told you which building was coming up or who bought the property, and we were always the first one on the job to bid on the job. I drove the truck in the morning. I started about two-thirty in the morning, and I would drive the truck and then solicit in the afternoons. Then, finally, I got big enough to where I had a helper, and I would let the helper to take the truck to the disposal site. So, wherever the truck got full, he would just leave me off the truck, and he would head up to Deerfield. By the time he would get back, it was like an hour and a half had passed, you know, before you go to the dump and come back. So, I just walked door to door, started knocking on doors, and would give my card out.

P: This is still commercial?

H: Yes, still commercial. I would walk down Federal Highway or I would walk down Broward Boulevard, and I would just go in and introduce myself and try to get as many customers as I could. Some of them did not have service. Some of them had the city collecting them, and so I would take the business away from the city. Or, some of them had other people collecting them, and I would take the business away from the competitors. We just went right on down the street and got as much business as we could. We just worked harder at trying to get the business.

P: One thing that comes across in reading about you that you seem to be consistent about is to treat the customer right; if you lose one customer, you will lose another customer. I presume from the very beginning, that was an essential part of your business strategy.

H: Customer retention was always the name of the game for us. Fortunately, the waste business is a business that as long you are doing the job right, it does not become something that the customer thinks about; they only think about it when you did not pick it up. But, as long as they do not have to think about it, that is good, especially if it is a restaurant or a business, or even if it is a home. You know, you come at night, and your garbage has not been picked up, and now you are upset. Right? So, it really was a matter of giving good customer service; because, otherwise, you had to go out and solicit more customers again. There is another saying in business: if you do not have a customer, you cannot raise them; you cannot charge them more if you do not have them.

P: Apparently very early, you figured out that it was important to rent things, because you started renting out the garbage containers and water coolers and Port-o-lets. How did you come to understand that part of it?

H: I learned that from the waste collection business. In the early days, the trash was picked up just by putting it in the back of a truck, and you took the trash away. Then, these Dempster dumpsters came out and, basically, if I was going to put a Dempster dumpster at your business and the Dempster dumpster cost me $500, I had to rent it to you to pay for the dumpster, in addition to the service charge. So, if you had a customer that was paying you X and you went to that customer and said, listen, I can put this container here for you; you will not have this trash laying all over, but the container is going to cost you $30 a month or $30 a year, or whatever you wanted to charge. The customer would say, yes, that is good, I want one of those, I do not want all this trash all over the back of my store. So, we put a lot of these dumpsters out. Well, I had to go to the bank, and I had to finance those. The bank wanted to know how I was going to be able to make the payments. I said, well, I have these few rental streams coming in, and they said, okay, fine, that works. So, I was able to get more financing than a bank would normally give to an individual in the waste collection business, because we could pledge this revenue stream against the containers. So, they loaned these containers and took my rental payments as collateral, so to speak. I liked that. Pretty soon, a couple of years go by, and the containers are paid for, and the customer is still paying rent. All of a sudden, Waste Management today–I am guessing now, but let us just use as an example–have a million containers out; if you have a million containers out paying you $20 a month rent, you have $20,000,000 a month coming in, [and] you do not have to do anything for that; once in a while, you have to clean the container or paint it, but it is minimal. So I said, hey, this is good deal, and I tried to put out as many containers as I could. Then, later on in life, we went into other business. The water business, it is the same thing: you put the cooler in someone's home or someone's office; you do not make much money on the water, [but] you make the money on renting the cooler, just like you do on the waste collection business [because] there is more money in renting the containers than there actually is in picking up the trash.

P: And the same thing later on for these Port-o-lets? You did those as well.

H: Right. Same theory.

P: From the beginning, you were always willing to borrow money to invest in your businesses.

H: Yes.

P: Is this the concept, that you talked about earlier, of being aggressive? You see a

good idea, and you are willing to borrow the money and go ahead and pursue that.

H: Right, and I did not look at that as being overly leveraged because I had this guaranteed revenue stream coming in. So, on the one hand, people would say, why are you borrowing all that money? But, you have a contract with the customer; whether it is a two-year contract or a three-year contract, you have a contract that they are going to pay you so-much-a-month money for this box. Over a period of years, those things became paid for. Then, you could go to the bank and say, I want to borrow a lot of money for this new batch of containers and, oh, by the way, I have this revenue over here which is not pledged anywhere, so you could use that for additional borrowing.

P: How did you get involved in Waste Management?

H: When I had my waste business here, in Florida, my cousin, B. J. Buntrock, who was a Huizenga, married Dean Buntrock. They got married, moved to Boulder, Colorado, and Dean became an insurance salesperson. Then, my uncle passed away. I had three uncles that all died of heart attacks under the age of fifty. When her father passed away, there was no one left to run the business, so they called Dean Buntrock and said, would you move back to Chicago to run the family-owned business? My aunt had a pretty large family, and there were two other aunts living off that business. They were all taking dividends out of the business to raise the family because all the brothers had passed away. So, Dean Buntrock in, I think it was, 1956 or 1958 moved back to Chicago to run the family business. I did not know him then, but in the early 1960s, 1963/64/65, he would come down here for a week or two vacation in the wintertime. Of course, what do you do when it rains in Florida? You go visit Wayne. We [would] talk shop. We became pretty good friends. He was six or seven years older than me [and] had been in the business longer than myself. I got a lot of good information from him. We got to be good friends. He was envious because we were growing fast because there were more opportunities for growth here than in the Chicago area. Also, we were more aggressive. He had these three widows and their families drain[ing] cash out of the business. So, he could not grow as fast because the widows needed the cash to live on. Every year, he would come down for a week or two over a period of six years or so. He and I got to be friends and when I would go to Chicago for a convention or for business, I would stop and see him [and] stay with him and my cousin at their house. We got to be good friends and one day, he came to me and he said, you know, Wayne, I cannot grow this business the way you are growing. He said, our widows are getting older, and I have been thinking about taking this company public and letting the widows have shares: if they want to stay with the shares, they can; if they want to sell the shares they can, and so forth and so on--would you consider taking your company and our company, we would put them together, and we

would change the name of our companies to Waste Management. His company, at that time, was called Ace Scavenger Service. I said, okay, fine, we could do that. We talked about it for a couple of years and in the end of the year of 1970 [and] January of 1971, we set up a new company called Waste Management, and then both of us merged our companies into the new company. At first, the intention was, I would run the south, and he would run the north. I had zero interest in moving back to Chicago, and that was always a big discussion point because I was not going to move back to Chicago. So, the compromise was, okay, let us put them together and as we grow in the future, you run the south, and I will run the north. I said, fine, we will do that. Then, there was another company that went public at the same time, a company called Browning-Ferris. Browning-Ferris was put together by a couple of guys who did not know the waste business. It was purely a financial play to roll it up and dump it off to somebody. Tom Fachew and Lou Waters. Lou Waters was a banker, and Fachew was a finance guy. So, they started acquiring businesses at a very rapid pace. Well, the problem is that waste industry...you know, I had been in the business now for about ten years, Dean had been in the business for fifteen years or more, and we knew a lot of people in the waste business. So, these people would call us right after Browning-Ferris left their offices; they would call and say, hey, these guys just offered me a pretty good deal to buy my company with--who are these guys, I do not know who they are. They said, you know, we would rather sell to you. We really were not thinking of going to Toledo or Denver or wherever. We were trying to grow our local markets. Dean had acquired a business in Milwaukee, and I was looking at a business in Orlando. We were doing that type of thing but, all of a sudden, the phones started ringing from around the country. So, Dean and I sat down and talked and said, these are good companies, the good guys that we knew in the industry. So, we started acquiring. We kept getting these phone calls because we were a known entity in the business, and Browning-Ferris was not known; it was just a new company that had started up and just out acquiring a bunch of people. So, we started growing. We started growing fast. We acquired 100 companies in nine months.

P: How do you determine which company to buy and how much to pay for it?

H: First of all, we knew the individuals because we had gone to conventions with them and different meetings and that kind of stuff. So, we knew the individuals. We knew the markets. We knew the business. So, we knew what it was worth, based on its profitability and based on the growth on the marketplace. I mean, if there is a lot of growth in the marketplace, it is worth more than a company that is not growing. So, we were able to strike deals with them. In a lot of cases, we paid less than Browning-Ferris because the people we were acquiring felt more comfortable with guys that knew the business than being with companies that did not know the business. Then, what happened is, Browning-Ferris started paying

a lot more than we did because they kept losing deals to us. So, they would raise this price, and Dean and I said, no, you know, [this] company is not worth that kind of money. We would walk away from some deals, so they did grow. Also, they played the multiple game: if their multiple went up, they would pay a little bit more to the other guy. Well, that was putting pressure on us. We looked at our stock. Regardless of whether it had a ten multiple, a twenty multiple, or a thirty multiple, we still were only going to pay so much for this business. If we had a higher multiple, that was just a better deal for us, but we were not going to overpay for the business. Well, Browning-Ferris stock went up, and they had, like, a fifty-multiple. So, instead of paying ten times earnings for these businesses, they started paying twenty times earnings, and twenty-five times earnings. It still worked because they were using a fifty multiple, but they were overpaying. They drove our prices up. We really [did] not know where that was going, because that was in 1971 and about the middle of 1972, the economy started going south. Stock prices started coming down, and our stock was up high at one time, too. We had a fifty/sixty multiple, but it was short-lived because the economy went south, and interest rates went sky-high. In the end of 1972, 1973, [and] 1974, business was really tough. So, what we did at that time was, we stopped acquiring. Our stock went from, I do not remember, twenty-five to five or something. Now, nothing would happen to the business; the business was still growing. Just the economy was down. We used that next couple of years to roll up our sleeves and really become efficient, to be the low-cost provider. [With] all of our people we had acquired, we mustered a team together for this area, a team for the west coast, a team for the north. We rolled up our sleeves, and we went through the business, in every detail. Do we have too many receptionists? Do we have too many people in the office? Do we have too many supervisors? Do we have too many trucks in this market? We would take a truck from Baltimore and drive it to New Orleans so we could maximize the fleet. If New Orleans was growing and needed a truck, we would take it from one market and put it into another market. And the same thing with containers. We moved them all around the country. We really got to be lean and mean. Now, Browning-Ferris did not do that. They had acquired these companies. They left them out there to run. These were financial guys; they did not know what we knew. At the end of 1975, the economy started coming back pretty strong. When the economy came back over that next couple of years, most everything we did fell right to the bottom line. As a result, Browning-Ferris was larger than us when we started going into this recession but as we started coming out of this recession, even though they were a little larger on the revenue, we passed them up on the bottom line. We were always more profitable than they were. Our earnings would go up rapidly. We would split three for two. Stock would come down. We would pass them up again. We would split two for one. Stock would come down. We would pass them up again. So, performance-wise, we were doing much better than them. After a while, our revenue surpassed them. Now, we never thought that would happen, but we were just growing much faster than

they were. Our margins were better. Our cash flow was better. We just had more tools to work with.

P: Were you competing with them for customers?

H: Oh yes. We were competing with them for acquisitions and for customers.

P: When you acquired these companies, how did you pay for it?

H: In the early days, we paid for them with stock and, when our stock would get down below a certain level, then we would do cash and notes.

P: And you borrowed the cash from banks?

H: Most of the cash, we took from operations. And, in 1971, when we went public...

P: June 17, 1971.

H: Right. A year later, we had another big public offering, a secondary, where we let a lot of our selling shareholders sell, and we put about $40,000,000 into the company. So, we had some cash in the company, and we used that to grow. And we were throwing off cash from operations.

P: Now, one of the problems in the waste business is always the regulations from the EPA and the Clean Air Act. What was your relationship with the federal government and all of these regulations? How did you deal with them?

H: Everybody in the financial community looked at those as negatives. We looked at those as positives, and we would have to explain all the time why they were positives. We are a public company. As you have to with a public company, we wanted to operate it the right way. We wanted to do everything right. But, a one-truck operator was always taking shortcuts. The one-truck operator was dumping the trash in the middle of the woods someplace. So we were encouraging the EPA to get after these guys, to do what was right. We looked at that as a positive for us because we could afford to do it right, and they could not afford to do it right. When the customer found out that their trash was being dumped in a river someplace, that infuriated the customer. So we used that to our advantage to keep growing the business. The fact that there was regulation in the business, we always looked at as a positive for us. I mean, it ran the cost of business up a little bit but, because we were a huge company, not huge but huge compared to the other guy in the market, that was a positive for us, so we always supported regulations and legislation.

P: But, nonetheless, it could be difficult because some of these regulations are

pretty arcane and they change constantly.

H: Oh, it was frustrating. We would open up a new landfill, and they would tell us how to do it. We would be dumping garbage in it and, a year later, they would come back and say, okay, all that garbage has to come out [because] you now have to put a liner in there. We would say, well, you did not tell us that a year ago. So, they were struggling as they were going along and it did get to be frustrating at times, but it was still the right thing.

P: Plus, it was a brand-new agency, so, they really were just getting started in their rules and regulations.

H: Right. Do you remember Love Canal? Love Canal was not our disposal site, but that is a good example. The people that dumped in Love Canal were not doing anything improper at the time but, ten years later when it caused a problem, you would have thought, the way the newspaper reported it, that everyone dumped there illegally. Well, they did not dump there illegally; they had permission to dump there. But, rules have changed, and now you cannot do it that way anymore. Of course, the EPA, and nobody else, was going to take any blame, so it had to be somebody else.

P: Now, in 1974, the Securities and Exchange Commission made you turn up all your documents about all of your acquisitions. What was that all about?

