

ANNUAL REPORT 2010

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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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Thoroughbred Racing Protective Bureau

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Robert A. McTamaney

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Foreword

In submitting this year's annual report to the TRA Board of Directors, I am particularly proud of TRPB's accomplishments over the past year, and most optimistic as to the corporate direction these efforts will enable TRPB to chart over the coming years.

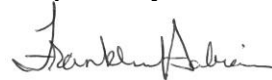
Notwithstanding the many challenges facing racetrack member associations within the Thoroughbred Racing Associations of North America (TRA), the corporate parent of TRPB, on December 21, 2010, the TRA Board of Directors, by unanimous vote, approved TRPB moving forward with the development and implementation of its latest and, in my opinion, most significant contribution to both the TRA membership and racing and wagering enthusiasts – the TRPB Tote Security Initiative.

The goals of this initiative, once achieved, will provide TRA-member racetrack associations with a degree of wagering transparency and security over many Race Day Control functions heretofore obscured from view or beyond reach. The production and dissemination of real-time decimal odds will enable TRA-member associations to display more accurate and timely wagering information to bettors. Additional information regarding this initiative is contained within this report.

Beyond advancing much-needed improvements, the TRPB Tote Security Initiative, like its 2006 predecessor, the TRPB Betting Analysis Platform, is another example of TRPB's ability to identify, develop and deliver products and services which impact favorably upon its corporate owners' business operations. And in doing so, TRPB's maturation as a cutting-edge provider of analytic, tote security and information management services advances, as well.

The accomplishments achieved throughout this year were the result of a dedicated staff of investigative, analytic and administrative professionals at TRPB, each of whom I am, likewise, particularly proud.

Respectfully submitted,



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 continues to advance efforts toward safeguarding and promoting integrity in racing. A campaign sponsored by the Racing Medication and Testing Consortium resulted in posters and advertisements being provided to racetracks for conspicuous placement throughout their properties and in daily racing programs. 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 to TRPB for follow-up review or 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.

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. TRPB

continues to utilize the contracted services of a well-regarded Delaware-based Information Technology company, whose highly-trained 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. In addition to responding to requests for specific information, the distribution of data, reports and intelligence by TRPB headquarters staff to TRA-member tracks is standard procedure. 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 and security directors.

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 completing due diligence examinations.

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 2010, racetrack managers and security directors continued to utilize TRPB as a resource when conducting background checks on racing participants, queries regarding equine drugs or 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 2010, TRPB technicians applied in excess of 25,137 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 65 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, and to improve efficiency in record keeping.

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's 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, industry organizations, and domestic and international regulatory and law enforcement agencies.

The Betting Analysis Platform (BAP), created in 2006, facilitates TRPB's ability to collect and analyze wagering information from TRA-member racetrack associations on a near-real time basis; 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.

Utilizing specialized, proprietary software and processes, TRPB imports, validates, and aggregates 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.

Thereafter, through an autonomous process, the BAP applies complex, proprietary algorithms to wagering data which, in turn, identify betting anomalies (referred to as "alerts") based upon (1) atypical variances in cashing by betting location; (2) prices falling outside pre-defined confidence intervals; and (3) 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.

Based upon the criteria identified above, during 2010, the BAP generated 2,701 alerts on wagering associated with races hosted by 40 TRA-member racetrack associations. Extensive triage of each alert by highly-experienced TRPB wagering analysts resulted in nine events requiring extensive scrutiny. Five wagering investigations were also initiated during the year, three of which were the result of an error in tote or wagering communication protocol.

In December 2009, the TRPB Board of Directors approved TRPB's development of a business plan detailing its proposed Tote Security Initiative (TSI), to which much of TRPB's resources were leveraged throughout the past year. The impetus for TSI stemmed from an increasing lack of public confidence in the current tote system, in large part due to a series of tote system communication failures throughout 2009, resulting in failures of host racetrack wagering pools to close prior to the start of a race. Late-odds shifts inherent within Inter-Tote System Protocol (ITSP), which promulgates odds throughout the network in cycles taking as long as 60-seconds to refresh, fueled this perception and exacerbated the frustration of bettors.

The centerpiece of TSI is the TRPB Tote Security System, a communication and database platform designed to operate parallel to, but independent of, ITSP. Host racetrack associations participating on the TRPB Tote Security System will be able to better-manage central Race Day Control security and transparency over their entire pari-mutuel network, through their ability to:

- *Ensure* all stop-betting commands are immediately disseminated throughout the simulcast network;
- *Authenticate* each simulcast retailer's participation in a Host racetrack association's races;
- *Verify* execution of all essential Race Day Control functions from every tote within the network;
- *Audit* bet detail for scan Pick-n pools on a leg-by-leg basis.

Other important goals to be achieved through the TRPB Tote Security System include the ability to:

- Produce and disseminate real-time decimal odds
- Provide a reasonable, measured and viable alternative to wagering monitoring systems being mandated or considered by regulators in an increasing number of racing jurisdictions
- Expand betting markets and facilitate the development of wagering opportunities

On December 21, 2010, the TRA Board of Directors, by unanimous vote, approved TRPB's moving forward with its vendors in the development and implementation of the TRPB Tote Security System. Vendors include The Jockey Club Technology Services, Inc., InCompass Solutions, Inc., Roberts Communications Network, Inc., as well as AmTote International, United Tote Company, Sportech Racing LLC, and Las Vegas Dissemination Company. It is estimated the network will be fully-operational during early 2013.

Other TRPB or industry initiatives undertaken by TRPB Wagering Integrity Unit personnel during 2010 included:

- Presented "*Overview of TRPB Services and Wagering Integrity Issues*" at the request of the Federal Bureau of Investigation (FBI) to

Beaumont Park is a recently-completed thoroughbred race course, located in Dieppe Bay, St. Kitts, having a proposed OTB facility in Basseterre.

A report was requested by 29 TRA-member associations.

- August 2010 - AmWest Entertainment LLC/AmWest Entertainment OTB

AmWest Entertainment LLC is a Kentucky-headquartered company, which operates South Dakota-licensed OTB facilities and an Oregon-licensed account wagering company.

A report was requested by 32 TRA-member associations and six regulatory agencies.

- November 2010 – Avatar Ventures LLC

Avatar Ventures LLC is an Ohio-headquartered company, which operates account wagering under a North Dakota Simulcast Service Provider license.

A report was requested by 21 TRA-member associations and six regulatory agencies.

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 2010, 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
- TRPB’s toll-free Integrity Hot Line telephone number

During 2010, TRPB continued to make available to TRA-member racetrack associations its “Big Event Team (BET),” created in 2005 to provide enhanced security capabilities to racetracks hosting a premier racing event.

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 TRPB BET supervisor ensures team members comply with state licensing and racetrack credential requirements, coordinates with the host-track security director and management officials, discusses rules and medication issues with stewards, implements an approved security operational plan, conducts a post-operational briefing, and prepares a written report for distribution to host track management.

Since its inception in 2005, BET members have been detailed to 73 events at 19 venues throughout North America. TRPB will assemble and dispatch a BET to any racetrack association desirous of the team’s services (within funding limitations).

Throughout 2010, 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 Louisville’s Racing Officials Accreditation Program
March, 2010 Tampa, FL

❖ 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 (England)
- British Horseracing Regulatory Authority
- France Galop
- Hong Kong Jockey Club

TRA-Member Tracks

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

