

Annual Report

2007



**STANDBRED
INVESTIGATIVE SERVICES**

420 Fair Hill Drive, Suite 2
Elkton, MD 21921
Telephone: 410-392-2287
Fax: 410-398-1499
E-Mail: sisinfo@trpb.com
Web Site: www.trpb.com

*SIS is an internal subdivision of the Thoroughbred
Racing Protective Bureau, Inc.*

Table of Contents

Foreword.....	1
Highlights	
<i>Investigative Activity</i>	3
<i>Information System</i>	5
<i>Wagering Integrity Unit</i>	7
<i>RMTC and Backstretch Security/Training</i>	11
<i>Industry Efforts and Liaison</i>	13



Foreword

With the submission of this annual report, SIS concludes its 11th year of serving the interests of the respective memberships of Harness Tracks of America and the United States Trotting Association. Created in June 1996 as an internal subdivision within the Thoroughbred Racing Protective Bureau (TRPB), SIS provides the Standardbred industry its own investigative, analytic, and information resource.

Much in racing has changed since 1946, the year TRPB was established to “*maintain high standards, vigorously enforce the rules of racing, protect legitimate business interests and the integrity of the sport, and foster and maintain public confidence,*” a mandate SIS strives to emulate as well. Fulfilling that mandate in recent years necessitated TRPB and SIS develop and implement operational strategies different from those used at a time when live racing drew thousands to the racetrack each day.

Today’s racing environment, with its ever-expanding market for race content and signal distribution, state-of-the-art wagering technologies, and realities of on-site alternative gaming (or lack thereof), presents both challenges and opportunities for SIS in its quest to provide USTA and HTA-member racetrack associations services which both further their business interests and address security needs.

Change notwithstanding, 2007 was not void of incidents which serve to remind us why TRPB and SIS, yet today, are relevant and important to their membership and the racing industry. While one federal investigation continues into alleged illegal activities by certain racing participants, a second investigation targets activities of an off-shore secondary pari-mutuel retailer and certain account holders. Incidents of recent past-posting remain under scrutiny. A leading Thoroughbred trainer received lengthy suspensions for multiple violations involving improper or illegal pre-race administrations, and evidence of the prominence of such substances on the backstretch of many racetracks and off-track training facilities is clear.

In reviewing this report, it is my hope you will appreciate the ongoing initiatives at TRPB/SIS, and their accomplishments during 2007. Through the support of USTA and HTA-membership, and the dedication of a cadre of agents and professional support staff, SIS continues to blend new technologies, analytics, information gathering and investigative techniques in an increasingly international and ever-changing need.

Respectfully submitted,



Franklin J. Fabian
President



Highlights

❖ *Investigative Activity*

A snapshot of the investigative work conducted by SIS during 2007 reflects the majority involved the possession, use or sale of illegal, unlabeled and non-approved drug substances by Drivers/Trainers, vendors and veterinarians. SIS identified a number of substances administered horses pre-race; however, time-proven drugs are still in high demand. Information on suspected illegal drugs identified or obtained was shared with state and federal research laboratories and Dr. Scot Waterman, Executive Director, Racing Medication and Testing Consortium (RMTC). SIS was actively engaged in the identification of a number of individuals and businesses alleged to be illegally distributing these substances, and coordinated its efforts with investigators from the United States Food and Drug Administration (FDA)-Office of Criminal Investigations (OCI), State and local law enforcement agencies, and racing commission investigators.

Beyond equine drug matters, SIS agents addressed other significant matters including:

- Betting irregularities and suspected race fixing
- Licensed trainers acting as fronts for suspended individuals
- Searches and inspections for prohibited drugs and devices
- Hidden ownerships
- Employee theft of money
- Bookmaking at an off-track betting facility
- Assaults by licensees

By their very nature, SIS investigations are complex, typically multi-jurisdictional and almost always involve utilizing the investigative resources of law enforcement agencies. As a result, the disclosure of information regarding these investigations and the extent of SIS' participation in them is often limited due to law enforcement or grand jury restrictions. Additionally, racing/medication investigations involving law enforcement resources frequently do not progress as quickly as SIS would prefer, as law enforcement agencies have priorities apart from SIS investigations. The following exemplifies a variety of investigative and security efforts by SIS during 2007, notwithstanding its involvement in several protracted investigations which, at this time, cannot be disclosed:

