

PARI-MUTUEL BETTING

**REPORT OF THE
COMMISSION**

To

THE GOVERNOR

And

THE GENERAL ASSEMBLY OF VIRGINIA



House Document No. 19

COMMONWEALTH OF VIRGINIA
Department of Purchases and Supply
Richmond
1974

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Report of the
Pari-Mutuel Betting Study Commission

to

The Governor and The General Assembly of Virginia

Richmond, Virginia
January, 1974

To: HONORABLE MILLS E. GODWIN, JR., *Governor of Virginia*
and
THE GENERAL ASSEMBLY OF VIRGINIA

I. INTRODUCTION

By the terms of House Joint Resolution No. 8 of 1971, the General Assembly created the Pari-Mutuel Betting Study Commission whose charge was to review the desirability and feasibility of legalizing wagering on horse racing in Virginia. As the Commission was unable to complete its charge beyond making the preliminary recommendation that pari-mutuel wagering on horse racing be authorized, in 1972, House Joint Resolution No. 84 in 1972, continued the Commission for the purpose of finalizing its recommendations by preparing the necessary legislation for implementation. The Commission carried out this charge during the second year of its life with considerable diligence producing what is viewed from many quarters as the most tightly drawn legislation dealing with horse racing yet conceived in the United States.

While the Commission was in the process of preparing legislation for introduction in the General Assembly, the United States House of Representatives created the Select Committee on Crime for the purpose of examining the extent to which sports and sports related activities are influenced by criminal groups. The Select Committee restricted its investigation to the horse racing industry, holding a series of hearings designed to elicit information pertinent to its study. At the time that the legislative proposal of this Commission was under review by the General Assembly the Select Committee had not as yet made its report to the House of Representatives. It was deemed advisable that consideration of legalizing pari-mutuel betting be held in abeyance pending the outcome of the Select Committee's findings. To this end the Pari-Mutuel Betting Study Commission was continued for a second time by House Joint Resolution No. 291 of 1973 which reads as follows:

HOUSE JOINT RESOLUTION NO. 291

Continuing the study of implementing pari-
mutuel betting on horse racing.

Whereas, in nineteen hundred seventy-one the Commission was created to study the desirability of legalizing pari-mutuel betting on horse racing in Virginia and the most practical and feasible methods for implementation thereof; and

Whereas, following the exhaustive study of such Commission it has recommended the legalization of pari-mutuel betting on horse racing under tightly drawn legislation; and

Whereas, there yet remains to be fully assessed findings of the House

Select Committee on Crime headed by Congressman Claude Pepper; now, therefore, be it

Resolved by the House of Delegates, the Senate concurring, That the Pari-Mutuel Betting Study Commission created pursuant to House Joint Resolution No. 8 of nineteen hundred seventy-one and continued in existence by House Joint Resolution No. 84 of nineteen hundred seventy-two is hereby continued in existence for the purpose of assessing the work and report of the above referenced Select Committee on Crime and other pertinent matters ancillary thereto. The Virginia State Crime Commission is hereby requested to lend its full aid and support to the Pari-Mutuel Betting Study Commission for this purpose.

The twenty-one member Commission shall be continued with the Chairman who is now serving. If any one of the members resign, or is unable to serve, then if he had been originally appointed by the Speaker of the House of Delegates his successor shall be appointed by the Speaker; if he had been originally appointed by the President of the Senate or Committee on Privileges and Elections of the Senate his successor shall be appointed by the Committee on Privileges and Elections of the Senate; if he had been originally appointed by the Governor, his successor shall be appointed by the Governor.

Members of the Commission shall be reimbursed for all necessary expenses incurred in the performance of their duties, but shall receive no other compensation. The Commission may employ such consultants and other assistants that may be required for the conduct of its study and preparation of its report. For the expenses of the Commission and the conduct of its study there is hereby appropriated from the contingent fund of the General Assembly the amount of the unexpended balance of the appropriation made to the Commission on its creation in nineteen hundred seventy-one or the amount of five thousand dollars, whichever amount is the greater.

The Commission shall conclude its study and submit a final report to the Governor and General Assembly no later than December one, nineteen hundred seventy-three.

