



ANNUAL REPORT 2009

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TRPB is a wholly-owned subsidiary of the Thoroughbred Racing Associations of North America, Inc. (TRA) and was incorporated on January 30, 1946 in the State of New York

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TABLE OF CONTENTS

Foreword.....	3
Highlights.....	5
<i>Investigative</i>	5
<i>Information System</i>	5
<i>Other Member Service</i>	7
<i>Wagering Integrity Unit</i>	8
<i>Drugs & Medication</i>	13
<i>Standardbred Investigative Services (SIS)</i>	15
<i>Industry Efforts and Liaison</i>	16
TRA-Member Tracks.....	17

Foreword

With the submission of this year's annual report, TRPB concludes its 63rd year in service to its corporate ownership, the Thoroughbred Racing Associations of North America, for whom it serves as the racing industry's only privately-owned investigative, security, and analytic resource.

The past year has been a difficult one, as ever-challenging economic times have taken their toll on every aspect of racing. Record unemployment, home foreclosures and overall loss of personal wealth, combined with ever-increasing competition from alternative gaming opportunities and a public loss of confidence in pari-mutuel wagering, have all contributed to the approximate \$1.25 billion year-over-year decrease in wagering on Thoroughbreds throughout North America. The effect of this downward spiral in betting and uncertainty of near-term economic recovery has impacted business operations throughout the TRA-membership, to which TRPB has likewise responded.

In late 2009, the TRPB board of directors approved my recommendation to realign TRPB resources to more efficiently and effectively address the growing concern of the TRA membership with regards to wagering integrity and tote security. Building upon its highly-successful Betting Analysis Platform, by year's end TRPB's Wagering Integrity Unit, in concert with its vendors, had already achieved substantial benchmarks in the development of both wagering analytic products and a parallel tote infrastructure. Upon implementation in 2010, these initiatives will provide host racetrack associations with wagering and retailer transparency heretofore obscured from their view.

Focusing financial and personnel resources on the expansion of data-oriented, analytic and information management services is a departure from TRPB's long-established tradition of policing the backstretch of America's racetracks. Nonetheless, for TRPB to remain viable in future years, given the almost certainty of fewer operating TRA-member racetracks, it must begin the process of developing a book of business outside of the TRA membership from which revenue streams will flow.

I am proud of TRPB's accomplishments throughout this past year, a number of which are set forth in this report. TRPB's demonstrable record of successful performance is unparalleled in the industry, and is wholly-attributed to a dedicated staff of seasoned investigators, analysts, and professional support personnel.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Franklin J. Fabian". The signature is written in a cursive style with a large initial "F" and a long, sweeping underline.

Franklin J. Fabian
President

Highlights

❖ Investigative

As the sole investigative and security arm representing the Thoroughbred Racing Associations of North America, TRPB remains vigilant in its efforts to recognize quickly and respond to schemes detrimental to the industry and its integrity, as well as to identify new threats and vulnerabilities.

Through the offering of a national toll-free telephone number, 1-866-TIP-TRPB, TRPB efforts toward safeguarding and promoting integrity in racing have been advanced. A campaign sponsored by the Racing Medication and Testing Consortium three years ago, wherein posters and advertisements were provided to racetracks by the RMTTC for conspicuous placement on their properties and in their daily racing programs, continues to reap benefits. The increased utilization of this resource by racing participants has resulted in serious allegations regarding horse abuse, the administration of illegal race-day drugs, and other illicit activity being reported for follow-up review and investigation.

❖ Information System

The TRPB's Information System, continuously maintained since 1946 to exacting standards by TRPB headquarters professional support personnel, is central to all investigative activity conducted by TRPB and a tremendous resource to its authorized users. There is no other national data repository or agency within the Thoroughbred racing industry that collects, catalogues, and disseminates racing and wagering investigative, intelligence, and security information.

Information received at TRPB headquarters is gathered from a variety of racing sources, including TRPB field agents, racetrack security directors and racing commission investigators. During 2009, references and names not previously known to TRPB, extracted from documents generated or reviewed during the course of investigations, analysis or research, were added to TRPB's Information System.