- SIS developed a confidential source that identified an improper practice within a racetrack's Racing Office. This information was shared with executive management of the racetrack and ultimately led to the official being replaced.
- A SIS Agent assigned as Security Director of a racetrack assisted executive management in its internal investigation of the theft of \$77,564, which led to the arrest of a simulcast accountant for Theft by Failure to Make Required Disposition. The defendant was remanded to a county jail in lieu of \$50,000 cash bail; subsequently, he waived his right to a grand jury presentment and is awaiting sentencing in February 2008.
- Upon SIS developing information alleging a trainer as having a large amount of illegal or unapproved substances on his farm, SIS contacted racetrack management, which resulted in a collaborative investigative effort involving the racetrack's racing commission, state Attorney General's office, and various state and local law enforcement agencies. Upon subsequent execution of a search warrant by authorities, nine loaded syringes and 927 vials of medication were seized. Some of the vials and syringes field-tested positive for Epogen (EPO). Items seized were sent to the University of Illinois Circle Lab for laboratory testing. The trainer was suspended 180 days; criminal charges were filed and are pending.
- Working through a confidential source, SIS obtained a powdered substance, manufactured in China, alleged to be a form of EPO never before seen in the United States. Upon receiving the vial, all of the markings were in Chinese. SIS had the writing translated, and identified the manufacturer as being located in Shanghai, China. The administration directions, translated into English, read, "Inject to human body for red element." According to sources, "element" could be translated to "cell" in some Chinese dialects. It was also learned that Chinese medications tend to be much stronger than medications manufactured in the United States, as controls over the manufacturing of drugs within China are lacking. The substance was provided to the RMTC and the Pennsylvania State Horse Racing Commission laboratory,



West Chester Equine Toxicology. Subsequent testing confirmed the substance to be a powdered form of EPO. Further information regarding the drug confirmed it is approved for use in China.

- The distribution throughout the mid-west of a pre-race substance known only as “Blue Mix” came to the attention of SIS. Through investigation, SIS was able to obtain a sample of the substance, portions of which were provided to both the U.S. Food and Drug Administration’s regional laboratory and another laboratory for testing. Similarly, SIS learned of an individual distributing a product he claimed to be a “foot block” and, through a confidential source, purchased the product to facilitate testing. Through yet another investigation, SIS obtained a bottle alleged to contain the pharmaceutical version of Cone Snail Venom. The results of laboratory testing upon all of these substances are pending.
- SIS identified a trainer in New Jersey alleged to be giving pre-race administrations to his horses on race days. The Pennsylvania Harness Racing Commission was contacted and “specials” requested on two horses the trainer was racing the same day at Chester Downs. As a result, a post-race test conducted on one of the horses was positive for Hydroxy Cocaine and Benzoylcegonine. The horse was disqualified, the purse redistributed, and the trainer, in addition to forfeiting all purse money, was fined \$2000.

❖ *Information System*

The growing database within the TRPB/SIS Information System is the direct result of years of reporting, indexing and electronically storing all SIS case reports and intelligence memorandums; supplemental material received from racetrack security directors, racing commission officials and law-enforcement agencies; and a wide variety of print media articles to exacting standards by TRPB/SIS headquarters professional support personnel. When a request for information is received, the query that follows is made to a single, combined Information System; hence, an enhanced check is made for requestors regardless of the breed they represent. The segmenting of harness information within the Information System, however, is easily accomplished through the assignment of numeric identifiers.

During 2007, references and names not previously known to SIS, extracted from thousands of pages of documents generated or reviewed during the course of investigations, analysis or research, were added to the TRPB/SIS Information System. By year's end, the Information System contained in excess of 1.7 million references to more than 707,000 names of individuals, businesses, stables, horses, and drugs, as well as more than 603,000 unique incidents. Overall, the TRPB/SIS Information System has in excess of 4.7 million records located within a variety of storage mediums. Currently, eight internal servers are configured to handle all Information System operations and administrative functions of the headquarters office. Throughout the past year, TRPB continued its contract with a highly-regarded computer networking company, whose highly trained specialists provide a wide array of technology services, manage all aspects of the TRPB/SIS Information System, and develop future improvements. As important, they ensure the Information System is protected from hackers, spyware, and viruses by employing the latest in firewall and system security software.

The TRPB/SIS Information System is designed to capture and disseminate information vital to the interests of racing and wagering. During 2007, more than 10,300 requests for information were received telephonically, via email, or through secure Internet access from TRPB and SIS agents, as well as racetrack security directors. Each was processed promptly by highly trained research assistants at TRPB/SIS headquarters. In addition to requests for information, the distribution of data, reports and intelligence by TRPB/SIS headquarters staff to TRA/HTA-member racetrack associations and USTA is standard procedure. Reports or notices pertaining to racetrack exclusions; completed investigations; security breaches, incidents, or alerts; fugitive bulletins; and results of nationwide racetrack surveys conducted by SIS or TRPB are provided to racetrack managers, security directors, and TRPB/SIS Agents.