H: The real truth behind the SEC investigation was not the acquisition. The truth was, they felt that there was Mafia in the business. And there was, in New York and New Jersey, but that is not the way it was in Chicago or Michigan or Iowa or Denver or whatever. In the waste business, for some reason–I do not know how it really occurred–as people migrated or immigrated into this country, the Italians kind of took up the northeast, the Dutch kind of went to the Chicago area and the Iowa area and Michigan and so forth, and the Armenians ended up in the waste business over in California. It just kind of evolved that way. If you lived in New York, then you just assumed that it was that way everywhere in the country. When we first went to Wall Street, Wall Street would say, hey, we are not buying stock in your company; that is all Mafia. We said, we are not Mafia, we are Dutch, for Pete's sake; what are you talking about? They thought the way it happened in New York was the way it operated everywhere. So, for years and years...well, I will tell you this: as long as I was at Waste Management, which was from 1971 to 1984, I would not let our people acquire a business in New York or New Jersey. And we had huge fights at our company because Browning-Ferris and another competitor at that time, called SCA, were acquiring huge businesses in New Jersey, and they were very, very profitable. And I said, we are not going to do business that way; I just do not want to do that. Well, we had new marketing people and we were adding other people in, and we fought

around the table, saying, doggone it, do you know they have 30 percent margins? I said, yes, because they are doing it improperly, and we are not going to operate that way. And we pounded our fists on the table and so forth. A few years after I left, they did acquire some companies in New Jersey. I would never let them do that. I said, that is not the way we are going to run our business. But, what happened at the time, in their defense, is that there was a strong attorney general in the state of New York, and he said, hey, I am going to put a stop to this stuff. The FBI got involved with the attorney general. They went out and bought a couple of waste businesses, and they operated those businesses. They got the goods on all the guys. Right? At that time, they put the kibosh to all those guys and the way they were operating in New York and said, enough of this stuff. Then they called Waste Management, after I was gone, and said, okay, we are the FBI, and we have these businesses we want to sell you. And they said, well, what businesses are you talking about? I was not there then. So, [Waste Management] met with [the FBI], and they told the story: years ago, we bought the business and now, [we] do not need them any more. That is when the public companies came in, Browning-Ferris had already bought some companies. There was a big story years ago in the *New York Times* and the *Wall Street Journal* of how Browning-Ferris went in there and started taking business away from some of these Mafia guys and the threats they got and the trucks that were burned and all of that kind of stuff. Well, it is not that way today. Even those companies that were kind of, I will not say Mafia-controlled, I would say associated with the Mafia, either by relatives or some other association, even the children of those people that ran the businesses are not in the business any more; they do not want to operate the business. So, today, all the big companies are operating legitimate businesses in New Jersey and New York, and all those shenanigans from back in the 1950s are all gone. The unions in the waste business used to be tied together very close[ly].

P: Did you ever have problems with the unions?

H: Oh yes, we had lots of problems with the unions, but we decertified more unions than, I think, any company in the history of the United States. We did it by taking good care of the employees and giving the employees stock options, and a stock option would grow. If you were a union employee, you did not get any stock options, but if you were our employee, you did. The labor laws are so antiquated in this country [that] it is nearly impossible to decertify a union. I mean, you can only decertify in a small thirty-day window several months prior to the expiration of a contract, and it makes it almost impossible to ever get that done. There can be no decertification activity prior to that. They only give you a thirty-day window to rally up your troops, to say, hey, do you guys really want to be a part of this union or would you like to have our benefits? Usually, that thirty days passes and you cannot get decertified. We were the only company that had three or four full-time people that just worked on decertifying unions. We would go in there

with a team and say, all right, here is the deal. And we decertified a lot of unions.

P: And they had to vote on that.

H: They had to vote. The employees voted.

P: So that is a difficult proposition.

H: Almost impossible, to get it done, and you could not get it done in heavy union markets like Chicago or Detroit. But those fringe markets, we decertified a lot of unions and, as a result, it upset the unions, so they put pressure on us everywhere. So, now, we would have to go fight a battle over somewhere else. They would say, okay, we are going to lose this one, [so] we are going to get you over there. So, we constantly had fights with unions.

P: But, in the long term...?

H: In the long term, we ended up with much better employees. They were our employees, because union employees do not work for you--you may write the check to them, but they do not feel they work for you, they feel they work for the union. It is hard to get the people to buy into being a team if they do not think they work for you. I mean, that is pretty tough. You need that heartbeat going. You need everybody having enthusiasm and excitement and all charged about carrying the Waste Management banner down the road. These people [say], I am not carrying your banner; I work for the union. That is pretty tough.

P: And this is sort of an operating concept for you. Whenever you take over businesses, you prefer to have the owners, if they are good, take stock in your company; therefore, there is an incentive for them to work for themselves as well.

H: Right. Very seldom would we go into a market and acquire a company where the owners were not good. You live in Gainesville? Okay, we are going into Gainesville, and there is a guy not doing a good job there. We would not acquire that company. We would pay more to acquire the guy down the street who does a good job, has a good reputation. If he, then, wants to buy out the guy down the street and kind of tucked the operations in, that is the only way we would do it. We would not start in a new market with bad management.

P: In the Securities and Exchange investigation in 1974, you ended up agreeing to a consent decree. Could you explain to me what the circumstances were behind that?

H: Yes. Down here in Florida, we were giving contributions to elected officials, which was legal. In Florida, at that time, you could give up to a certain amount of

money in cash. If you want to give a politician $100, you give him $100. I think that was the maximum. And we did that. Florida has since changed the law but, at that time, it was legal. But the SEC has a way of bringing you to your knees. What they did was, they came to us and said, okay, fine, you have not done anything illegal, but we think it is improper; we do not like the fact that you give a politician cash. Well, the reason you give a politician cash is so your name does not show up as being a contributor. So I said, okay, you may not like that, but it is not illegal. They said, yes, we understand, but we want you to sign a consent decree that you will not do it any more. And we said, no, we are not signing anything. They said, then we are not going to let you hold your annual meeting.

P: Can they do that?

H: Yes. Well, they just said the investigation is ongoing. You have to file a proxy statement that gets mailed to your shareholders, and they would not approve the proxy statement. So, we sat around and the lawyer said, hey, go ahead and sign the damn thing, you know, what is the big deal, it is not the end of the world. You know what? That was bad advice, because years and years after, we were stuck with the fact that we had signed a consent decree with the SEC. Legally, it is not a big deal but, perception-wise, it was a big deal. Every time I saw that lawyer–he is now dead–I said, you son of a bitch; you gave me bad advice. He would laugh about it, and he would say, that was the right thing to do. I said, I am not saying it was not the right thing to do, but I have been living with that ever since. Every newspaper article, what about this [consent decree issue]? I wish I could undo that.

P: Is this occasionally harassment?

H: They send young kids out of school; you know, go to work for the SEC, and these kids get on it. Then, after they spend a lot of time and effort and they have made a lot of trips, they have to come up with something. That is really pretty much what it is. They are not going to do all of this big investigation and do nothing, right? So, you sign something and say, listen, I am not admitting [guilt], I did not do anything wrong, I just agree that I will not give cash in the future. Okay, fine. But, they did not even have the right to do that because it was legal in the state of Florida to do that. Anyhow, I did not realize at the time the negative impact that would have on us, and I wish that I had never signed that thing. We would have been better off saying, hey, the heck with you; we do not care. You want to hold up our annual meeting? Well, hold it up; who cares? But, you worry about the stock price. If you have shareholders out there and, all of a sudden, you say, the SEC is not going to let us hold our meeting. Vroom...the stock gets hit, and everybody is wondering, what is happening? So, we paid too much attention to what the price of our stock was than really doing the right thing, and that was not right.

P: But, at that time, that was still pretty critical because the company was expanding, and it would have been a pretty serious hit for you.

H: It was critical for us, and the whole thing, really, was a witch-hunt because they thought we were in the Mafia. If we are in the Mafia, we are paying off the politicians; those two go together. Well, that was not the case.

P: So, in a way, it is the same thing with the EPA: any large company is going to get fined for periodically violating laws.

H: The leaders in the industry. They do not pick on the small guy; they go to the big guy. If you set an example for the big guy, that takes care of everything. We were not big by today's standards, but we were big at the time in our industry.

P: So, that is really, you figure, in the cost of doing business?

H: We did not think so at that time, but we do now. At that time, we never dreamed that went on. We were just small businessmen who got big, but we did not know what all that meant.

P: One thing I found intriguing is the process you go through to make deals. I think almost everybody who describes you says that you love to make deals. Can you give me the process you go through when you are acquiring another company?

H: I do not think that the process we go through is any different than any other company that is acquiring. We may look at the acquisitions differently or something like that. I think the only thing we may do different is when we do acquisitions, because we do a lot of acquisitions, we have our due diligence process pretty much down pat. Our guys have been familiar with doing acquisitions for a long period of time, so we know the right questions to ask. We know what to look for when you get in there; because of that, we walk away from a lot of deals, too, because it is not as it was cracked up to be. I mean, everyone who is selling a business is always bragging [about] how good their business is but when you get in there, a lot of times, it is a different story. We do not really do deals because we like to do deals; we do deals because that is the only way that you can move rapidly into new markets. It is different depending on the business you are in. For example, in the waste business, we would say, okay, Charlotte is a real growing market (back in the 1960s), and we want to be there. So, you have two ways to get there. You go there with one truck and you start knocking on the door. You lose a lot of money doing that, because it is a long time before that truck gets full, and you can pay the cost of all the salespeople and everything like that. Or, you can go acquire an operator in the town. Well, you acquire one operator in Charlotte, [and] it is not like buying a video store because people have to come to your video store. In the waste business, you

can send your trucks out to the customer. So, you could have one operation here, and that could cover this whole market. It is just the number of trucks you send out, right? But, if you have a video store here, you are really only serving a small market around the store, because people are not going to drive a long way to go to your video stores. In the waste collection business, anywhere you are located in the market did not matter. You did not have to be in town. You could be in the outskirts. You could be on the north side; you could be on the south side. It did not matter; you just sent your trucks out to pick up the material. So, the easiest way then was to, let us say, you buy ten guys in ten big markets around the country; now, you can grow internally from that point. So, the acquisition is just the means to get a foothold into the market, and now you can grow from there and you grew faster. We did not do it because we liked to do deals; we did it because we wanted to grow faster.

P: One of the things people usually talk about is that you like to do deals in person and you like to look into other people's eyes and, sort of, size them up.

H: Yes. I do not do that as much any more because the people that have been working with us for a long period of time, they now do the same thing I used to do. If you are buying a person's business, you are really merging with that individual. That person has to carry on the business. After you make the deal, you get in the airplane and you fly home. But that person is still there. That is your representative in that marketplace, and you have to be sure that you and that person are on the same wavelengths: you both think the same, you both have the ideals, you both want to operate the same way. He has to have your philosophies and vice versa; if there is a difference, you have to talk about the differences. He has to feel the same way about service that we feel about service, because there is no sense in us owning the company if he is not going to give good service. You have to go through all those issues. Then, when he tells you that he is going to stay in that operation and run the business for you, you do not want to find yourself in a situation where you close the deal and three months later, he is gone. That is not what you are buying. You are buying his participation, and he is agreeing to stay on and be your guy in that market. You have to look in a person's eyeballs for that to happen. If they do not feel a commitment to you, if they say, I never made you a commitment; I mean, you bought my business; see you later...well, you need that person in that marketplace. It always amazed me, when we would come in and buy a company in the marketplace, that the truck drivers got nervous [because] they thought they were going to lose their jobs; the mechanics got nervous [because] they thought they were going to lose their jobs; everybody in the office thought they were going to lose their jobs. It is the furthest thing from the truth. We bought that business, but we cannot afford to lose anybody; we want them all there. I mean, we did not have another business in the marketplace we were tucking into them or anything like that, but everybody's first thought was, what do you mean, you

sold the business? Do you mean I lost my job? No, you did not lose your job; we need you now more than ever before. Everybody always thought they were going to lose their job when we acquired them, and they never really thought the things through. If you are the bookkeeper there, why would you lose your job? If you are the dispatcher, why would you lose your job? I mean, same thing, just different owners. Actually, we need you more because the reason we are acquiring this company is because we are going to put capital in this company so this company can grow, and grow faster than it grew in the past.

P: And you will hire people.

H: Right. What happens, usually, 99 out of 100 people, we acquired. I am talking about the waste business, now. Every one of them had a secret mission, a secret goal, that they always wanted to buy that landfill down the street, or they always wanted to buy their competitor out down the road, but they never had the money. They always wanted a new building, and there is this great building down the road, but you know what? It costs $1,000 a month more than what I am paying now; I just cannot do that. With us, we would say, hey, go get that building because we are going to need it, because we are going to grow. And, go buy that guy down the road who has two trucks. You are not on the west side of town now? Go ahead and get him; now you will be on the west side of town. There is growth on the west side of town, so let us go do that. So, we grew that business there. We gave them the cash, and we gave them the tools that they needed. If they needed a couple more trucks to go out to the west side, fine, we put the trucks in there; we put the capital in there that was needed, so it ended up growing the business. So, you really needed a second dispatcher, a second tire-changer, and on and on and on. People never saw that; they always thought they were going to lose their jobs as soon as you came in.

P: And one of the things you have always is just that; you believe in reinvesting money back in the business to keep it going. Invest money to make money.

H: Right. If you are going to go in that market, you want to grow the market.

P: Now, when you do a deal, do you have sort of a pre-set price, and do you use strategy? I mean, you sort of understand what their tolerance level is, that they will go so low?

H: After we have identified the markets that we want to go in. I mean, we don't want to go to every market. We only want to go to certain markets. I mean, you only have a certain amount of cash or a certain amount of acquisitions that you can do this year, so you pick the markets you want to be in and then you go to those markets and do an analysis of that marketplace. And you say, okay, fine, we are going to go after this business or that business. Then, you go in and say, okay,

this is our first choice in this market, and this is our second choice. There really probably is no third choice because a third choice guy does not meet up to our standards, so you have to go to a different market then. So, we try to get the first place person, and that business is worth X amount of dollars to us. If it is as we think it is, it is worth X amount of dollars to us, based on profitability, based on operating style, based on a mix of business (so much commercial business versus residential business versus landfill business versus construction business and so forth), and the business is worth a mix--but it really gets back down to profitability. Some guy will run thirty trucks in a residential market, and he makes 10 percent pre-tax. Another guy will run thirty trucks in a commercial market, and he makes 25 percent pre-tax. It is just because they are different kinds of businesses. It is not that one is a better operator than the other; you just cannot get the margins on a residential business that you can on a commercial business, and you do not have the rental of those containers like we were talking about before. So, you would rather have the commercial end of the business, but both are good. So, we look at the mix of business and the profitability and, basically, we assume that it is going to grow the way we want it to grow; we assume that we make certain things happen if that person stays and works with our people and so forth. So, it really gets down to the profitability of the business.

P: Would you use any specific tactics? Would you get up and walk out to try to force them to come to a deal?

H: No. I have been accused of that, but when we walk out, we walk out. Now, that does not mean we do not ever go back, but we do not just do that to bluff. We always try in any acquisition we do...you know, you are not going to get everything accomplished the way you want to get it accomplished. Sometimes, what you think the business is worth is not what the other owner thinks it is worth. [There is] nothing wrong with that, if you built your business, you are in love with your business and to you, it is worth more than it is to me. It does not mean anything. We just cannot get together; that is all. It does not mean that you are wrong or that I am wrong; it just means that, hey, we cannot get together. We always try to leave on good terms. We never want to burn the bridge because someday you may change your mind, and we may get together in the future. If the guy says, hey, we cannot get together on price, that is okay. Let us stay in touch; we will keep talking and see how things go. Sometimes, two or three years go by, and you end up doing a deal. But, we are not upset if we do not get the deal though.