The membership of the Commission remained unchanged and is as follows: Peter K. Babalas of Norfolk; Vincent F. Callahan, Jr. of McLean; William M. Camp, Jr. of Franklin; Walter W. Craigie, Sr. of Richmond; H. Addison Dalton of Richmond; Calvin W. Fowler of Danville; Raymond R. Guest of King George; John W. Hanes, Sr. of the State of New York; Omer L. Hirst of Annandale; George J. Kostel of Clifton Forge; Julien J. Mason of Bowling Green; Charles F. Phillips, Jr. of Lexington; William Ferguson Reid of Richmond; Randolph D. Rouse of Arlington; Alson H. Smith, Jr. of Winchester; Harold Solding of Norfolk; T. D. Steele of Salem; Russell I. Townsend, Jr. of Chesapeake; Daniel G. Van Clief of Esmont; Stanley C. Walker of Norfolk; and Lawrence Douglas Wilder of Richmond. Mr. Van Clief continued to serve as Chairman and staff assistance was provided by Raymond D. Vaughan, Deputy Commissioner of Agriculture and Commerce, and Laurens Sartoris and Steven L. Micas of the Division of Legislative Services.

The Commission was unable to commence immediately its activities as the report of the Select Committee was not published until June of 1973. Thereafter the report was thoroughly examined by the Commission members and Congressman Sam Steiger of Arizona, who served as a member of the Select Committee, kindly appeared before the Commission in order to provide additional insight into the activities and findings of the federal study group. A special subcommittee of the Commission was appointed in order to assess the earlier findings and recommendations of the Commission in light of the findings and recommendations of the Select Committee. The membership of this subcommittee was as follows: Omer L. Hirst, Chairman; Walter W.

Craigie, Sr.; H. Addison Dalton; Julien J. Mason; and Russell I. Townsend, Jr. This subcommittee reported back to the full Commission that it did not feel that the Select Committee's findings in any way altered the position of the Commission, but rather buttressed the Commission's earlier stated awareness that proper vigilance must be maintained at all times in the conduct of racing activities. Further discussion of the subcommittee's findings will be addressed elsewhere in this report.

The study directive, under which the Commission has operated for the past year, also requested that the Virginia State Crime Commission lend its full aid and support to the Pari-Mutuel Betting Study Commission. The Crime Commission proceeded in an unstinting manner to assist the Commission by retaining the services of three consultants to review the report of the Select Committee and conduct an independent investigation as to the influence of organized criminal elements in the horse racing industry. These consultants made their study and prepared a report which was submitted to the Crime Commission. Thereafter the Crime Commission delivered this report to the Commission which received it gratefully and reviewed its contents with interest. Further discussion of the report follows below.

Based on the findings of the report prepared for the Crime Commission and on its own review of the report of the Select Committee, we now make our final report to the Governor and the General Assembly.

II. DISCUSSION

In its third year of existence the charge of the Pari-Mutuel Betting Study Commission has been more narrow than in its earlier years of study. Previously, the Commission considered wide ranging aspects concerning the desirability and feasibility of the legalization of pari-mutuel wagering on horse racing while preparing strong legislation to accomplish the consensus of the Commission that Virginia should establish a system of pari-mutuel wagering. As the charge of the Commission was to assess the work of the Select Committee on Crime and other pertinent matters, no attempt was made by the Commission to retrace its earlier steps. Our original conclusion that Virginians who wish to wager on horse races should not be denied the right to engage in this sporting activity remains unchanged. The essential facts which led us to this conclusion remain unaltered with the possible exception that the costs of establishing racing facilities have now increased in this Nation so beset by an inflationary economy.

It should be remembered that the support given to the removal of the anti-lottery provision of the earlier Constitution demonstrated the feeling of many Virginians that the final decision relating to the permitting of limited forms of wagering should be delegated to the duly elected representatives of the people. The advent of pari-mutuel wagering on horse racing will provide those Virginians who do not object to the concept of wagering with an opportunity to pursue a recognized sporting activity which is common to many jurisdictions throughout the Nation. Those persons who object to wagering in any form should not take offense at our determination that persons whose own views are contrary to the anti-wagering faction should not be deprived of their own pleasures.

Never has the Pari-Mutuel Betting Study Commission suggested that pari-mutuel wagering be legalized in Virginia at all costs. Because of the study of the Commission and the knowledge of several of its members who are intimately acquainted with the racing industry, the membership of the Commission is more aware than the public at large of the potential pitfalls incident to the conduct of racing activities. But our advanced knowledge has not convinced us that the solution to the potential onus of criminal activity is

to, like the ostrich, hide our heads in the sand. Were this ostrich approach to be universally adopted, the fear of criminal influence would cause the machinery of all commerce and industry to grind to a halt as any enterprise wherein money changes hands is susceptible to chicanery. We see a viable means of expanding the economy of the Commonwealth and simultaneously affording her citizens with an additional sporting activity for their pleasure. If there is a reasonable expectation, and there is, that the integrity of racing can be ensured obstacles to legalization of wagering should be removed by the legislature. The most recent year's study now completed has made us more aware than ever of both the potential for abuse within racing and the considerable extent to which crime can indeed be controlled.