Requests for information from TRPB/SIS often cover a wide range of racing or wagering-related matters, thus necessitating searches far beyond what is contained within the Information System. To enhance information capabilities, daily reviews of more than 30 news publications and on-line news and industry sources are conducted by headquarters personnel. Additionally, conditioned and contractual access has been established with 18 outside database resources, which has proven particularly useful when conducting background checks on individuals or due diligence reviews.



Racetrack security directors have been advised a TRPB/SIS file check is the recommended first step in conducting an investigation or due diligence background review. Frequently, the information produced is sufficient to enable the track to take pre-emptive action and avert potential problems.

During 2007, an increasing number of racetrack managers and security directors contacted TRPB/SIS regarding assistance in sensitive areas, including background checks on prospective employees and racing participants, equine drugs and testing, or on issues pertaining to wagering activity at secondary retail outlets. Throughout the year, a number of racetrack associations have expanded the exportation of their product to geographic areas outside North America. Information relevant to racing, wagering, and the regulatory environment in a number of these foreign locations, gathered by TRPB/SIS and contained within its Information System, has become of increasing value.

❖ *Wagering Integrity Unit*

SIS/TRPB, through its Wagering Integrity Unit, continues to share its extensive knowledge of pari-mutuel wagering and totalisator operations by providing analytical products, presentations, and consultation to TRA and HTA-member racing associations, USTA, the National Thoroughbred Racing Association (NTRA), and domestic and international regulatory and law enforcement organizations.

Select accomplishments of the Wagering Integrity Unit during 2007, and an analysis reflecting the basis upon which 29 wagering investigations were initiated therein, are summarized as follows:

- 11 wagering investigations were initiated by TRPB or SIS agents, six of which concluded by year's end; five investigations remain open and are the subject of further investigation, analysis, or monitoring.
- Seven additional wagering investigations were initiated at the request of TRA-member racetrack associations, the results of which have been detailed in a written report and provided to the respective racetrack.

- Six additional wagering investigations were initiated upon requests from four racing commissions, the results of which were disseminated to regulators through, or with the concurrence of, their respective TRA-member racetrack.
- Four additional wagering investigations were initiated as a result of information from confidential sources, one of which remains under investigation. One additional wagering investigation was initiated upon information provided by a federal law enforcement agency.
- At the request of federal prosecutors, wagering analysis was conducted, and graphic displays developed and utilized by a TRPB wagering analyst to assist prosecutors in their presentation of wagering evidence to jurors.
- Upon the request of the California Attorney General's Office - Department of Justice, extensive wagering analysis was conducted and testimony provided at trial by TRPB/SIS' Director of Wagering Analysis in the matter of "*People v. Daniel Maier, et al.*" This compelling evidence significantly contributed to Maier being convicted of bribery to affect the outcome of a horse race, conspiracy and grand theft; all felony offenses. It is believed to be the first successful prosecution of a race-fixing case in California.
- A comprehensive due diligence report detailing all aspects of an off-shore SPMO's ownership, business operation, and regulatory oversight was completed and distributed to HTA and TRA-member associations having, or considering, a contractual relationship with the SPMO.

In March 2006, the TRA/TRPB Boards of Directors approved and funded TRPB's "Betting Analysis Project," the goals of which are to collect and analyze wagering information on a near-real time basis from TRA-member (and select HTA-member) racetrack associations; develop historical patterns of wagering to model betting activity at each location; identify wagering events requiring further investigation; identify new information streams to discern actions of industry participants; and deliver integrity tools to monitor wagering and participant activity.



To meet these objectives, TRPB, in collaboration with InCompass Solutions and The Jockey Club Technology Services, (both companies within The Jockey Club family of companies), developed specialized software and processes which now enable TRPB to import, validate, and aggregate the wagering data included within the TRA settlement file (the standard for accounting reconciliations between simulcast locations and utilized almost universally throughout the pari-mutuel industry). This data represents wagering activity from all TRA-member racetrack associations during their live race meetings, and includes over 1,100 retail locations wagering on host tracks' races.

Advanced analytics are now leveraged against wagering activity models for each wagering location, and betting anomalies (referred to as "alerts") identified through this autonomous process undergo further analysis by a TRPB wagering analyst. When appropriate, this analysis results in continued monitoring or a thorough investigation. A sample of the 13 wagering alerts during 2007 identified the following conditions:

- High payout amount, totaling a very large percentage of the pool, to four SPMO locations
- Unauthorized wagering by one SPMO location on a number of TRA-member racetrack locations through an advance deposit wagering (ADW) company
- Larger-than-normal negative money room settlements resulting in a TRA-member association's concern that an ADW company was conducting or facilitating batch wagering.
- On four occasions, larger-than-normal negative money room settlements as a result of an off-track betting (OTB) location wagering on four different TRA-member racetrack associations. Analysis by TRPB determined batch betting was being facilitated, in violation of the OTB's simulcast contract with at least one host racetrack.