P: So, the deal does not die unless you let it die?

H: Yes, and there is no sense in letting it die.

P: Now, somebody described your negotiating style as seductive.

H: I do not know what they mean by that.

P: I was hoping you could answer that.

H: No, I do not know what that means.

P: Well, let me change the term. Persuasive. Obviously, you are able to have a standard price, as something that you will not go beyond, but, apparently, you are able to persuade people that their future would be better with your corporation.

H: Well, one thing. In the waste business, one of the things that we were talking about earlier is the amount of debt that comes with these businesses. I mean, a waste truck costs $130,000 per truck, and then you have to go out and buy all these containers. It is nothing to have $300,000 invested in each and every commercial route that you have. A commercial route takes a lot of money to get going. An entrepreneur, a husband and a wife and a couple of kids, they are leveraged up. So, a lot of times, you say to them, hey listen, look at it this way: you can do the things you have always wanted to do, your name is still on the door, you are still running the business, but you are not going to have any debt any more. Not only are you not going to have any debt, you are going to have a bunch of stock or a bunch of cash with no strings attached to it. And, you always wanted to buy Charlie out down the road? Here is the money for that. And you wanted to buy that landfill? Fine. And your wife always wanted that new house over there? Fine, you go get the house over there. And you are still doing the same thing you do; you still get up at the same time every morning. Half the people in town do not even know you sold your business because your name is still on the door, so what has changed? Well, okay, fine.

P: Another issue for you that apparently has been consistent through all your businesses is that you are able to motivate your employees. How do you go about doing that?

H: I do not know that we have any secret or anything like that. It is just treating the people right and getting them all enthused and excited about the great things that we can accomplish together. You know, it has to be a team out there; otherwise, it is not going to work. I do not know that we do anything different than anyone else. I mean, we just do what we do; now, whether that is different than anyone else or not, I do not know.

P: You do offer almost everybody who works for you stock options, do you not?

H: Yes, and as you get to a certain size, that gets harder and harder to do. Your shareholders do not like it when you give out a lot of stock options; on the other hand, the shareholders want the stock to go up, and the way to get the stock to go up is to get your people enthused and excited. So, they do get excited when you give them stock options. But, as the company gets to be huge, like at Waste Management, one day, you just get to a point where you say, hey, we cannot give everybody options any more; we just cannot go down that level.

P: Also, over the years, you have used caps and signs and other things to sort of get people to feel part of a team.

H: Yes, but I think everybody does that.

P: Do you have a sense that if you give your upper management special perks and attention to detail that it helps them as well?

H: Well, you know, everybody likes title. Everybody likes the ability to be their own boss and to make the decisions. We really operate through the budget process, but every big corporation operates through the budget process. We pretty much operate on the theory that the budget is a box. So, here is your box, and you are going to do this, this, this, in the box. In January, we approve the budget for the year. Okay, fine. As long as you are in the box, you can do whatever you want to do, you move the numbers around [but] you are in the box, right? If you have to go out of the box, you have to talk to us. So, at least, they run the business as an entrepreneur. They have some authority to move some things around and do whatever. But at the end of the year, you have to be where you say you are going to be, and if you are not going to be there, you have to let us know. Because what you do not want is business is, you do not want surprises. It is tough to run a business when you get surprises, so you try not to have surprises in business.

P: Another thing that was interesting that people said about you is that you took time to understand employees and, sometimes, when they had problems. I think there was one of your employees that had a problem with drinking, and you went to AA with him and that sort of thing.

H: You do that because you care about the person, but it is also good for business. I mean, you do not want to have to retrain a person and so forth. Last night, I went to a Boys and Girls Club fundraiser down in Hollywood. You know, Boys and Girls Club has these different buildings all over. This particular building has my wife's name on it, Marty Huizenga Boys and Girls Club, to which we contributed a lot of money a number of years ago. Every year, it has a fundraiser. We are really not that associated with it but, because it has her name on it, we go to that fundraiser every year. There was this young African-

American last night who came up to me and he said, do you remember me? I said, no, I do not remember you. He said, well, I want to tell you something. He was about thirty years old. He said, when I was a youngster in school, you gave me $1,000. He said, do you remember that? I said, no, I do not remember. He said, I saw you, and you gave me $1,000 because I had a project I was working on. And he had a book like this. He said, and I want to show you what I did with that $1,000 you gave me. This was fifteen years later. I said, well, not here. He said, no, I just...he opened the book and flip, flip, flip. He said, I have made something out of myself, and it is because you gave me a grand. I said, fine, I am happy, too. He said, I would like to come by and talk to you sometime. I said, all right, fine, call the office, and we will set something up. But, you know, those things come back, because he has probably told twenty people how we helped him. So, that may have translated into someone who heard the story, saying, hey, this is a good company, I am going to stay here, I am not going to go anywhere else, they are going to treat their employees right. So, maybe that saved us; who knows? $50,000 on training employees, or maybe it is somewhere along the way, plus the fact you help someone get their life in order. So we do a lot of that. My wife must sit on about fifteen different charitable boards right now. She is very active. She has been the past chairman and president of the Boys and Girls Club for the last six years. She just got off of that job. She has moved up. She has been president of the Humane Society a number of times and Make-A-Wish and Boys and Girls Clubs and Kids in Distress and Women in Distress and on and on and on. The old saying, “it is better to give than to receive,” is true. If you can afford it, it is better to give than to receive. I mean, if you are living from week-to-week, it is not so good to give.

P: How do you measure business success?

H: It is just being a good all-around individual who runs a business and still makes a profit. Making a profit and being an SOB is not being a success. And you can do both; you can be a good guy, you can give back to the community, you can be good to your family, you can be good to your church, you can be good to the community, and you can still make a profit. You have to be able to put all that stuff together. That is pretty much the way we operate. You know, we are very profit-oriented, but we do not want any of our people to be embarrassed out there in the community. I mean, if one guy is a bad apple, he embarrasses everybody. We are very strong here. We spend a lot of money on the application process. At all of our companies, we give hair tests to all of our applicants. That costs a lot of money.

P: For drug screening?

H: Yes. I own a small piece of that company, like maybe this much, and the newspaper always writes it up, yes, Huizenga takes money from these public

companies. I would sell my interest in that public company. It is a public company, and I must own, like, 2 percent; but, it is so thinly traded that if I sell, the doggone stock just falls down. But, the reason we do that is because you make a commitment to the people that work for you to let them operate in a drug-free environment. That is my oath with you: we are not going to bring a bad apple into this good group we have here. You let a couple of druggies come in and the next thing you know, they are selling drugs to your other employees and the other employees' lives are ruined. It is bad enough that this guy's life is ruined, and he is going to hurt somebody else. So, we have a commitment to our employees to provide a drug-free environment for them, and we spend a lot of money every year doing that. You test the hair, and the hair test is $60/$70, instead of a urine test which costs nothing or very little. [With] a urine test, if someone is on cocaine or marijuana and they abstain for three days, it will not pick it up. [With] a hair test, every half-inch of hair is thirty days. So, we take an inch and a half off of your head, and we send that off. A week later, we get it back. Okay, fine, we know. But, I will tell you what. Now, we do not have near as many applicants, because the word gets around. We used to have X number percentage per hundred who had some kind of a drug problem. So, the word gets around that we do this test. Now, we do this test and, sometimes, our employees around here say, we could stop that drug test because in the last six months, we have not caught anybody. I said, yes, because they know we are giving that test, and that is why they are not around any more; they do not even come here for a job. So, that is good. But, we had a receptionist apply here, at this office, a couple of months ago. Man, everybody thought she was fantastic, really thought she was great. She came from one of these temporary places, and she worked here for a month. Everybody said, oh, we have to hire her; she is great. I said, okay, fine. [We] gave her the test: a strong cocaine person. So, we do not need that.

P: Let me ask you why you formed Chemical Waste Management. That is obviously a lucrative field but also a difficult one.

H: Yes, and part of that came out of new regulations from the EPA and everything, because stuff that is hazardous waste today was not hazardous waste back then, such as the oil out of your car; for years and years, gas stations took it out and just dumped it in the back. Now, all of a sudden, it is a hazardous waste, and you cannot do that. So, a whole new industry arose with this new government rail and we said, hey, that is pretty good; we will get in that business. That is a tough business.

P: Well, there are so many things that can go wrong.

H: Yes. There again, we did not realize how many things could go wrong back in the early days, and the rules kept getting tugged. Do you remember back in the

early 1970s? The big craze in this country was, do not put any garbage in the Earth; we have to put it in incinerators, and we have to burn it. Well, let me tell you something: you could not get an incinerator approved today to save your life, because of all the stuff that goes up in the air. But, people did not know, so get rid of those landfills; close those things up, and boom, boom, boom. The billions of dollars that were spent all around the United States building incinerators! That was the only way to go, right? Now, half of them are closed, and nobody wants an incinerator around because of the pollutants it puts in the air. So, now, those same people are running around saying, no, no, no incinerators; put it in the ground. It is a complete 360.

P: What do you think about all these new arrangements like Big Blue and alternate means of getting rid of waste? Do you think they have improved technology tremendously?

H: I do not know what you mean by Big Blue.

P: What they do is just have separated paper and that sort of thing.

H: Oh, oh. What it does is it minimizes the amount of waste that goes into the disposal site, so newspaper corrugated gets recycled. It creates another problem because the wet garbage, the apples and oranges and that kind of stuff that your wife throws away and so forth, gets absorbed into the newsprint; if there is no newsprint, you have more leaching. It causes more lining under the landfill sites, so it brings the cost of disposal up, so people think we are saving money by recycling all that. Yes, we are; we are getting some money over here doing that, but because we are not putting that stuff in there any more, now this becomes more expensive over here. But, that is not going to change. I mean, people still up here have to recycle. But, I will tell you what: more often than not, the recycling truck comes by your house, picks that stuff up, and takes it right to the disposal site because the markets are not there for them.

P: They cannot take it all, can they?

H: Yes. You know, in the old days, people would go get some manure from some place and mix it with their leaves and their branches, and they would mulch it up, they would compost it up. Then, composting plants came out. So, they would have these automatic composting plants and, by the way, the technology for making compost works. I mean, today, twenty years ago, it works. But, at the end of the day, you have a big pile of compost out there. Okay, fine. Now, you put that into a truck, and you take it out to a farmer. A farmer says okay, fine, he is happy to get the compost, dump it over here. Well, several years [go] by, and the salesman for the chemical companies come out and say, you do not need that pile of manure out there; this one bag has more nutrients than that whole big

truckload of stuff, and all you have to do is go around and sprinkle it out like this. Well, the farmer says, the heck with that stuff. So, now, there is no market for compost; even though it works, there is no market for it. It is the same thing. Paper recycling, cardboard recycling, that was great. Yes, we need your cardboard. Well, now, there is so much recycling [that] there is no market for it. So, prices go from here to here, and all those big plants that were built are now not fully utilized. So, you do not save as much as you think.

P: Why did you leave Waste Management in 1984?

H: Because I was living here in Florida. You know, I told you I was going to run the South. Well, we went public in 1971. In 1972, I moved to Chicago with my wife and four kids, and we lived there for a little over two years. My wife and kids loved it. They loved the area. We did not live in Chicago. We lived out in the suburbs, and we had a nice house on a creek. The creek would freeze, and the kids would ice-skate. But, I just hated it and I said, no, we are going back to Florida. So, we came back to Florida in 1974 and, for ten years, I commuted every week to Chicago. I caught the five o'clock Delta flight out of Fort Lauderdale on Sunday afternoon and got to an apartment in Chicago. I would have to leave Chicago–you know, on Eastern Airlines back in those days, there were not a lot of flights–at like four in the afternoon, or the next flight was nine o'clock at night. So, I would leave Chicago every Friday night at nine. I would land back here at twelve thirty-five, and my wife would pick me up. Sometimes, I would talk her into a drink on the way home. Sometimes, we just went home. So, I would get home at midnight, one o'clock in the morning, and I would be there all day Saturday and most of the day on Sunday. That was it, for ten years. Finally, I said, hey, business is good, my stock is worth a lot of money, I am not going to do this any more. So, I did not see my kids play football. My wife raised the kids, and that is pretty much the way it was. I said, I am not going to do that any more.

P: Duringthis period of time, you said that you did not know how to separate your personal life from your business life.

H: What I mean by that is, my personal life and the people that I hang around with in business, they are my business life as well. I mean, I have more friends today who do not work for me or who are not associated with me than I did back then. Back then, we were so focused that when we went out for dinner for pleasure, it was with someone who we worked with. So, was it pleasure? Was it business? Yes, in my mind, it was more for pleasure; it did not have anything to do with business. But, you know, you end up talking about business over dinner and that type of thing. So, my personal life and my business life were really intertwined for years.

P: Do you regret that period of commuting?

H: No, it has not been bad for us. We make friends easily so, now, we have a lot more friends who have varied interest and so forth. So, it was not an extreme negative. If I had to do it over again, I would make a more conscious effort to separate my business and personal life, so I could grow personally more. But, on the other hand, business was important to us at that time, so it has turned out okay.

P: Once you left Waste Industries, what were your initial goals?

H: My initial goal was–and I said publicly to a lot of my friends–I did not want anything to do with any more public companies; I am through with those public companies, and I am not going to buy anything outside the state of Florida. So, that was my deal and, for a long time, I just bought businesses in Florida. I then finally violated that and bought a company that was based in Florida but had a lot of businesses outside of Florida. Then, a couple of years later, did some other things. The next thing you knew, we were traveling around again, and the next thing you knew, we were going public. So, I did not stick with that.

P: You started out in Florida with the bottled water business. How did you happen to get into that?

H: The same thing as we talked about earlier. I mean, I had a cooler at my house and I thought, hey, that is pretty nice; I am paying rent on this thing every year. And as you traveled in Europe, everybody drank bottled water in those days. I mean, we are today with bottled here like Europe was twenty, twenty-five, years ago.

P: How about lawn management, TruGreen? I guess there are a lot of lawns in south Florida.

H: Yes. It was more the spraying of the bugs and the chemicals and the fertilizers. We did not cut grass or anything like that. But, down here in Florida, we had chinch bugs. Fifteen years ago, everywhere you looked, there were these little lawn-spraying trucks going around spraying lawns. I do not see that so much today. I guess the chemicals have changed. But, that was big down here in Florida so I thought, yes, that is a pretty good business, too. I mean, it is like going to the house and picking up the garbage once a week over here; you spray the lawns once a month. I never wanted to get into, like, the pool cleaning business. Anybody could do that. I mean, there was no capital investment there. You just go clean the pools. There was more labor-intensive than capital-intensive. I always liked capital-intensive businesses. Even when I had no money, I liked those businesses better.