By the end of 2009, TRPB's Information System contained in excess of 1.7 million references to more than 709,000 names of individuals, businesses, stables, horses, and drugs, as well as more than 604,000 unique incidents. Overall, TRPB's database has in excess of 4.7 million records located within a variety of storage mediums. Currently, ten internal servers, (with one hosting four virtual servers), are configured to handle all Information System operations and administrative functions of the headquarters office. In 2008, TRPB contracted with a highly-regarded Delaware-based Information Technology company, whose specialists provide a wide array of technology services, manage all aspects of TRPB's 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 Information System is designed to capture and disseminate information vital to the interests of racing and wagering. During 2009, requests for information received telephonically, via email, or through secure Internet access from TRPB agents and racetrack security directors were processed promptly by highly trained research assistants at TRPB Headquarters. In addition to requests for information, the distribution of data, reports and intelligence by TRPB headquarters staff to TRA-member tracks is standard procedure. On a regular basis, reports or notices pertaining to racetrack exclusions; completed investigations; security breaches, incidents, or alerts; fugitive bulletins; and results of TRPB-conducted nationwide racetrack surveys are provided to racetrack managers, security directors, and TRPB agents.

Requests for information from TRPB often cover a wide range of racing or wagering-related matters, thus necessitating searches far beyond what is contained within the TRPB Information System. To enhance information capabilities, daily reviews of on-line news and industry sources are conducted by headquarters personnel, with relevant articles electronically marked for indexing and imported into the TRPB Information System. Additionally, conditioned and contractual access has been established with highly-regarded proprietary business and public-source 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 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. Through its “batch query” process, TRPB is able to quickly respond to requests by TRA-member associations by comparing hundreds, even thousands, of names and associated biographical data, provided electronically in a structured format, to information contained within the TRPB Information System. This process is of particular importance to associations needing to vet the names of hundreds of temporary contract or vendor-supplied employees, typically the case at major race venues, such as the Triple Crown or Breeders’ Cup events.

During 2009, an increasing number of racetrack managers and security directors contacted TRPB regarding assistance in sensitive areas, including background checks on 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 and contained within its Information System, has become of increasing value.

❖ *Other Member Services*

TRPB has a wide array of specialized services available to TRA-member racing associations. Its experience in conducting racing, wagering and due-diligence investigations; performing racetrack operations and stable security surveys; providing on-track oversight of security operations during major racing events; and consulting with racetrack management and security directors on security, investigative, and training issues makes TRPB an unrivaled choice to address a racetrack’s security needs.

A major integrity component of TRPB is its service of tattooing Thoroughbred horses, the preferred means of race-day identification in most racing jurisdictions throughout North America. This secure means of

identification is a cornerstone of racing integrity. TRPB's tattoo branding program is managed closely by TRPB Vice-President James Gowen, with assistance from headquarters administrative personnel.

In 2009, TRPB technicians applied in excess of 26,800 lip tattoos to horses stabled at every North American racetrack and an additional number of fairs, farms, and training centers. The sheer volume of tattoo branding could not be completed without a corps of 62 dedicated technicians who function as independent contractors. Most technicians have, or previously have held, full-time positions as racing officials, starters, valets, trainers, or exercise riders.

The close link between The Jockey Club Certificate of Foal Registration number and a horse's tattoo brand has served to bond The Jockey Club and TRPB on matters relating to horse identification. Historically, TRPB has worked with The Jockey Club to improve efficiency in its record keeping. For example, when The Jockey Club sought a method to enable it to reflect gelding information, TRPB quickly cooperated by creating a field for computer entry of this data. An additional step of having technicians mark a horse's certificate if gelded was also instituted at The Jockey Club's request.

In an effort to further integrate TRPB tattoo information into The Jockey Club database, a direct pathway into TRPB's tattoo database enables The Jockey Club to import select information pertaining to the horse's tattoo number and date of application. As a consequence, this information is more readily available to racetrack horse identifiers through the racetrack's access to The Jockey Club's "Race Track Operations" program. Future plans include the expansion of this access to include digitized photographs of the horse's tattooed lip, and a digitized copy of the branding report prepared by the TRPB tattoo technician at the time the tattoo was applied.

❖ Wagering Integrity Unit

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-member

racing associations, the National Thoroughbred Racing Association (NTRA), Harness Tracks of America (HTA) members*, and domestic and international regulatory and law enforcement organizations.