When the document *Organized Criminal Influence in Horse Racing*, the report of the Select Committee on Crime, was received by the Commission, the membership had before it a unique document. The report was a product of the first congressional hearings specifically intended to examine the extent to which sports and sports-related activities are influenced by criminal groups. Though charged with the responsibility of examining criminal influence in all sports, the Committee began and ended its examination with a study of pari-mutuel racing, the sport with the greatest gate attendance. The apparent explanation for failure of the Committee to go beyond horse racing is that in its study of an industry of such magnitude time was not sufficient for the Committee or its investigators to proceed to other sports.

A succession of witnesses, including horse owners, security personnel, track operators and known racketeers, appeared before the Committee. Many shocking disclosures were made and much publicity given to the irregularities which attend certain racing events. The Committee admitted that it dwelt on testimony which tended to show the problems of racing without giving a proportionate amount of time to testimony shedding a more favorable light on racing activities. To quote from the report

“ . . . most of our report relates to things that have been done by sinister interests to take illegal profit from racing, to impair the integrity of racing and to demean its prestige and respect in the public mind. These were sordid facts which the Committee thought should be brought to the public's attention so that these conditions detrimental to the racing industry could be remedied. But everyone should understand that, while there are many more cases of the kind of objectionable infiltration into the racing industry that we have disclosed in our hearings than we considered, nevertheless the Committee strongly affirms that on the whole the states of the union are doing a good job in the operation of pari-mutuel horse racing.”

Earlier in this report, reference has been made to the appointment of a special subcommittee to assess the merits of the Select Committee's report. The subcommittee was charged independently to analyze the report independently of the Virginia Crime Commission's anticipated, unrelated study of the influence of crime in racing activities.

As the subcommittee observed, the findings of the Select Committee do not paint a totally bleak picture. The report recommends the enactment of legislation and implementation of programs on both the federal and State levels to ensure that the integrity of racing is maintained.

The recommendations for federal implementation are designed to provide a role for federal authorities in bringing to justice those who may violate laws controlling the proper conduct of racing. The primary responsibility for enforcing racing laws has historically remained with the states. Admittedly, in many instances this has proven ineffective as wrong doers have escaped

apprehension by fleeing across state lines. With the enactment of legislation making certain acts with respect to racing federal crimes, state boundaries will no longer provide a sanctuary for the malfasant. It is our understanding that legislation incorporating the recommendations of the Select Committee is in preparation in Washington and we would support its speedy passage by the Congress of the United States.

Realizing that racing is a state operated function, the Select Committee proposed eight recommendations for state implementation. Irrespective of the action taken on the recommendations to the federal government, the careful enforcement of racing laws by individual states is still the most effective method of warding off the blight of corruption. The recommendations to the states are as follows:

(1) Interstate cooperation among racing commissions should be brought about for the purpose of creating a security force capable of conducting investigations or inquiries into interstate violations or suspected violations of racing rules and regulations.

(2) Each state is encouraged to maintain data banks containing information on individuals cited for racing violations. Coordination among these state information centers can be accomplished through interstate cooperation.

(3) Conflict of interest statutes should be made applicable to all racing officials.

(4) The awarding of long term racing dates should be mandated.

(5) Racing commissions should place limitations on exotic betting.

(6) Prerace testing should be performed.

(7) Testing procedures should be standardized.

(8) Indigenous ownership of race tracks should be legislated.

Since the Select Committee considered the foregoing eight recommendations as important areas to be considered by the states, this Commission reviewed the legislative proposal previously made by it to the General Assembly and current Virginia law in relation to the recommendations. The Commission is convinced that our legislation substantially incorporates the Select Committee's proposed recommendations to the states. With respect to the first and second recommendations of the Select Committee, it was our determination that our proposed bill be amended to specifically authorize the Virginia Racing Commission to cooperate and enter into programs with any agency of its choosing whether federal, State or local. Such language has been included in the revised draft of our earlier proposal. As to the other recommendations, it is true that our bill does not have specific language relating to all of them but this is intentional. Our proposal was conceived as a strong flexible administrative statement. We believe that it is possible for Virginia to appoint five racing commissioners of the highest caliber consistent with the level of integrity which has prevailed in this Commonwealth for generations. To these gentlemen we entrust the administrative responsibility of protecting against the bulk of the problems which may arise in the conduct of racing activities. We do not feel that the Racing Commission should be bound by any legislation which is so specific in its content as to preclude the instigation of policies, procedures or actions yet unforeseen. To believe that a law is capable of covering every circumstance is ridiculous; to believe that a law which attempts to do so can be effective in the absence of persons of integrity is folly.