P: At this point, I guess, you started investing in Florida real estate?

H: Yes, we bought a lot.

P: I have always been interested in your relationship with Pier 66. I think you bought, fixed it up, sold it. The people who owned it went bankrupt; you bought it back. Now, it has been sold to the Florida Panthers Holding, has it?

H: Yes, but the Florida Panthers Holding has changed its name to Boca Resorts.

P: Okay. When did you do that?

H: Maybe a month ago. It is the same company, just a different name: Boca Resorts, Incorporated.

P: So, this is your idea of having both sports and entertainment as a broad-based corporation?

H: Right.

P: So, you still have an interest in Pier 66?

H: Yes, we do. It is in a New York stock exchange company now, and I am a large shareholder and I am the chairman of the company but, obviously, I am not the sole owner. You know, I should not take any credit or get any credit for the Pier 66 deal because I was just the financing arm of that. I mean, there are a couple of local guys here that run a hotel business and they said, hey, let us buy that hotel; we know the business. I said, okay, fine. So, they ran it; they managed the hotel. They had a contract with us; their company had a contract with the hotel to manage the hotel. We were just financiers at that time. I do not know much about the hotel business.

P: Okay, and that was not an area you wanted to expand in?

H: No. The Harbor Beach Marriott here, I own half of that. Marriott owns the other half. But the Pier 66 and the Bahia Mar, I was just one of four or five investors in that hotel.

P: This is not a capital-intensive thing but just an investment?

H: Just an investment, right.

P: Then, you set up South Florida Savings.

H: I did not set that up. A guy by the name of Ed Houston set it up, and I was on the board.

P: What happened with that, ultimately?

H: Houston was the president of Barnett Banks of south Florida, and he was a real rising star in the community; everybody thought the sun rose and set on Ed Houston. As the president of Barnett Banks of south Florida, he was a big deal in town, right? Well, then he left to start up his own bank, and he went around to a bunch of guys in town and said, how about putting some money in the bank? I was one of several people who put some dough in it. I had no active interest in it other than as an investor. And, he ran the thing into the ground; that is pretty much what happened.

P: But, this is not like Lincoln Savings and Loan; there is not corruption or excessive salaries or anything like that?

H: No. Well, it all happened at that same time, and they ended up selling that business. There was never a lawsuit, and there were never any penalties or fines or anything like that. It just did not do well.

P: Did the Resolution Trust Corporation take it over?

H: No. What is the state agency that is called the same thing? They did not take it over, but they came in and said, you guys either have to put more money into this business or you have to close it down or sell it.

P: Explain how you got involved in Blockbuster. Apparently, the first time you were approached, and I guess this was by John Melk, you were not at all interested in videos.

H: Right.

P: What changed your mind?

H: A visit to the store. John Melk invested money into a friend of his, and the kid that he gave the money to, to start these stores, his father used to work at Waste Management. So, John knew this young fellow, and the young fellow said, I have this concept. So John said, okay, fine. So, John helped him arrange the financing, and John co-signed for him and built one store. So, John called me up and told me about his video store. I said, John, a video store? You know, I do not own a VCR; I never rented a video; I do not even know what a video store is. So, to make a long story short, two or three months went by, and I was in Chicago one day and John said, you have to come see my store. So I said,

okay, fine. I mean, I did not want to do this. So, I went to see the store and I said, whoa, this is pretty interesting. So, they loaded me up with a whole bunch of financial projections: what this store is going to do, what ten stores would do, what the whole market could do. On the airplane on the way back, I flipped through that stuff and I said, whoa, these numbers are pretty good. So, the next day, a bunch of my guys and I sat around the table. At that time, we had the water business. So, we sat around the table and I said, you guys take a look at this thing; even if these numbers are half right, this is a heck of a business, right? We all agreed, so we went to the airport, got on the airplane, and flew to Dallas. We wanted to get a franchise and they said, well, Tampa is gone; Orlando is gone; Jacksonville is gone; Fort Lauderdale is gone. But, we could do a little here. No, that is not good enough. You know, we wanted the state of Florida. So, we could not get the franchises we wanted so over dinner that night, we decided to make an investment in the company. Well, our investment would give us, I think the number was, immediately, we would own 35 percent, and we would get warrants to buy additional shares in the future at a certain price and, when exercised, we would own control of the company. So, we did that deal and basically took control. Then, the stock doubled in a very short period of time.

P: Now, this was already called Blockbuster?

H: Yes, it was already a public company.

P: And this is David Cook.

H: Yes.

P: So, they had already set up the company?

H: Yes, they had eight company stores, and there were eleven franchise stores, and one of those franchise stores was in Chicago where John Melk was. So, we went around, and we looked at stores and went to their warehouse and distribution center and all that kind of stuff. David Cook had been struggling. He had started up a company called Cook Data Service. He took this company public, raised $10,000,000, and it was to do software for the oil-field industry. Well, the oil business started going south and he said, oops, wait a second; I am not to go into that business. Then, he sat around and said, what should I do? He looked around and looked around and could not find anything, and every night, his wife is renting videos going home. She said to him, why do you not just go down and buy a damn video store, for Pete's sake. She said, I am in there every day. So, he went down to try to buy the video store, and he changed the name of the company from Cook Data Services to Blockbuster. Then, we came along and made an investment in that company. Then, the stock doubled, and then it went up again. One day, David Cook called me and said, hey, I am

quitting. I said, why, what is up? So, the next day, I got on a plane and flew to Dallas to try to talk him into not leaving. No, he said, I am leaving. He said, listen, the stock is at an all-time high; it has never been this high, and I am going to quit and I am going to sell my stock, take my profits, and go do something else. So that is what he did.

P: There was not a clash of management strategies?

H: Yes. David Cook believed in franchising, and we believed in opening company-owned stores, and, the franchise agreements that David Cook had, we did not think were good agreements. John Melk knew of a law firm in Chicago that specialized just in doing franchise agreements. I cannot think of the name of it, Rudnick & Wolfe. So, he called that lawyer and said, take a look at these agreements. The lawyer looked at it and a couple of days later said, hey, do not do any more of these things, stop right here, let me change this agreement for you before you go forward. So, we told David, stop, no more franchising, let us get this agreement done, and we want to build more company stores. Well, David did not want to spend any money; he wanted to let the franchisees spend the money. Well, we said, we will put the money up, and we will build the stores. He said, you guys are going to end up with a lot of debt in this company; the company is going to go fall on its tail, and I am getting out while the stock is at a high. He said, I am not going to let you guys ruin my company. We said, okay, fine. I said to him, David, you are making a big mistake; someday, you can be the Colonel Sanders of the video business. No, no way, you guys are going to screw this company up. So, he left.

P: Now, you maintained the concept and, later, you get into the superstores with lots of titles.

H: No, those were superstores right from the beginning.

P: From the very beginning?

H: Yes.

P: It was always family-oriented, was it not?

H: Yes, David started a family store.

P: And you always kept that.

H: Oh yes. We even got more strict with it. We refined the concept, but we never changed it. I mean, we just did little things. Through the years, we fine-tuned different little things, changed the logo a little bit and some of those kind of deals.

But, basically, David had a good concept.

P: Now, when you expand a store like that, how do you do it? When you buy a new store, how do you determine site location?

H: We had a real estate team, and we had a construction team. We hired a guy from McDonald's by the name of Luigi Salvaneschi. Luigi was the head of real estate for McDonald's, and he taught us really well, as to how to pick the right site. So, we really learned from Luigi.

P: What would you do if you let other people choose the films that you had? How would you determine how many films at a given location?

H: In the early days, it was kind of grab-your-butt and see if you had enough. But, after awhile, you pretty much knew your customer base, and it got to be with the number of homes in a one-mile, three-mile, five-mile, seven-mile radius of the store. We still went by number of homes but, more importantly, we went by drive-time to a number of homes. Because some places, you get to a number of homes, and it would take you five minutes to get there; other places, it would take you ten minutes to cover the same number of homes. So, we really looked at drive times a lot and said, okay, fine, we have so many homes within a three-minute drive, so many homes within a five-minute drive, so many homes within a seven-minute drive, and that pretty much dictated to us how many copies of a movie we needed.

P: Because people are not going to drive an excessive amount of time to rent a movie.

H: Right, and if you had 1,000 customers, how many of those 1,000 would come the first week? How many would come the second week? So, you did not need to buy 1,000 copies just because you had 1,000 customers. Maybe you bought 100, and it took a while before everybody wanted to see the movie anyway.

P: When you took over this company, or at least bought controlling interest, where did you get the funds to invest in this corporation?

H: We had it ourselves. It was our money.

P: Is it not fairly inexpensive to expand something like Blockbuster?

H: Each store we opened cost about $700,000.

P: Well, that is a lot.

H: Yes, if you open ten stores, that is $7,000,000. No, it was not cheap.

P: But, you went very fast. I mean, at one point, you were opening stores, what, every...

H: Every seventeen hours, we averaged. In six years, we averaged opening stores with seventeen hours. Now, that was not just us; that was franchisees, too. But, we had more company stores than we did franchise. But, we went to Wall Street; we raised money on Wall Street. We sold shares.

P: So, every time you would do that, you would take that money and expand.

H: Yes.

P: Where did you intend to go with this? I mean, did you always have in mind that it would be more than video rentals, that you wanted to make it an entertainment company as well?

H: No, we really did not. We started out as just wanting to be the largest and the biggest and the best. Then, what happened is, you remember all this talk of there being 500 channels of television. Well, that was in 1989; here we are in 1999, and we still do not have 500 channels. Right? But the cable companies pulled the biggest scam on Wall Street that has ever been pulled by telling Wall Street, we are going to have all these channels, so we need you to put money into our company because we have this great future and we are going to expand. Wall Street just gave them tons of money, just tons of money, and these cable companies grew and bought out everybody. So, Wall Street just kept putting money, and we would tell these guys, that is not going to happen, but they did not believe us. So, now, ten years later, I see some of those same institutional investors and they say, yeah, I know, but it is too late. Then, 1994, what happened was, our stock was going [up] and, all of a sudden, it went down, because everybody said, hey, that video industry is going by the wayside.

P: It is a dinosaur.

H: Yes. Well, the video business is still doing great, and it is still out there, but the stock was not doing anything because of all this scare that is up. By the way, that is going to happen: it is just going to take a lot longer to happen than what people think. So, when that started happening, we started doing other things. We started branching out: we got in the music business, we bought some stuff in Hollywood. We got into some other things, just because everybody said, you have to get in other things or you are going to be wiped out of this business. We were not so concerned about it. What we were concerned about is, our stock was not reacting. The business was still good, and the business was generating

almost $1,000,000,000 of free cash every year, but the stock was going down while the cash was going up, just because people did not want to invest in something that had no future.

P: Why has it taken so long?

H: Because of technologically, you just cannot accomplish it in that period of time. I mean, you have to lay a new cable to the houses, and it has to be a certain kind. It still is not there.

P: Discuss the hiring of Tom Gruber and the marketing of Blockbuster.

H: Tom Gruber was a huge find for us. He really had a great deal of knowledge about the marketing/advertising end of the business and building the Blockbuster brand. I am trying to remember as to who told me about Tom. I think we had a real estate guy come to work for us who used to work at McDonald's, and that guy told me about Gruber. So, I contacted Tom and, to make a long story short, he agreed to start with us. That was about, maybe, six months after we bought into the company. Gruber recommended Salvaneschi to us, so we had two McDonald's guys, one guy on the marketing side and then Salvaneschi came in on the real estate side. So, we had two good guys from McDonald's.

P: When you started out, what kind of advertisement did you use? Were you primarily doing television, radio, print?

H: We did market-by-market advertising, and it would depend on the number of stores we had. If we only had a few stores in that market and we could not afford television, we would do newspaper [and] we would do a little bit of radio. Then, as we got more stores in the market, we would do some television in that marketplace. It was not until we were pretty much nationwide where we could afford to do network television. There is no sense in doing network television and advertising in California if you do not have any stores in California. So, we did it market-by-market for a long time and then, finally, we got to a size where we could do network.

P: At one point, you were trying to get Cox Cable and United Cable to invest in Blockbuster. It looked like the deal was going through but, apparently, John Malone stopped the deal?

H: Yes and no. That is true, but they both did invest in the company. United Cable invested into us, but Malone stopped the original amount of money and they ended up investing a lesser amount of money. In hindsight, John Malone would tell you today, that was a mistake; we should have stayed with those guys, and so forth. But, they did invest money. Cox really did not invest much money in

the company, I do not think. What they wanted to be was a franchisee, and they built a bunch of stores.

P: But then, they sold them, did they not?

H: Well, they had a guy there who was their marketing person. I cannot think of his name now, but he was their marketing person. He was put in charge of marketing these stores, and he thought that everything we were doing was wrong. So, they would build stores, and he would change the advertising; he would change the way the stores were merchandising. He would change everything because he could do it much better. Well, he ran those stores right into the ground, and Cox had a real bad experience with their stores. Now, all of our other franchisees were making money left and right. But, this particular franchisee did not want to follow any of our policies; we fought with them all the time, and we could never get anything done. He just had his own way of marketing and merchandising, the way the stores looked and the whole thing, and we just finally ended up buying them back.

P: There is a story about Dan Dorfman who, apparently, wrote a column that really hurt the stock.

H: Oh, it killed us. We lost a $1,500,000,000 of market cap. in one day. Because of this woman from out in California, and her name was Pam Weingarten. They had a fund out there that managed money by the name of Pilgrim something or other, and she told Dan Dorfman. Of course, Dan Dorfman always had a reputation of being tied up with the people who short-sell, so Dan always wanted to talk about the negatives, which would drive the stock down. The shorts would sell their stock here, the stock would fall down, and they would cover down there and make a lot of money. So, basically, the way the shorts work is, buy some stock in the company; then, spread some bad rumors, then, the stock goes down, and they cover, and they made a ton of dough. That still happens today, and I am surprised the SEC does not control that. I mean, if you and I were touting a stock, the SEC would come down on us. But, if we tell a lie about a stock and drive the price down, the SEC does not do anything.

P: Now, you answered back immediately.

H: We set up meetings in New York, and we went to what they call the New York Analyst's Society. We had a big luncheon, and we said, okay, here is the deal: this is the way it is, this is what we are going to do, and you have to decide: if you want to believe them, you can believe them; if you want to believe us, you believe us, either way, you decide, you want in or you want out. Our large shareholders were there and we told them, this is what we are going to do. And we took them to task. They not only questioned the industry as a whole, [but]

they questioned our accounting practices.

P: Your write-offs and things like that?