Select accomplishments of the Wagering Integrity Unit during 2009, and the basis upon which 24 wagering investigations were initiated therein, are summarized as follows:

- one wagering investigation was initiated by TRPB or SIS agents, which concluded by year's end
- two 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
- five wagering investigations were initiated by TRPB as a result of failures to stop betting at the start of the race
- 11 wagering investigations were initiated at TRPB headquarters, resulting from an alert through the Betting Analysis Platform
- four 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
- one wagering/totalisator investigation was initiated at the request of the affected tote company, the results of which were disseminated to the tote company and its client racetrack

* Wagering integrity services provided through Standardbred Investigative Services (SIS), an internal sub-division of TRPB under contractual agreement with HTA and United States Trotting Association (USTA).

- Comprehensive due diligence reviews regarding The Elite Turf Club (Curacao, N.V.) and Racing & Gaming Services (St. Kitts, Eastern Caribbean), detailing all aspects of their ownership, business and technical operations, and regulatory oversight were completed, and reports reflecting this information were distributed to select TRA-member racetrack associations and their regulators.

In 2006, the TRA/TRPB Boards of Directors approved and funded TRPB's Betting Analysis Project (BAP), the goals of which are to collect and analyze wagering information on a near-real time basis from TRA-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.

By year's end, TRPB completed its third autonomous query within the BAP, incorporating algorithms which trigger betting alerts based upon win odds fluctuation during each of the last seven tote cycles; the amount of change per runner in the final odds cycle; and the amount of total change per runner from the start of the seven tote cycles compared to the final cycle. This query compliments two other queries within the BAP, which measure atypical variances by betting location, and prices falling outside pre-defined confidence intervals.

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. During 2009, the Betting Analysis Project generated alerts on wagering associated with 656 races on 533 race cards. Of these 533 race cards alerts, 428 were generated through the Pari-Mutuel Price Estimate module; and 160 were generated through the Location Variance Report module. The alerts involved 46 host racetrack associations and 99 pari-mutuel retail locations or account wagering companies. After triage by TRPB wagering analysts, 11 of these alerts triggered the opening of a TRPB wagering investigation.

A sampling of wagering alerts during 2009 revealed them to have been the result of:

- Lower than expected pay-outs, resulting in racing commissions, racetracks, or bettors contacting TRPB, requesting wagering analysis be conducted
- Tote company or racetrack internal communication failures, which resulted in failures to stop betting at the commencement of a race
- Large negative money-room settlements, which resulted in TRA-members requesting TRPB review wagering from specific secondary retail locations
- A tote company command error during the implementation of a \$0.50 Pick-4 wager, resulting in handle and pricing errors in a number of member tracks' pools

Given its success, the *Betting Analysis Project* was renamed the *Betting Analysis Platform* to more accurately reflect its permanency in TRPB's wagering integrity toolset, from which future wagering alerts will be launched.

Other TRPB or industry initiatives undertaken by TRPB Wagering Integrity Unit personnel during 2009 included:

- Served on the International Federation of Racing Authorities Technical and Tote Business Committees
- Presented “*Conducting Wagering Analysis Investigations*” at the University of Arizona Steward Accreditation School
January, 2009 Vinton, LA
- Presented “*TRPB Betting Analysis Update*” to the Canadian Pari-Mutuel Agency (CPMA) executive management
January, 2009 Ottawa, ON
- Presented “*Conducting Wagering Analysis Investigations*” at the Stewards’ and Judges’ Round Table Meeting
February, 2009 Stanton, DE
- Presented “*Conducting Wagering Analysis Investigations*” at the University of Louisville Steward Accreditation School
March, 2009 Louisville, KY
- Co-chaired the TRA2020/TRA Technical Committee
March, 2009 Grand Prairie, TX
October, 2009 Saratoga Springs, NY
- Presented “*The Case for Decimal Odds*” to the California Horse Racing Board (CHRB)
July, 2009 Del Mar, CA
- Presented “*TRPB’s Betting Analysis Project - Conducting Wagering Analysis Investigations*” to the FBI Cryptanalysis & Racketeering Records Unit
July, 2009 Quantico, VA
- Presented “*Simulcasting 101*”, “*Close Betting Failure Protocols*”, and “*Betting Analysis/Late Odds Shifts*” at the TRA/HTA International Simulcast Conference
October, 2009 Saratoga Springs, NY

- Presented “*Conducting Wagering Analysis Investigations*” at the University of Louisville Steward Accreditation School November, 2009 Louisville, KY
- Coordinated the International Tote Protocol Group Annual Meeting December 2009 Tucson, AZ

The services provided by TRPB’s Wagering Integrity Unit are available on a strictly confidential basis to all TRA-member racetrack associations.