Additional TRPB/SIS or industry initiatives undertaken by TRPB/SIS Wagering Integrity Unit personnel during 2007 included:

- ❑ Coordinate the industry's Wagering Transmission Protocol (WTP) Standards Committee, which developed and finalized a WTP pilot project for implementation in 2008. (WTP 1.0 is available for review and commentary at www.tra-online.com.)
- ❑ Participated in the TRA-sponsored "*Guaranteed Odds*" workshop
February, 2007 Baltimore, MD
- ❑ Served on the International Federation of Racing Authorities Technical and Tote Business Committees
- ❑ Presented "*Conducting Wagering Investigations; Current Wagering Issues*" at the Organization of Racing Investigators' Annual Conference
March, 2007 Oklahoma City, OK
- ❑ Testified as an expert witness for Arlington Park before an Illinois Racing Board Administrative Hearing regarding the exclusion of a jockey.
April, 2007 Chicago, IL
- ❑ Presented "*Conducting Wagering Analysis Investigations*" at the United States Trotting Association's Judge's Accreditation School
June, 2007 Columbus, OH
- ❑ Presented "*Benchmarking the Effectiveness of Tote Collation in the Win Pool and the Generation of Odds*" at the TRA/HTA International Simulcast Conference
September, 2007 Kansas City, KS
- ❑ Presented a "*Late Odds Shift*" wagering analysis report to the California Horse Racing Board
October, 2007 Arcadia, CA
- ❑ Presented "*Conducting Wagering Analysis Investigations*" at the University of Louisville's Steward's Accreditation School
October, 2007 Louisville, KY



-
- ❑ Co-chaired TRA2020, which this year included organizing and participating in the “*ITSP International Summit*” at the 2007 University of Arizona’s Racing and Gaming Symposium
December, 2007 Tucson, AZ

The services provided by the TRPB/SIS Wagering Integrity Unit are available on a strictly confidential basis to all TRA and HTA-member racetrack associations.

❖ ***RMTC and Backstretch Security/Training***

TRPB/SIS and the TRA/HTA and USTA continue to support the efforts of the Racing Medication and Testing Consortium (RMTC), whose objectives include bringing uniformity and accountability to the medication of horses, while detecting and preventing improper pre-race administrations. During 2007, collaborative projects between the TRPB/SIS and RMTC have resulted in the dissemination of information pertaining to:

- New training tools and programs for racetrack security personnel
- Pre-race security methods and recommendations
- Intelligence on new drugs (including samples and dose instructions)
- TRPB’s toll-free Integrity Hot Line telephone number

This was the third year agents from both TRPB and SIS supported the RMTC’s “Big Event Team” (BET), created to provide enhanced security capabilities to racetracks hosting a significant racing event. TRPB has been responsible for coordinating and supervising all BET activities at racing venues requesting and obtaining RMTC approval to utilize BET services.

TRPB/SIS assistance to a BET-approved venue includes a pre-event, on-site coordination visit with the host track security director, during which a review of the racetrack’s backstretch facilities and procedures is conducted and security resources identified. The BET typically arrives two to four days in advance of the racing event. The TRPB/SIS BET supervisor ensures team members comply with state licensing and racetrack credential requirements, meet with the host-track security director and management officials, discuss rules and medication issues with stewards, fully communicate and implement the security operational plan, conduct a post-operational briefing, and prepare written reports for distribution to the RMTC, host track management, state racing commission, and other recipients as appropriate.

In 2007, the BET participated in 14 racing events: Santa Anita Derby (Santa Anita), Kentucky Oaks and Kentucky Derby (Churchill Downs), Preakness Stakes (Pimlico), Belmont Stakes (Belmont Park), Colonial Turf Cup (Colonial Downs), Virginia Derby (Colonial Downs), Hambletonian Oaks and Hambletonian (The Meadowlands), Haskell (Monmouth Park), Travers Stakes (Saratoga), The Jugette and Little Brown Jug (Delaware County Fair), Breeders' Cup (Monmouth Park), Pacific Classic (Del Mar), West Virginia Breeder's Classic (Charles Town Races and Slots), and the California Cup (Oak Tree Racing Association). At each event, the BET was well received by horsemen, racetrack management, commission personnel, and the wagering public aware of its presence; its contribution towards maintaining the integrity of racing through enhanced backstretch security measures proved most significant.