H: Yes, and we went through and said, this is the right way to do it. They said, the goodwill number was wrong, and we said, it is not. We defended what we did, and we said, this is what we are going to keep doing. I said, I do not give a damn what Dan Dorfman [says.] I said, Dan Dorfman can go to hell. We are doing it the right way [and] if you guys want to stay with us, fine; if you do not, that is okay, too--but, this is the way we are going to run the business. And, I got a big round of applause, and the stock came back.

P: When did you think about foreign markets, and how successful was that?

H: We did fine in foreign markets. It was not as good as in the U. S., but it was good. We were growing fast, as we just discussed, in this market. We were opening 300+ stores a year; 300 to 500 stores a year, we were opening. Pretty soon, you say, hey, you can only do that for so long; we need a couple of new markets. So, we went to several new countries, some of them with franchisees and some of them as company-owned stores. I would say, as a general statement, being international is good. Were there some markets better than others? Yes. Do you know what I mean? But, it was good to go overseas.

P: Discuss your relationship with Phillips Electronics which, obviously, is a Dutch company.

H: Yes. We had a good relationship with them. They were very interested in the business. They had invested in a video rental company in Belgium, and they were going to buy out a company in England.

P: Is that CityVision?

H: Yes. We ended up bidding against them on that deal. While they were thinking about it, we were doing it. So, we got together and had some conversation, and they said, okay, fine, we will put some money into your company, and you go buy it, and that is what they did.

P: So, you were happy to have them invest in your company anyway?

H: Oh yes. We like them. It was a good thing for us, and they made a lot of money with us.

P: Ultimately, that relationship ended, or they stayed with you?

H: No. What happened was, the guy left the company. His name was Jan Timor. Yon Timor was the CEO, and then he resigned. He was older, and he retired. Then, the new guy came in and said, we do not need all these little investments here; let us clean these things up.

P: Discuss your hiring of Joe Baczko.

H: Well, a lot of people thought we needed a retailer because we were a retailer. We always took the position that we were really not a retailer. Yes, it is true we have a cash register and we have a storefront, but we are really not a retailer because we rent; we do not sell. People would not understand that concept. But, I believed in that rental business. You rent a tape; you get it back; you rent the tape; you get it back. That is different than restocking a store [like] a typical retailer. If I sell you that shirt and it has a sixteen and a half neck, I have to go replace that shirt again, right? And that is a whole different set of problems. I do not have to do that with my business. I rent and get it back, rent it and get it back. Could not get a lot of people to ever figure that out. So we said, all right, let us hire Baczko; maybe we are missing something here. So we brought Joe Baczko in. Joe was a very intelligent guy, but he never grasped the fact that this is a rental business. He wanted to treat it like Toys R Us. That was where he came from, Toys R Us. And, you know, Toys R Us is successful, so how could [we] say: but Toys R Us did not rent toys, they sold them. So, Joe's whole approach was sell more videos. Less rental, sell more videos. Well, that was not where I was coming from. So, we finally proved out that Joe was wrong. He changed a lot of policies and procedures in the store to increase the sales, but the margins on the sale of equipment was not near as good as what the rental was and we gravitated back to where we were.

P: Did he hurt morale some, because he did cut and fire people and that probably was not very helpful?

H: Yes, he was a pretty hard-nosed businessman.

P: Talk about your expansion into music rentals.

H: Well, music came as much as a defensive move as an offensive move. Defensive, because of the perception of video rentals going down. Music was another business that we could put into our stores and open new music stores, and that is the reason we went into that business. We felt we had a good brand name. We felt Blockbuster was a household word and that some of that brand image would help in the music side, and I think it did to a certain extent. It was doing pretty well when we sold the company. Then, later on, Blockbuster ended up selling them. I am not exactly sure how many they have yet or how many they have sold or whatever.

P: Discuss your relationship with Richard Branson and Virgin megastore.

H: Well, they had a megastores concept, which is really two superstores put together, so to speak, and we liked that. Virgin had a good name in Europe, so we were primarily interested in Europe and we did some things with them in Europe. Then, they wanted to come to the United States. We owned half the company, and they wanted to come to the United States. We said, okay, fine. And they came to the United States. But, then, we ran into a conflict because we had superstores under the Blockbuster name, and they had megastore under the Virgin name. Well, after a while, it got to be a little bit of a conflict with it and we said, well, let us just get out of this relationship.

P: Plus, the Virgin stores had no mention of Blockbuster at all, I guess, even though you were half-owner.

H: Yes, but they wanted to build the Virgin name, and we wanted to build the Blockbuster name.

P: What is your opinion of Richard Branson?

H: I like Richard. He is an interesting guy. I think he is a good guy, and I like him.

P: Your investment in Republic Pictures is very much this idea of diversity, is it not?

H: Right.

P: Why Republic?

H: Republic had a library of John Wayne movies and stuff like that.

P: And “Dallas,” and some TV shows.

H: Yes, and at the same time we were looking at Republic, we were talking to Spelling Entertainment. We said, okay, we can do these two things. We own Spelling that makes new product, like 90210, etc. Even the *Love Boat* was Aaron Spelling’s deal. So, we can do that and buy this library, we will have a pretty good library product. And, you know, that library travels all around the United States, and you still see old movies on television now. We said, yes, this will be good for us. So, we ended up owning half of Spelling, and then we took Republic and tucked it in there. That business made money; it still makes money.

P: Did you get Aaron Spelling to stay with you?

H: Yes.

P: How did you do that?

H: I went and met with Aaron. Aaron is independently wealthy. If he does not like you, he is not going to stay with you. So, we talked about–like you said, face to face–what we expected of him, what he should expect of us, what our relationship would be like going forward, and he said, I can buy into that; that is fine. So, basically, we let Aaron do his thing. There is nothing we could do to help Aaron come up with a new television show.

P: He knew what he was doing.

H: Yes. One day, I saw Steve Berrard. He came back from California, and he has this thick packet. I said, what is that? He said, that is a script. I said, throw that son of a bitch away; you know, the day you and I start reading scripts, we are in big trouble, get rid of that thing, we are not looking at any scripts here.

P: That is not your end of the business.

H: That is not what we do.

P: Let me ask you one question. Why did you not get your own cable channel? Like a Ted Turner or something? Were you ever interested in network television?

H: Well, Ted Turner had a superstation, and there are only four of those allowed in the United States. One is Chicago WGN; one is Ted Turner's; the other was in New York, called WFOR, or something like that. I cannot think of what the fourth one is; maybe there are only three. Those guys got started, and then the government said, no, no, we are not going to let this happen any more. So, somehow, the regulation put a kibosh to those things and you only have those three. So, those guys had a gold-mine because they had something that nobody else could get. Ted Turner did not want to sell the one he had, and Chicago Tribune was not going to sell the one they had, etc. So, you could not start one, and you could not buy one.

P: Well, did you think about it? I mean, was that something on your agenda?

H: Oh yes, we talked about that. We talked about having our Blockbuster channel, but we just never did that.

P: Well, thank you very much for your time. I certainly do appreciate it.

[End of interview.]

P: This is January 13, 2000, and I am in Fort Lauderdale with Mr. Wayne Huizenga. One of the areas I would like to cover is your interest in sports. Explain to me how you first thought about getting a professional sports franchise.

H: I never really had a desire to own a professional sports team. I ended up with a sports team because I pursued the opportunity to buy what was then called Joe Robbie Stadium, the stadium where the [Miami] Dolphins [professional football team] played. What I really wanted to do was just acquire the stadium. It follows my theory of renting things. There, basically what you are doing is, you are renting seats to people for any type of an event. Unfortunately, Joe Robbie would not sell me the stadium unless I would make an investment in the football team itself. To make a long story short, I bought 50 percent of the stadium, when I really wanted 100 percent, and I had to make an investment of 15 percent into the Dolphins.

P: And you had an option to buy more?

H: Right. When you make a 15 percent investment, now you have an illiquid investment, and you cannot really get out. So, that obviously triggered a right of first refusal, if you would sell to someone else, and it also had an option to buy an additional 10 percent up to five years later at the same price.

P: So, you exercised that 10 percent option?

H: Shortly after that, Joe Robbie passed away, and they needed to sell the team for estate taxes. They sought other bids, and I had a right to match those others bids and I did.

P: When you took over the Dolphins, what was the financial status of the organization?

H: The Dolphins really never made much money, and the reason for that is, in order to make the payments at the stadium, Joe Robbie had to pledge all the sky box revenue to the banks. So, the Dolphins, unlike other teams that have stadiums built by the community, the Dolphins do not get the sky box revenue, and the sky box revenue is significant. Because of that, the Dolphins really do not make any money. They either break even or, maybe, they will make a small amount some years and lose a small amount other years. Basically, it is close to a break-even situation, and that is because we do not get the sky box revenue.

P: One of things you did very early is, and I think this is a pattern of your early business career, you really fixed up Joe Robbie Stadium and made it more exciting for the fans so they would have much more to do. Explain a little bit

about how you changed the emphasis in the stadium itself.

H: Part of the problem was that Joe Robbie really did not have the money to finish the stadium properly, so there were shortcuts taken, mostly in the concession area or in the public areas. We really had to spend a lot of money to upgrade all of the facilities. Also, after only six, seven, eight years, because they bought low-bid, a lot of the equipment was already rusting out. So, it was not as much putting in additional facilities as it was replacing facilities. I think we probably put in close to $40,000,000 in upgrading that facility and replacing concession stands. Now, it is eleven years old, and we spent a lot of money, in some cases replac[ing] and in other cases upgrading because it was not done properly in the beginning.

P: But, you did add in some restaurants and paint and palm trees and that sort of thing to make it more attractive.

H: We did a lot of paving. We did a lot of landscaping. We put in a lot more [and] upgraded the concession stands. We even put in air conditioning for the employees where, before, it was open, and the employees behind the concession area would just be perspiring day in and day out. No one wants to buy food from someone who is perspiring. So, we upgraded. We reconditioned all the suites. We knocked walls out and made them bigger. We did a lot of improvements there. We painted the walls inside the Stadium so when you are sitting in your seat and looking out, it was colorful. We upgraded that facility a lot, and it is a much nicer-looking place today and much cleaner. Now, it does not help wins and losses, and we all know that the fans want wins more than anything else. That is the football side [and] you want to give wins as well, but the customers, when they are there, they need to be treated properly and with respect and have nice clean facilities. We went into every bathroom and remodeled them and fixed them up. It is just unfortunate that when the facility was built, it really was not finished off properly.

P: That is part of your concept, again, of family entertainment so the families can come, and the fathers and kids can come and watch the game.

H: Right.

P: I read somewhere that you even picked the hot dogs. Is that right?

H: Yes, we did. We tasted hot dogs. We even went out into big tents out into the parking lots, and we let the fans do taste tests. They did not know which hot dog was what. We cut them up into small cubes, and they tasted the hot dogs and voted on which one they liked.

P: I also noticed from the last statistic I read that the stadium was something like 96 percent capacity, so, obviously, this has paid off over the years.

H: That is correct but, like I said earlier, wins and losses are the most important thing. I mean, you could have a brand-new facility and if you do not win any games, people are not going to come, but when they do come because you are winning games, then you want the experience to be pleasant for them.

P: Plus, there must be a certain amount of revenue earned from parking and concessions and that sort of thing.

H: Yes. Football is different than other sports because it has revenue-sharing, so a lot (not all) of the revenue is shared with the visiting team that comes in and goes into the pot, so to speak. It is different than hockey and it is different than baseball, but the success of football is because of its revenue-sharing nature. It has been going on for years and years in the NFL. So, we do share revenue with other clubs, so you do not get all of the money but you still want to upgrade, anyhow, just because it is the right thing to do.

P: The major source of income is TV?

H: Television, yes.

P: What percentage of the earnings of the team would that comprise?

H: I do not know of the earnings, but of the revenue it is probably–I am guessing now–60 percent.

P: Why did you decide to purchase a baseball team?

H: After we purchased the stadium and we only played ten football games there, we said, well, if we had a baseball team, we could play another eighty-one games there. About that time, coincidentally, Major League Baseball was looking to expand, and we were successful at getting the team. We did play baseball there. It is okay as a baseball facility, but it is not a good baseball facility. The suites are too far away, and the eyesight is not good for the fans for baseball. The field does not curve in, in right field and left field. So, when you are sitting in the right field sideline, instead of looking at the pitcher, you are actually looking at the outfielder. So, there are lot of reasons why the fans do not like what we now call Pro Player Stadium. They do not like Pro Player Stadium because of the seating arrangements and the sightlines.

P: How did you manage to get that franchise, because I know St. Pete and Tampa were actively involved? What do you think made the difference in your bid?

H: I do not know that I really know the answer to that question. I think towards the end, they were trying to put an ownership group together. One of their principal

owners had some financial difficulties, and then another one of their owners who lived over here on the East Coast backed away at the last minute, and they were kind of struggling over there with uncertainty. With our bid, there was no uncertainty, and we were going to own 100 percent of the time. When decision time came, [Major League] Baseball just looked at ours as a more sure transaction.

P: I understand that there was some animosity on the part of St. Pete and Tampa, and they were going to boycott Blockbuster, because they felt like you had stolen their franchise.

H: That is true. They did feel that way, but it was not my fault that their investors backed out.

P: When you start a baseball team, it has to be fairly expensive. How did you go about hiring the general manager and the manager? How did you set up the organization?

H: Don Smiley, who worked for us here, and a fellow by the name of Jim Blosser were given the responsibility to work with Major League Baseball and try to figure out how we would organize the team and so forth. Then, we hired Carl Barger, who was president of the Pittsburgh Pirates, so he came down to help us after we got the team. Maybe six or eight months after we got the team, Carl moved to Florida from Pittsburgh, and he helped a lot in putting the team together. He was the one who suggested Dave Dombrowsky as the GM [general manager], and that worked well.

P: That is really the key, is it not?

H: Right. Not only is Dave a delightful young man, he is also very, very talented. Dave hired people on the baseball side, including the assistant general manager and the coaches and so forth, so he gets all the credit from the baseball side. Carl and Don Smiley and Dean Jordan and Richard Anderson get credit for the organization that was built around the baseball side for the stadium, and on the business side. They did the marketing and they sold the tickets and they did the advertising and set up the template as to how the team would be perceived in the community, so they get all the credit for that. That is still the way teams are operated, pretty much, today. You have the team side with the players, and then you have the business side which includes the marketing and ticket sales and so forth.

P: And you made money the first year, did you not?

H: I do not remember. I think the first year, we may have broken even, but that is

because our payroll was very low the first year. Then, we lost money every year thereafter. We lost a lot of money the last year we were in business. The fifth year we were in business, we won the World Series, but we lost $34,000,000.

P: You started with the draft and, I guess you could call them, cast-offs, so you had to really build the team.