❖ *Drugs & Medication*

TRPB and the TRA 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 2009, continued collaborative projects between the TRPB and RMTC have resulted in the dissemination of information pertaining to:

- Training tools and programs for racetrack security personnel
- Pre-race security methods and recommendations
- Intelligence on new drugs
- TRPB’s toll-free Integrity Hot Line telephone number

In 2008, TRPB assumed financial responsibility for its “Big Event Team” which, for the previous three years, was funded by the RMTC. Created to provide enhanced security capabilities to racetracks hosting a significant racing event, TRPB coordinates and supervises all BET activities at TRA or HTA-member racetracks requesting assistance.

TRPB assistance to a BET 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 BET supervisor ensures team members comply with

state licensing and racetrack credential requirements, meets with the host-track security director and management officials, discusses rules and medication issues with stewards, fully communicates and implements the security operational plan, conducts a post-operational briefing, and prepares a written report for distribution to host track management, state racing commission personnel, the RMTC, and other recipients as appropriate.

In 2009, the BET participated in 13 racing events: Million Dollar Day (Charles Town Races and Slots); Kentucky Oaks and Kentucky Derby (Churchill Downs); Belmont Stakes (Belmont Park); Red Legend (Charles Town Races and Slots); Delaware Handicap (Delaware Park), Hambletonian Oaks and Hambletonian (The Meadowlands), Haskell (Monmouth Park), The Jugette and Little Brown Jug (Delaware County Fair), Travers (Saratoga Race Course), Festival of the Sun (Calder Race Course); Breeders' Cup (Oak Tree at Santa Anita Park), the Oaks (Charles Town Races and Slots), and the Florida Million (Calder Race Course). At each event, the BET was well received by horsemen, racetrack management, and commission personnel; its contribution toward maintaining the integrity of racing through enhanced backstretch security measures proved significant.

Since its inception in 2005, BET members have been dispatched to 66 events at 19 venues throughout North America. TRPB will continue to assemble and dispatch a BET to any racetrack association desirous of the team's services (within funding capabilities).

Throughout 2009, TRPB agents also supported industry initiatives through their participation in the following:

- Serving in leadership positions within the Organization of Racing Investigators (ORI)
- Presented "*Backstretch Security Best Practices and Procedures*" at the University of Arizona Steward Accreditation School
January, 2009 Vinton, LA

member racetrack associations to assist in the training of security supervisors and guard personnel. Such training involves the use of an up-to-date DVD and related published training materials, developed by TRPB and SIS in conjunction with the RMTC, which may be supplemented with “hands-on instruction” by SIS personnel in the areas of medication inspection and pre-race substance detection; barn security and safety inspections; paddock security on racing and dark days; interaction with practicing veterinarians and veterinarian vehicle inspections; and procedures for performing entry gate inspections of horse transport vehicles.

❖ *Industry Efforts and Liaison*

TRPB 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
- The Jockey Club
- CPMA
- The Winners Federation
- University of Louisville Steward’s School
- Organization of Racing Investigators
- The Jockey Club (United Kingdom)
- British Horseracing Authority
- France Galop
- Hong Kong Jockey Club
- Racing Victoria
- International Federation of Horseracing Authorities
- University of Arizona Race Track Industry Program

TRA-Member Tracks

Aqueduct	Kentucky Downs
Arlington Park	Laurel Park
Atlantic City Race Course	Lone Star Park at Grand Prairie
Belmont Park	Louisiana Downs
Beulah Park	The Meadowlands
Calder Race Course/Tropical Park	Monmouth Park+
Canterbury Park	National Steeplechase Association
Charles Town Races & Slots	Oaklawn Park*
Churchill Downs	Oak Tree Racing Association*
Colonial Downs	Philadelphia Park*
Delaware Park +	Pimlico
Del Mar Thoroughbred Club	Portland Meadows
Ellis Park	Prairie Meadows Racetrack and Casino
Fair Grounds	Remington Park
Finger Lakes*	Sam Houston Race Park*
Fonner Park	Santa Anita Park*
Gulfstream Park	Saratoga Race Course
Hastings Racecourse	Tampa Bay Downs+
Hawthorne Race Course	Thistledown
Hollywood Casino	Timonium
@Penn National Race Course/Mountainview	Turfway Park
Horsemen's Park	Woodbine Racetrack
Keeneland*	

*Security and/or Policing Supervised Whole or in Part by TRPB Agent
+ Stable Area Security-Policing Supervised by TRPB Agent