In refocusing the RMTC's objectives, the RMTC Board of Directors agreed that after three years of funding the BET program, its goals of providing racetracks an enhanced security and investigative capability, as well as providing training and best practices, had been achieved. Over the course of the 3-year period, the RMTC dispatched its teams to 42 events at 17 venues throughout North America. Moving forward, TRPB/SIS will continue to assemble and dispatch a BET to any racetrack association desirous of the team's services and willing to assume its expense, and will remain a resource for the RMTC in pre-race substance investigations.

For the seventh consecutive year, SIS was entrusted with management of The Red Mile's retention barn and security program during its fall Grand Circuit race meeting, which was accomplished by SIS/TRPB Supervisory Agent Pete Lang.

Likewise, Monticello Raceway requested SIS assist in creating a 24-hour detention barn and security training program. SIS agents responded, set up the detention barn, developed best-practices, and supervised its 24-hour operation. Through working with racetrack management, security personnel and horsemen, the project proved most successful, and its effectiveness complimented by all participants.



Upon the Judges at Pompano Park receiving information that a trainer had treated his horse in the Paddock the previous night, and then went on to finish 1st in his race, management at Pompano Park requested a SIS Agent assist Pompano security personnel in the search of the trainer's truck and trailer. The search was conducted and produced two equine drugs, as well as a sedative prescribed for the trainer's girlfriend. The Judges referred the case to the Florida Division of Pari-mutuel Wagering for action, and the trainer was fined.

❖ *Industry Efforts and Liaison*

TRPB/SIS is recognized domestically and internationally for its expertise in all facets of racing and wagering integrity and security. TRPB cooperates fully with requests received through working partnerships it has forged over the years with:

- Law enforcement agencies at every level
- Investigators representing state and provincial racing commissions and boards
- RMTC
- CPMA
- University of Louisville Stewards/Judges School
- Organization of Racing Investigators (ORI)
- Ontario Racing Commission and Ontario Provincial Police
- Federal Bureau of Investigation
- New Jersey State Police – Horse Racing Squad
- U.S. Food and Drug Administration – Office of Criminal Investigations
- New South Wales Harness Racing Regulatory Authority
- Office of Gaming and Racing, Department of Justice, Victoria, AU

One example of TRPB/SIS providing assistance to an international racing organization occurred during June, 2007. Western Australia racing authorities began an investigation into the activities of trainer-driver Clinton Hall, upon receiving information Hall was accepting deliveries of illegal racing medications; specifically, EPO. Authorities conducting surveillance of Hall in Australia observed him receive a package at the local post office. Thereafter, authorities approached Hall and requested he open the package. Upon doing so, it was determined the package contained eight syringes of a substance later identified as EPO. Shortly after confronting Hall, it was

determined he made several telephone calls, one of which was to an Australian driver racing in New Jersey. SIS Vice President Jim Gowen contacted Western Australia authorities, with whom he had a working relationship, and offered the services of SIS. A subsequent request was made for SIS to interview the Australian driver racing in New Jersey. The driver was interviewed by Gowen and SIS Agent Bill Wikoff, the results of which were forwarded to Western Australia authorities. The investigation resulted in Clinton Hall receiving a five-year disqualification.

In addition to racing-related investigations which TRPB/SIS periodically conducts in concert with the Federal Bureau of Investigation, TRPB/SIS has expanded this relationship through participation in a national program of increasing importance.

“InfraGard” is a partnership between the FBI and the private sector wherein its membership, comprised of businesses, academic institutions, state and local law enforcement agencies, and other participants, shares information and intelligence to prevent hostile acts against the United States. InfraGard Chapters are geographically linked with FBI Field Office territories, and each has an FBI Special Agent Coordinator assigned to it who works closely with FBI Headquarters in Washington, D.C. Although initially focused on cyber-related areas, after the September 11, 2001 terrorist attacks, InfraGard expanded its mission to include an exchange of information concerning various terrorism, intelligence, criminal, and security matters. InfraGard members are able to access information which enables them to better protect their assets and, in turn, give information to the government which facilitates its responsibility to prevent terrorism and other crimes. Increased information-sharing at national and local levels provides InfraGard members value-added advisories, alerts, and warnings with respect to threats to critical infrastructures, vulnerabilities, and interdependencies. TRPB/SIS, through its president, is proud to have been accepted this year as a member of the Wilmington, Delaware chapter of InfraGard.

Given its subject matter expertise and unparalleled Information System, TRPB/SIS is clearly the racing industry’s pre-eminent resource on security and integrity matters.