H: Expansion draft, they call it. We built the team through the draft. The draft and free-agency are two different things. When you have an expansion draft, each team has to put so many players at risk, and then you have a right to pick from those. So, that is how we got the bulk of our team. After that, if there is a position or two, say, first base or left field or something like that, if there is a position or two that you need to fill in, that is when you go get some free agents. That was the first year. Then, every year, we would add a free agent or two to complement where we were weak, to make us stronger. Between the fourth and the fifth year, we brought in quite a few free agents, and our payroll went from, maybe, $35,000,000 to $50,000,000, which still was not the highest. At that time, the highest was in the $70,000,000 [range], and we were in the low $50,000,000 [range]. So, for us to win the World Series, when there were three or four other teams out there with their payroll in the $70,000,000 [range] while we were in the low $50,000,000, well, that was quite a feat.

P: Did you have much input into the hiring or drafting of the players?

H: No. That was really Dave Dombrowsky and Frank Wren. Now, they would come to me with the decision because those were big dollars involved, but as far as weeding out the talent and picking the right person they wanted, they put the name on the table. Then, we talked about the compensation, and that is how the decision was made.

P: Speaking of compensation, what is your take on the salaries of some of these players? I have seen a case where a .240 hitter might be making $4,000,000 a year.

H: Yes. It is out of sight, and it does not make any sense. There is no logic to it. People say it is not a business, that it is a sport. That is not true. When you are paying people $3,000,000, $4,000,000, $5,000,000 a year, believe me, that is a business. Even though the purists do not want it to be thought of as a business, times have changed, and it is a business. Now, I would prefer it not to be a business, but you have to open your eyes. When you are running a business that brings in $100,000,000 a year, and most every baseball team is losing money, and you are paying players astronomical salaries, you better sure run it like a business. It is tough. Now, the baseball [players] union is terrible for baseball. In my opinion, they do not really care about the game itself; they only care about

getting more dollars for the players. So, what we have today is, the haves and the have-nots. We have the Yankees, which everybody thinks is a great team. They are a great team because, this year, they will have a $100,000,000 payroll. There are other teams, like [the] Montreal [Expos] and the [Florida] Marlins and other teams we could name that have, maybe, a $20,000,000 payroll. Well, I can just tell you right out there is no way that $20,000,000 is going to beat $100,000,000. It just is not going to happen. So, you have the [New York] Yankees, and you have [the] Atlanta [Braves], Baltimore [Orioles], Cleveland [Indians], and maybe one or two others that are going to win every year. That is just the way it is. You used to have teams like us, like the Marlins, where we were kind of in the middle and, once in a while, a team in the middle would get lucky, like we did, and they would win the Series. Today, there is no middle, because when somebody has a $100,000,000 payroll and you have a $50,000,000 payroll, you say, hey, there is no way that fifty is going to beat one hundred. Maybe, once in a while, fifty would beat seventy, but fifty is not going to beat one hundred. So, what has happened is more and more teams like Minnesota and those middle-of-the-road teams have now said, hey, we are just going to cut our payroll. So, the teams that used to have a middle-of-the-road payroll now have reduced their player compensation, they have let some good players go, and they have lost some fans, but, still, if they reduced their payroll $25,000,000 and they lose $10,000,000 worth of business, or $15,000,000 worth of business, it still is the right business decision. Now, you have a whole bunch of teams in the $20,000,000 and $30,000,000 range, and those teams kind of compete against themselves but, every year, it is going to be the Yankees and the Mets. Unfortunately, the New York teams and the Baltimore [Orioles] have a different model than everyone else does. There are so many corporate accounts in New York. A sky box in New York for baseball may go for $250,000 a year. Down here, maybe it goes for $35,000. So, you cannot compete, and you will never be able to compete. That is the reason why the only sport that is viable today is the National Football League, and that is because they have a hard salary cap. Every team shares revenue, and they all have exactly the same payroll. That is why, on any given Sunday, any team can beat another team. It is parity, and that is what it should be in sports. It really gets down to execution, management, the coach's game plan, but all the players are paid the same. It is motivation. The other sports do not really have that.

P: Why does baseball not do that?

H: Because the union will not let them. Baseball wants to do that, but the union will not let them.

P: Is this a situation where a strong commissioner might make a difference?

H: No. You do not even need a commissioner because the baseball union runs

baseball, and the union is a very tough union. It is the old Pittsburgh steelworkers' union, and they are tough. They do not care about anything except the players. In my opinion, they do not care about the long-term viability of the game. The game is deteriorating because you only have a few teams that can win. There is talk amongst the owners of having two World Series, one for the haves and one for the have-nots. Now, that is not going to happen, in my opinion, but the guys who are the have-nots are saying, why are we playing; we ought to at least play for some kind of championship amongst ourselves, because we cannot be in that league.

P: How long can baseball continue under these circumstances, with all these teams losing money?

H: Everybody is buying a team on the hopes that the union is finally going to come to their senses and have a cap like football does because football is the shining example. Football is doing well and the fans love it. There are a lot of crowds at football because the teams are evenly matched. I started in baseball in 1991. We played our first game in 1993. Here we are now, nine years later, and people are saying exactly the same thing today as they were when I got in, and that is, it is only a matter of time and it is going to change. Well, I believe it is going to change. I just do not know how long it is going to take for the union to open their eyes and do the right thing.

P: What about the strike and the shortened season? What was your reaction to that?

H: It was unfortunate that it happened, but it was the right thing to do. The baseball owners and the commissioner decided, hey, we cannot go on like this; we are just committing political and business suicide here: we are going to lose customers, we are not going to be able to compete, and the competitive nature of the game is going to go by the wayside. Regardless of what you read in a newspaper, the owners were right. They said, the union has to help us save this game. The union just turned their back and said, no, we do not care about the owners; we only care about the players. The laws in the United States favor the unions. The labor laws are so tough that it is almost impossible to overturn any kind of labor agreement or anything else like that, so the union would always win. It is really a tough situation. It is unfortunate that what happens is, the fans end up paying these high salaries because it just gets passed on in ticket prices. I do not know how long it is going to take for [the] baseball [union] to realize that it is not good that the Yankees win the World Series every year.

P: Also, a friend of mine took two of his sons to a ballgame, and it cost something like $100 by the time they parked and had hot dogs. That is really expensive, and I wonder how long people will continue to pay those prices.

H: That is a good question. And the new stadiums that are being built, that is just putting a band-aid on the problem. The new stadiums come up with more suites and more entertainment areas, but most of that is for the corporate client. So, that drives revenue up for a short period of time, but it does not take long. Salaries are escalating much faster than the cost of the living, much faster than you can pass on the ticket prices, and there is going to be a ceiling on ticket prices somewhere. Ticket prices keep rising, but player salaries are rising as a percentage much faster than revenue is rising. So, maybe it is a four-year band-aid or a five-year band-aid, but with all these new buildings, the story is going to be the same three or four years from now and it was ten years from now, even though we have a new building, because a new building cannot solve the problem when players' salaries are escalating so high.

P: Talk about your reaction to the first game the Marlins played. I believe they won six to three, is that right?

H: We played the Dodgers, and we won. Orel Hershiser was the starting pitcher, and we put in Charlie Hough [relief pitcher] with his forty-five mile-an-hour floater. It was a great game. Every seat in the house was sold. It was a magic moment. The house was full of teal and everybody had a hat on, and it was just a wonderful, wonderful day. Then, to win that first game–I think it was six to three that day–it was just fantastic.

P: Plus, South Florida had been waiting for professional baseball, it seemed like, forever.

H: Yes, but that changed. They wanted baseball. They had been waiting forever. Probably some of it has to do with the stadium, but most of it has to do with [the fact that] there are just too many other things to do in South Florida. The fans here just do not support baseball like you would expect them to, especially because we have a large Cuban population down here. You would expect the Cuban people to really be avid baseball fans. I think they are, but they do not come to the games. They watch it on television or they listen to it on the radio, but they do not come to the games as much as we thought they would. I guess the proof is in the pudding: in our fifth year, we won the World Series; we were the wild card, and our first series was against the San Francisco Giants; we were in the playoffs, and we could not sell out the stadium. Now, that stadium will hold about 60,000 for baseball. I am not talking 60,000 because we had tarpaulins covering all the upper deck and the left field and some of the club seats. We covered a lot of seats with tarpaulins, and we really had 40,000 seats. So, we could not sell out 40,000 seats. We played two games at home and one game on the road, and we won the first round of the playoffs. [Then] we play[ed] for the National League championship, and we were playing against the Atlanta Braves. The Atlanta Braves sell out every game. We played them three games at Pro

Player, Friday night, Saturday night, and Sunday night. On Friday night, we could not sell out, and we were playing against the champions in the game for the National League championship. On Saturday night, we took two sections of tarpaulins off the seats, so we had 41,000 or maybe 41,500 seats instead of 40,000. I do not remember the number exactly now. On Sunday, we had to put the tarpaulins back on again, and we ended up with 37,000 in the stadium. So, here we are playing for the National League championship game at home on a weekend, and we could only sell out one night. So, when you are talking about South Florida being avid baseball fans, I do not think so. They did not show up even when we were playing for the championship for the National League.

P: Is that when you decided you needed to sell the team?

H: I had decided that before because attendance was dropping. Even during the year when we won the World Series, when we were winning lots of games and our winning percentage was pretty good, the fans were not coming out. They just were not interested and I said, this is not going to work here, long-term. Some people say it is the stadium. Some people say it is the rain. Some people say it is the location. The location is always going to be an issue, because if you live north and I live south, we are never going to agree where the location should be.

P: All the football fans manage to get there.

H: Yes. That is right. So, baseball is really not that important to people here in South Florida.

P: Was there any problem in owning two professional franchises?

H: Yes, but baseball did not care and hockey did not care, and basketball never cared. It was football that did not want you to own any other sport. When we first took it over, it was not a problem because I only owned 15 percent of the Dolphins, so they made the exception: okay, fine, you are a minority owner in the NFL team even though you are a majority owner of the baseball. That was okay. After Joe Robbie passed away and we wanted to acquire the remainder of the Miami Dolphins, then the NFL said, you cannot do that. So, they gave us a grace period, [where] we would have to go along for a while and see how it [went] because [they] might change that, but if [they didn't], then [we would] have to make a choice. Fortunately for us, Paul Allen [co-founder of Microsoft], who owned a basketball team, wanted to buy the Seattle Seahawks [NFL football team]. They wanted Paul Allen to be an owner, so they said, well, we have one guy and now we are going to have two, and it is only a matter of time before we will have other owners. So, they went to the ownership and the owners voted that you could have other sports teams if they were in your same market. You could not own a football [team] in one market and a baseball [team] in another market.

P: Now, you also were interested, at one time, in buying the Miami Heat [professional basketball team]?

H: Blockbuster was going to build an entertainment park down south here called Blockbuster Park. At that time, it would have been beneficial to Blockbuster, not to me personally but to Blockbuster, to have hockey and basketball playing in the same building. We did talk to the Heat, but we were never able to work out an arrangement with them.

P: What do you think of George Steinbrenner and how he runs the Yankees?

H: Well, I think everybody in business has their own style. It does not just relate to baseball; it relates to how you run a university or how you run a construction company or whatever. So, George has his style and I have my style and other owners have their style. It is not what I would do, but everybody has his own opinion in how they should run the team.

P: Should Pete Rose be in the Hall of Fame?

H: I do not know. Sometimes I feel yes and sometimes I feel no. I have not made up my mind on that one yet.

P: You spoke of Seattle. At one point, [the] Seattle [Mariners, professional baseball team, were] thinking of moving to Tampa, and at some point [the] San Francisco [Giants were] thinking about moving. Obviously, you would be opposed to that because an established professional team would come in and compete with your team put together through the expansion draft. What input did you have at those kinds of decisions?

H: That was early on in my ownership cycle. I think it was like, maybe, the first year that we were playing, or maybe even the second year. I really did not know what to expect. I did not think it would hurt us attendance-wise or anything else like that because it is on the other side of the state. Where it would have hurt us was on the television side. The owners have not moved a baseball team for–I cannot remember the number of years now but it has probably been thirty-five years. So, the old-line owners absolutely, positively did not want a team to move. They take pride in the fact that a team has not moved in thirty-something years. Of course, I got all the blame because they said it was me who was trying to stop it. Well, history will prove that they have not moved any before I became an owner, and they have not moved any since they were talking about moving a team to Tampa. Everybody voted against that, and there was never a chance that was going to happen, but they needed someone to blame and so they blamed me.

P: You voted for Tampa Bay when they eventually got the franchise.

H: Right.

P: How did you happen to get interested in buying the Panthers?

H: I really had no interest in owning the Panthers. I did have an interest in seeing South Florida become a four-sport area. I had made public statements that were in the paper many times that I would support or help or maybe even be an investor in a hockey team, but I certainly did not know hockey and had no intention of being a hockey owner. It just kind of came by accident. I had a unique opportunity to get a brand-new hockey team. It really never went out for the expansion process like baseball did. So, we had an opportunity to get the team and I said, okay, fine, we will do that. I really did not want to be the owner, but I thought it would be good for South Florida to bring it here. Then, after it got here, we would parcel it out and have some additional owners, and it would become a community thing. I really did not want to own it but I thought, we better take advantage of this opportunity to get a hockey team here. That is how it came up.

P: How have they done in financial terms?

H: When we played at the Miami arena in downtown Miami, we lost money every year. Right from day one, we lost money. Now that we are in a new facility, the team makes a little bit of money, certainly not enough ever to make up the losses that were there. Like I said earlier, it is only a matter of time [until] that facility will not be good enough because these salaries are just out of control. So, where we were budgeting X amount of profit in year two and year three, we never anticipated that salaries would climb as fast as they are. So, with the salaries just out of control, I would bet [that] in three years, we are probably not going to make any money with our hockey team, even though we are in a brand-new building.

P: So, there is no cap for hockey salaries, either?

H: No cap.

P: Is there a powerful union in hockey?

H: Union, the same way [as in baseball], and the owners want to have a cap and the owner will share revenue just like football, but the union just will not let them do it.

P: You have taken the Panthers public.

H: We took the Panthers public, and then we started buying some hotels in that public company. Now, the hotels are really the main part of the business and the hockey is secondary at this stage of the game. That public company still owns

the hockey team, but they also own six nice hotels. Now, what we are going to do is sell the hockey team, because we are better off putting the money into another hotel than we are in having a hockey team.

P: What hotels do you have?

H: We have the Boca Raton Resort and Hotel, and we own the Registry Hotel in Naples. Right down the street from that, we own a hotel that is part of the Registry now, but it is called the Edgewater Beach Hotel. It is an all-suite hotel. Then, in Fort Lauderdale, we own Pier 66 Hotel, and we own Bahia Mar Hotel and Marina. And, in Arizona, we own the Arizona Biltmore.

P: Those are first-class properties, particularly the Biltmore. That is a wonderful old hotel. Of course, Boca Raton is a magnificent resort.

H: Yes.

P: So, ultimately, is this going to be the focus of what is now an entertainment company?

H: Yes. The name of the company used to be Panthers Holding. Now, it is called Boca Resorts, Inc., and the vast majority of the profits come from the hotels. It is a New York Stock Exchange company, and the board of directors have now made a decision to sell the hockey team and take the money and invest it into upgrading our hotels.

P: At one point, you had investments in Bahia Mar and Pier 66 in the past, did you not?

H: Yes. I was a financial investor. The people who actually bought that, a company called Rahn Properties, based here in Fort Lauderdale, when they bought it, they needed some financial backers, so they went around to people like myself to make an investment. I was one of eight or nine people who were investors. I was just one of many.

P: Why did Blockbuster Park not get built?

H: Well, we ended up selling the company, Blockbuster, and the new owners who live in New York said, no, we do not want to spend the money to develop the park, even though times have proven that it would have been a home run; it would have been the right thing to do.

P: So, Sumner Redstone and Viacom sort of vetoed that.

H: Right.

P: What is your view of the state and local communities using tax money to build these new stadiums?

H: In our case, neither the state nor the county nor any city used any tax money. They levied a tourist tax on the visitors that come in and stay at the hotels. We had a $0.01 cent bed tax and, basically, the out-of-staters, the tourists, whether they came from South America or from Europe or from the northern part of this country, whoever stayed in the hotels in town here ended up paying an extra 1 percent, and that money then [was] enough to build a new arena. It [comes to] $8,500,000, so we bonded it out, and the Florida Panthers put up $50,000,000. The total price was $184,000,000. So, the Panthers put up $50,000,000, and the $135,000,000 that was left was put up by the tourists. Broward County, Fort Lauderdale, Sunrise, no one in this county was taxed. Whenever you read the newspaper, they talk about the residents being taxed, but they have never been taxed.

P: That is why I asked that, because I wanted to clear that up. That is at the new facility in Sunrise?

H: Yes.

P: What is the official name now?

H: The official name now is the National Car Rental Center. I would think it is the nicest facility in the country today.

P: So, if the Panthers are sold, will you sell the arena as well?

H: No. The Panthers have a thirty-year contract, so the building is owned by the county. Even though they did not put up any money, they own it, a pretty nice deal for the county.

P: That is a good deal. The taxpayers came out to the better.

H: Right. It is owned by the county, and everything over $14,000,000 a year in profits, 20 percent of everything over that goes to the county. This year, the first year, we wrote them a check for almost $1,000,000. So, the county is doing okay out of it. They put up no money, zero money, and they own the building. When it gets paid off, it is their building, not ours, so we have a long term lease, a thirty-year lease. The team cannot move. The team will stay here. We accomplished bringing the team here [and] we accomplished getting a new building, so it is good for the community.

P: Let me ask you a little more about the Dolphins. What were the circumstances around Don Shula's retirement?

H: The newspapers in town were beating him up pretty badly, just like they are beating up Jimmy Johnson pretty badly right now. In fact, the four years that Jimmy has been here and the four years prior to that, that Don Shula was coach, they both have, over the four years, exactly identical records. So, the newspaper then was calling for Don Shula's head, and Don just did not want to take the grief any more and he resigned. Jimmy Johnson is threatening to do the same thing right now, because the newspaper puts so much pressure on you. All these young kids fresh out of college who really do not know what the heck is going on put pressure on Johnson because they do not think he knows what he is doing.

P: This is a man who has won Super Bowls.

H: Yes. He knows exactly what he is doing, but they have a different idea of what the game should be. He has told me that the press just takes all the fun out of it. He says he loves the competition [and] he loves the strategy, but just getting beat up on the radio every day and getting beat up in the newspapers every day, life is just too short for that.

P: Do you think he will stay?

H: He tried to resign last year. In fact, he did resign last year, and I convinced him to stay and he said, well, I will try it one more year. Well, the press has been worse on him this year than they were last year. I do not know the answer to that question, but I would not be surprised if he leaves.

P: Talk a little bit about the hiring of Jimmy Johnson. How did you decide to hire him?

H: After Don resigned, we set out to interview coaches. We made a list, Eddie Jones, who is the president of the Dolphins, and myself. We made a list of people we wanted to talk to. Jimmy was our first interview and we said, okay, we will spend a couple of hours with Jimmy, and then we will go on to the next person and so forth. But, during the interview, Eddie and I became very enthralled with Jimmy. We immediately liked him and, that day, we said, hey, this is the guy we should go with. Obviously, his record spoke for [itself]. He had a good record at the University of Miami. Then he went to Dallas where the first year was a disaster and the next three he won Super Bowls. That is pretty nice. He was certainly what everybody considered the best coach at the time, and so we were pleased to bring him on board. I liked Don Shula a lot. He and I were good friends, and we are still friends. I have all the respect in the world for Don Shula. I can easily see why he resigned. It is tough out there. The next best thing

was when Jimmy came along and we said, here, we are lucky because here is another good guy [who is] available, and we jumped as quick as we could to bring him on board. Unfortunately, he is getting the same treatment right now.

P: Do you have any influence at all on strategy? I noticed at the game the other night, you wore a headset.

H: No, I do not. I do not get involved in any player decisions. We do not talk about the game. That is something that I cannot really contribute; I could only confuse the situation. So, I let Jimmy make all the [decisions]. When I go down on Sunday to the games, just like you, I am a fan, and I do not know what is going to happen. I will talk to Jimmy before the game on the sidelines and say, hey, anything different going to happen today? Do you have anything new planned? He said, no, it is pretty much the same stuff; we are going to throw the ball less, or we are going to throw the ball more, or our game plan today has to be defense, not offense, or whatever he tells me. You know, that can change. Whatever he told me before the game could change in the second half depending on how we are playing. They are constantly making adjustments. I like to go up in the coaches' box up there. Now, it is kind of foolish for me to be up there because, unless you know the numbers of every play, it is meaningless to be up there, right? Because they will call an L126. Well, I do not have a clue what an L126 is, but the excitement up there is the next best thing than being down on the field.

P: You never sit in your owner's box?

H: No, no. I always sit in my owner's box. Maybe, two or three times a year, I will go up and listen to the coaches. Now, if I have a suite full of customers or business friends or whatever the case may be, then I will stay in my suite. Once in a while, if the game is a little slow or if I am not entertaining so many people that day, or maybe it is mostly family or something like that and you have all the kids and the grandkids and everybody in the suite, well, I might go up for a quarter or a half a quarter. I might walk upstairs and watch the coaches at work. They have the offensive coordinator and the defensive coordinator up there, and they are working. That is where all the strategy happens. Some head coaches call their own plays, but Jimmy Johnson does not. He lets the offensive guys call the offensive plays, and the defensive coordinator calls the defensive plays. So, I am up there and I am watching them, even though I do not know what is going to happen. I could not override somebody. Even if I wanted to, I could not because I do not even know what play they are calling. But, I watch them, and they are figuring and they are watching tape up there and they are looking at photographs. These guys are working. It is not just one guy sitting up there. There are probably six people in that suite. They take photographs from the camera, and then it comes off a machine. They look at it and say, oh, here is

what happened; here is our breakdown. Then, they change the strategy for the next time. So, it is very interesting for me to be up there, but I have never suggested that they call a play or I have never criticized them after they have called a play. I am just up there to observe the excitement of the game or take in the excitement of the game.

P: I think if I were in your position, I would have to send in at least one play, just to see how it goes.

H: No, I have never done that, in baseball or in football. You know, you hire people to do that, and you let them do their job.

P: What about some of the drafts picks this year? Obviously, Jimmy Johnson took a chance on a couple of running backs [Cecil Collins], and that has not turned out very well. What was your reaction to that?

H: I think the draft picks he selected turned out okay as far as their ability as runners, but they have had some legal problems, so it has not turned out well. You know, one of them is in jail and the other guy has left, so that has not worked out well. Talent-wise, he made the right decision but, unfortunately, they are not playing today.

P: Let me move on to Auto Nation and Republic Industries. When you set up Republic Industries, did you intend to use that as a bureaucratic base for your Auto Nation?

H: No. We acquired controlling interest in Republic Industries, which was in the waste collection business.

P: So, you had that from your time at Waste Management?

H: No. I just invested in that in 1994. I left Waste Management in 1984. Ten years later, we acquired an interest in this company called Republic Industries, which is in the waste collection business. At the same time, we had a private company over here called Auto Nation and we were building that up. Later on, we merged the two together.

P: Tell me about your concept of Auto Nation and how it came about.

H: First of all, our first goal was to acquire new-car dealerships, but we were a public company and the automobile manufacturers have never allowed any public company to own a dealership in the United States. And, they have never allowed any of their dealers to go public, and they have some large dealer groups like Potamkin, like Bramen, like Jim Rand, Hendrix out of the Carolinas,

Ed Morris and his son Ted of Chevrolet (probably the second or third largest dealer in the country, based right here in town), huge dealer groups. All of these people wanted to go public at one time or the other, but the manufacturers refused to let them go public. So, even though our first choice was being in the new-car business, knowing that we could not go public with that, we then set out to be in the used-car business. It was okay at the time, and we started building used-car megastores in the country. At the same time, we kept working with the manufacturers on our ability to buy new-car dealerships. After a while, after we were in the used-car business, Ford was the first one that said, okay, fine–we were public–we will let you acquire some of our dealerships. We kept building our megastores, but we really put more emphasis on the new stores because that was our goal to begin with. The used-car megastores were doing fine until the new car manufacturers started giving huge rebates on new cars. They were giving rebates, and then General Motors went on strike. When they got off strike, they started giving even larger rebates so they could regain some of the market share that they had lost. Now, the rebates went as high as $5,000 a car, and some of the cars were $4,000 dollars. Rebates were astronomically high and the used-car business fell off dramatically, because why would you buy a used car if you can get $3,000 or $4,000 rebate on a new car? So, the used-car market really, really got soft. We started losing money in our used-car business, and it was clear that the business was not going to ever come back until such time when the manufacturers stopped giving rebates so, just recently, we decided to close those, turn some of those locations into new-car dealerships and then sell some other ones. In the meantime, we have grown the new-car business side very rapidly, and we now are the largest new-car dealership in the United States. We are five times the size of our closest competitor. We will do about $20,000,000,000, and our nearest competitor will do, maybe, between $4,000,000,000 and $5,000,000,000. I am talking about for 1999. So, we are the largest dealer in the country, by far.

P: You closed twenty-three of these megastores and cut your work force rather significantly. What happens to the workers that are dismissed from those stores?

H: Some of the salespeople will go to work at our new-car dealerships because we are growing real fast. The technicians, the mechanics and anybody who has anything to do with the car side of it, those people are in very high demand and so we will absorb all of those people into our new-car dealerships because we are short on technicians. The help today is very tough to get, so all of the technicians will go to work at our new-car dealerships if they want to. The people who will probably be terminated and will probably not be replaced are the administrative people. Anyone who is good in financing or insurance will definitely have jobs at our new-car dealerships, but the other administrative people probably will not be retained.

P: My figure was that you have 409 dealerships in nineteen states?

H: That is correct, yes.

P: So, you are intending to expand that and do no more used-car business at all?

H: We will sell used cars at our new-car dealerships, but not the megastores.

P: Talk about your decision to buy National Car Rental. Was that part of the used car business?

H: Yes. Most of the cars in the rental car fleet, I think everyone realizes, are acquired from the manufacturer, and then the manufacturer gives you a guaranteed buyback, a rebate program, basically. So, you buy the car for x, and you have a contract to sell it back for y. There are a few cars that you acquire, and you do not have to turn them back into the dealers. [That is] called buying cars at risk. The other ones are on a manufacturer's repurchase program. We have 300,000 cars in the rental car fleet, and the vast majority are on the manufacturer's repurchase program. We do have some cars that we acquire for ourselves and at the end of the year or at the end of the eighteen months or so, then we would put some of those cars into our used car fleet, but that was not very many cars. We acquired the rental car business for a different reason, really. We wanted to tie that in with the experience of being an Auto Nation customer. For example, if you would buy a new car from us, then we would give you so many points. Those points would be used then, when you are on the road traveling, you would get a discount at Alamo or National, just because you were an Auto Nation customer. We wanted to use [the bonus program for Auto Nation customers] more than obtaining the used car[s]. People frequently say the only reason we wanted them is so we could put them on [our used-car lots], that is not the case. What we really want to do is be the only company out there that can give you something back for being an Auto Nation customer, other than a lower price. We want to be a low-cost provider, but we want to do something that the competition cannot do and that was, when you are on the road, you get 10 or 15 percent off on your rental car. For someone who travels a lot, that would be a big improvement.

P: So, you are still dealing with your economy of scale. The idea is that if you have enough dealerships, you can ultimately compete better than the smaller dealers.

H: We should be the low-cost provider and have a better selection, which certainly helps our Internet strategy, right? Because if you want to go on the Internet now, and you go to your local Ford dealer, well, he may only have one blue Ford convertible, but we own multiple Ford dealers in that city, and so we will have a greater selection and have a better percentage of fulfilling the order than the

average dealer would have.

P: How many cars are being sold online now?

H: Last year, 1999, we did $1,000,000,000 of sales on the Internet, and this year we are budgeting $1,500,000,000. Let us say the average cost of a car is approximately $20,000. Divide that into $1,500,000,000, so it is 70,000 and some cars.

P: And that is going to expand?

H: Yes, that will continue to expand.

P: Is it easier for you if you sell them over the Internet? I mean, you do not need to have salesmen.

H: It does not quite work that way yet. It may in the future, but the Internet is still new when it comes to selling automobiles. So, what typically happens today is, only about 1 or 2 percent actually close the order on the Internet. They design their car, meaning they pick the interiors and the color and everything. Then, when it is all done, they want to come in and see it and drive it and kick the tires. So, the paperwork is actually finished at the dealership. It is originated on the Internet. Part of the reason it is originated on the Internet is because people do not like the treatment they receive by the salespeople when they come to the dealerships. That is what we are trying to change. We want to be the low-cost provider, but we also want to be one price; no hassle, no negotiation; just come in and buy the car, just like you would if you went to Wal-Mart or K-mart or to the grocery store or anywhere else. The price is on the car; this is the price. We are moving in that direction. Every year, we convert more and more of our dealerships. We are not there yet, but that is where we are going. The Internet will help us be successful in doing that. That is why even some of our dealerships are still the old traditional knock ‘em, sock ‘em type of dealerships yet, and people do not like that, so they go on the Internet so they do not have to negotiate with a salesperson. They do all that stuff and get it all fixed up and then they say, okay, now what is the price? We give them a price on the Internet. Some people will not. But, it does not make any sense to me that you can go on the Internet and get quoted a firm price, but if you walk in the dealership across the street from your home, they will not give you a firm price; they want to negotiate with you. That does not make any sense at all to me, so, eventually, we will be one price at every one of our dealerships.

P: General Motors is opening some retail stores, and are they not going to be able to undercut some of your set prices?

H: There are state laws and, in most states (not all, but most), the manufacturers cannot own a dealership, or, in some states, they can own up to 30 percent of a dealership. There are a few states where they can own 100 percent, but anti-trust laws say that they cannot sell themselves the car any cheaper than what they would sell you a car, so their margins have to be pretty much the same. The margins are already low in the business. So, if they start shipping cars direct at a lower price, then there will be anti-trust suits filed.

P: What about the purchase of Alamo? It is a little bit different kind of rental-car company than National?

H: National is for the corporate account, and Alamo is for the personal account.

P: How are those doing?

H: We started out slow, but they are doing well now. When we started out, Alamo was not doing so well. We turned that around. On the other hand, National was doing well, and now it is not doing as well. But, a lot of things have taken place in the last six months and, now, those companies are both doing well, and they will become their own separate New York Stock Exchange company at the end of February of this year.

P: So, you are going to keep those companies.

H: We are going to take those two companies, and we are going to dividend them out, tax-free, to our shareholders. So, the shareholders will end up getting additional shares in a new company, the rental-car company.

P: There was a great deal of opposition from Toyota and Honda when you were trying to buy their dealerships and, ultimately I guess, you had to go to court because Honda sued to try to limit your purchases. How did you finally resolve that conflict?

H: This ties into what we were talking about earlier when I said that the manufacturers did not want us to be a publicly-held company. They did not want a publicly-held company buying their dealerships. They felt that they would lose control, they had a whole bunch of different reasons. We knew that was not the case. We knew we would win in court, and we did win in court. Finally, the manufacturers all said, okay, we are not going to win this battle, and so they have reluctantly agreed to let us buy dealerships. We have now entered into framework agreements with most of these manufacturers that lets us acquire a certain number of dealerships in every market.

P: The ANC Rental Corporation, that is going to be the two rental companies?

H: That will be the parent company. The A stands for Alamo, the N stands for National, and the C stands for a company we have called Car Temps. Car Temps is going to be a new competitor to Enterprise. They are more for people whose cars are in an accident or broken down. They do not have offices at airports like National and Alamo do.

P: This is a different focus for you. In the past, you always dealt with rentals. Now, you are really into retail sales.

H: Yes, we are.

P: How did you come to make that change?

H: After we sold Blockbuster to Viacom, we looked around for other industries that we might want to enter, and we stumbled across the automobile business as a business that is huge. I mean, the automobile business is a $1,000,000,000,000 business, so it is a huge, huge market. If you think about it, if you just own 10 percent of the business, you would have a $100,000,000,000 company. And, it is an industry that really has not changed for the last 100 years. Cars today are sold the way they always have been. People do not like it. You and I both grew up hearing car salesmen jokes, right? Well, that has been going on for fifty or sixty years. They are still telling those same jokes, and people put up with it. It does not make sense that it has to be that way, so we have decided that we think we can change the way cars are being sold. I think we are getting a boost in the arm from the Internet. That is going to help us change the industry. The jury is still out on this one yet. We will have to wait and see how it goes, but we think we are on the right track.

P: Some of your critics with Auto Nation said that you expanded too fast with the used-car business and that it was not a viable idea to begin with. How do you react to that?

H: I do not agree with the notion that it was not a viable idea to begin with. If the manufacturers had not started giving these huge rebates, our business would be very successful today.

P: You have been briefly in the home security business and billboards and Rent to Own. Had you explored those, or do you continue to?

H: Yes, we are still in the billboard business. The Rent to Own business, a friend of mine went into that business, and I was an investor. I really did not have anything to do with the operation, but I was an investor. We have since sold that business and made money on it. The security business was a very good business for us when we were at Republic Industries. We bought a lot of mom- and-pop security

companies out, [and] we packaged them together. We were in that business, I would guess, for maybe a little over a year as Republic Industries, and then we sold that to AmeriTech. We made $600,000,000 on it in, let us say, two years, to be safe. So, we did very well in that industry, thank you.

P: That is not too bad a return. Also, Extended Stay America?

H: The founder of Extended Stay America is George Johnson. I happen to be a partner with him in that business. It is a New York Stock Exchange company. I am the chairman of the company, but I am not active in the company. George and I both have the same number of shares. Today, that company owns more hotel rooms than any other company in the United States, more than Marriott, more than Holiday Inn, more than anyone. The key word there is own, because Holiday Inn has a lot of franchisees. We own all of our hotels, and we have now 365 hotels. We own every one of them. They are very, very profitable, and it is a great business that we like a lot.

P: This is primarily for middle-range workers who are going to be on a job for three weeks?

H: It is not necessarily middle-range workers. It is for people who are going to be in a temporary location for an extended period of time. Our average guest stays almost four weeks. So, it is someone who would be a computer programmer or a consultant or someone who is on a temporary assignment in a city. Say a manager of a business retires or gets sick or gets killed, so the company sends somebody in to run the business until they bring a new person in, right? So, there is a temporary job there. We do not really cater to people who just stay one night. It is $200 a week to stay at one of our hotels.

P: That is relatively inexpensive.

H: Very inexpensive. $200 a week and you are only talking about less than $30 a night. We do not have restaurants. We do not have lobbies. We do not have meeting rooms. We change the sheets twice a week. We keep the costs down, and it is a very, very good business. We only average checking in or out about four people a day. So, you do not need a whole big infrastructure. We have two maids on the property. It is a low-overhead operation.

P: It is a lot different from Residence Inns?

H: Residence Inn is a much higher end. They are probably $600 or $700 a week. They are for executives that stay somewhere five days, six days, seven days.

P: This is obviously a huge area that you have tapped into.

H: Yes. It is the lower end of the extended-stay segment, but we are doing very well in that business.

P: I would like to ask you some general questions about your philosophy of business. If I may, I would like to quote from Peter Drucker in *The Practice of Management*, and see what your reaction is to some of statements. One of the things he talks about is that management is the "most important function in American society."

H: I would not take issue with that. I would probably expand on that a little bit and talk about entrepreneurism as the most important function, people going out there to make something happen. Managing an existing business is a lot different than being an entrepreneur. I guess if you look today at what is happening in our country, with all of these Internet startups and all the new technology companies, if you did not have young people sitting around being creative, we would not be having this explosion we are having today. So, to me, entrepreneurship is the most important thing and management, maybe, a second.

P: That is a good point. Also, he said, the key was "understanding the business, contribution to the public good, and service."

H: Yes. I agree with that. You have to add to that. I guess [it would fall] under the public good, but you have to add to that, and that is taking care of the employees.

P: Yes. He also said, "results are obtained by exploiting opportunities, not by solving the problems."

H: I agree with that.

P: What is the key to exploiting opportunities?

H: Taking advantage of the opportunity. Some people hear opportunity knocking, but they do not answer the door. Other people answer the door and after they see the opportunity, they do not react; they do not take advantage of the opportunity, or they think they cannot take advantage of the opportunity because it is a difficult task. But, if it is really a great opportunity, you have to find a way: you have to raise the necessary capital; you have to find necessary partners; you have to move to a new location. You have to do what is necessary to take advantage of an opportunity.

P: How do you know what a good opportunity is?

H: To me, it is more instinct than anything else. You just have to have that gut

feeling. You cannot go to the university and get a gut feeling. So, when you have the gut feeling, all of the learning that you have accomplished over the years then enables you to take advantage of that opportunity.

P: So, when somebody comes up with an idea like extended-stay hotels, you say, that sounds like a terrific idea; let us explore this. That is how it starts.

H: That is right.

P: Either you come up with an idea or somebody suggests something to you, and you realize the advantages.

H: Right. A lot of times, someone will come up with a great idea, or they may even be doing it. It may be a concept that people are building today, but when you look at it, you say, wait a second; you know, if you changed that just a little bit, moved it a little bit this way instead of that way, it would be a lot better. Then, you develop, kind of, your own mousetrap which is really a take-off of someone else's mousetrap.

P: Another thing Brucker said was, "the key is not how to do things right, but to find the right things to do."

H: I think you have to do both.

P: Let me talk a little bit about your charitable works. Would you tell me a little bit about the foundation that bears your name?

H: Yes. My wife and I have always been very active in local charities, my wife even more so than I, from a time standpoint. For a while, she sat on as many as fifteen different boards. Today, she has a few less than that, but she is very active. The laws, as far as giving in the United States, have changed from time to time. So, to get around that, we just said, okay, let us take a bunch of money and put it in the foundation, so then it is there. So, if the laws change down the road, we are not going to be excluded from making any type of decision we want to make. The laws were beginning to change, to where you could only take a certain amount of your stock. There was talk in the newspapers suggesting that they might further change; in fact, they have changed. So, we said, well, let us just take a bunch of stock and set up the foundation; that way, we know we have it in there, and no one can challenge it after the fact. We did that back in the early 1990s, and we give quite a bit of money away every year.

P: Give me some examples of where you give your money. I notice you gave $4,000,000 to Nova Southeastern University, to the business school.

H: Yes.

P: And I notice you have given to the Boys' and Girls' Clubs.

H: We give a lot of money to the Boys' and Girls' Club. My wife has a Boys' and Girls' Club unit with her name on it. I have been on the Boys' and Girls' Club board for more than twenty years, and my wife is also on the Boys' and Girls' Club board and she is a past president for two years and a past chairman for two years. So, she spends a lot of time there. We gave $1,000,000 last year here to United Way. We gave $1,000,000 to Treasure Coast up in Martin County and St. Lucie County. My wife is very active in the American Cancer Society, and she is a past president, of several times, of a Humane Society here in Broward County. She sits on the boards of Women in Distress, Kids in Distress, Covenant House. Just on and on and on, she sits on lots of boards. Of course, the more boards she sits on, the more checks we write. You know how that goes.

P: Tell me a little bit about this $1,000,000 Challenge Grant you gave to Broward County for the homeless and homeless shelters.

H: We are trying to get a facility built here for the homeless. So many confuse what a homeless facility really is. This is not like a Red Cross that [is] a soup kitchen or give[s] someone a place to stay at night. These homeless facilities really cater to, maybe, 200 and 300 people, so it is not a lot of people. You take the people who are homeless and you say, listen, do you want to turn your life around; do you need some help? In a lot of cases, it is families that are homeless. We see homeless individuals, men or women, sleeping on the sides of streets or under the overpasses, but we do not see families doing that. The reason you do not see families doing that is because as soon they see a child out there with a family, then they take the children away from the parents, and they put them into a home. So, mostly what you see, or what you have, is people who do not have homes and who [live] in the back of cars, and park in a different place every night [and] just fall asleep in their cars, and the next day, who knows? So, the homeless center basically has about a third of its people as females, a third as males, and then about a third as families. You know, if you are homeless, you probably have lost your driver's license, your Social Security card, your voter's registration card; the kids have lost their birth certificates, and they cannot get into school. So, these homeless facilities, basically, get these people started back again. The deal is, you stay there for, maybe, a two- or three-month period of time, and in that period of time, right there on that facility, the school board has an office [and] the health department has an office. They give checkups to everybody. They register the kids in school. They get their vaccine shots. They trace down where they were born, and they get their birth certificates for them. They get everything back in order. They get their driver's license. They get their voter's card. They get everything they need. Okay, fine. Now, the bus stops out

in front. The kids go to school. The people stay there. They find them a job. Maybe it is washing dishes. Maybe it is cutting grass. Whatever the case is, they get a job to get on their feet and they have a place to come home to at night, and they do this for two, three, four months. Then, it is, okay, fine, now you guys are on your own. They get them an apartment someplace, and they find a job for the wife and for the husband and the kids are going to school, and that is the deal. Now, bring somebody else in. So, basically, these things are turning someone's life around so they do not become a burden on society, and they do not want to be a burden on society. They want to get squared away. They need a helping hand. The task is just overwhelming for them. If you find yourself in that situation and you have two or three kids and none of them have any birth certificates and none of them have their shots, you cannot get them in school. You have to go stand in line at the courthouse, and nothing ever happens. So, they take care of all of that stuff and get these people back on the right track again and bring in another family or bring in another individual. That is what is happening. Orlando had the first [and] best one here, and then Dade County started one. I went down and spend quite a bit of time at the one in Dade County, and my wife and I were big contributors to the one in Dade County, as well as Blockbuster, at that time. We needed one up here. We could not get people off the dime, and so I said I would put up $1,000,000. A good friend of mine who used to work with me, Jim Blosser–he is retired now–I called him and said, you are retired, and you are not doing a whole lot; I will put up the money, and you do the work. And he said, okay, fine. So, we have become co-chairpersons on this. He went around and knocked on people's doors, and we held meetings. We ended up getting a nice facility built here in Fort Lauderdale, and now we are working on a second one. Now, if you have 5,000 homeless people in your city, this is not a facility for 5,000 people to go live for nothing. That is not what it is all about. It is picking the people out of those 5,000 people and saying, do you want to make a difference; do you want to get turned around and squared away? Some people say, no, I am happy the way it is. Fine, there is nothing you can do about that. We want to turn them around. If you have a 300-room facility and you can turn people out of there, let us say, four times a year, you are turning 1,200 lives around in a year. It might not just be 1,200 lives because some of those would be families. You just get people squared away again, and that is the goal. So, we are now working on a second facility here. It is one thing to build the building, but it is another thing to fund it every year. We are working with Broward County here, trying to put pressure on them, saying, we will get the buildings built, but you have to help operate them. That is what we are working on right now.

P: Your comment on being the Fort Lauderdale Citizen of the Year in 1998?

H: Every year, they give that award out, and it is nice to be recognized by your peers and by people in the community where you live. So often, you get recognized in another city. You know, you always have to have a briefcase and

be from another area in order to get an award someplace. So, it was a nice recognition for my wife and I. We appreciated that.

P: How would you like to be remembered when you finish both your business career and your time on Earth?

H: I have not thought about that much but I would guess that I want to be remembered as someone who was successful, but more importantly, was a family person. I do not want to be known so much as a business person; I would rather be known as a good family man. In the old days, how many times have you heard people say, all you had to do was shake his hand and you had a deal. That is the way I want to be. If I say something, I am going to live up to my word and deliver on the commitment. So I want [people] to say, he was a good guy, a good family man and never went back on his word.

P: That is great. On that note, we will end this interview. Thank you very much for your time.

H: Thank you.