Earlier we have observed that the Commission was most fortunate in having Congressman Steiger of Arizona come before it and address the Commis-

sion concerning the report of the Select Committee. Mr. Steiger dissented from the conclusions of the majority of the Select Committee as he was of the opinion that the Committee had proceeded to review evidence of sensational content without giving due consideration to the day-to-day circumstances which surround racing. Of especial importance in the deliberations of the Commission during this past year was the review of our legislative proposal given by Mr. Steiger. As an expert on racing laws in the United States, Mr. Steiger was most complimentary of our bill. In his opinion it is the finest racing bill which he has ever reviewed. Among the strong points of the bill were the provisions for indigenous ownership of corporations which would operate racing activities; the staggering of terms of members of the Racing Commission to extend from the term of one Governor to the next, thereby minimizing political considerations; the granting of broad powers to the Racing Commission including the establishment of racing dates thereby removing the temptation of political chicanery from the legislature, and the imposing of a felony penalty on any person convicted of "fixing" a race. Provisions such as these were cited as ones which other jurisdictions should well consider in order to improve their existing racing laws.

Although not related to maintaining the integrity of racing, Mr. Steiger suggested that the Commission consider certain special exceptions to permit a temporary operation of pari-mutuels on horse racing at local events such as county fairs and hunt meets. The law would then be more responsive to the sporting pleasure of persons not situated in densely populated areas where large race tracks might be established. The possibility of organized crime becoming interested in such smaller race meetings is extremely unlikely as the amount of capital involved is modest. Of course, security would be regulated by the Racing Commission, but as the activities would constitute little more than local divertissements problems would be unlikely to arise.

Mr. Steiger's local racing option was not foreign to the Commission's thinking. Several of the members of the Commission were already of a mind that temporary permits should be authorized and the full Commission was persuaded that such a change would be beneficial.

The single most important factor which had an impact on the thinking of the Commission during this most recent year of its deliberations was the report of the research consultants retained by the Virginia State Crime Commission.

The mandate of the research group was to determine the impact of organized crime and its related criminal activities on pari-mutuel wagering. The consultants reviewed in depth the material published by the Pepper Select Committee; made over 150 personal contacts in 13 states with officials concerned with racing, supervision, track management, law enforcement and security, and other knowledgeable experts; and, reviewed an extensive bibliography of materials relating to pari-mutuel betting and crime. It was not the function of the research group to make any recommendation for or against pari-mutuel wagering and, consequently, none was made.

The work of the research group can be characterized as both unique and invaluable. Unique in that an independent nonbiased study was performed by experts capable of securing information pertinent to their research and invaluable in that the work of the research group represents an effort on which policy decisions may be made. Essentially the research group agreed with the Commission in its assessment of the report of the Select Committee. To quote from the research consultants report:

"At the outset, it should be emphasized that while those concerned with the racing industry felt they were damaged by the Committee's hearing, it must be remembered that in the final analysis, the Committee made a point of stating that horse racing

deserves the confidence of the public. No one should construe this report as being critical of the Committee's efforts for, regardless of whether those engaged in the racing industry liked it or not, the Committee did perform a public service in emphasizing evils associated with racing and caused the industry to react by strengthening their laws, rules and regulations and tightening their security. It also caused law enforcement agencies to take a new look at their responsibilities."

If the research consultants can be said to have taken exception to any portion of the Select Committee's report, it would be with reference to the definition of organized crime. The Select Committee failed to define this term, but, nevertheless, used it throughout the course of its hearings and in public releases. As the research consultants stated, "the Committee's report entitled "Organized Criminal Influence in Horseracing" causes the reader, unsophisticated in criminal enforcement, to see all of the criminal activities described in the report as the "hard core" organized crime publicized through television and the press." Certainly if there is anyone capable of being described as sophisticated in criminal enforcement, the research consultants are entitled to such credit, all being former top level intelligence officials of the Internal Revenue Service. Considering the backgrounds of the research consultants the statement quoted above takes on an importance with relation to true circumstances deserving of the greatest credibility. Certainly not all crimes associated with racing or any other sport can be credited to organized crime, though to label criminal activity with this term creates an emotional response likely to obscure the true causes of crime.

The research consultants were able to determine through their contacts that "hard core" organized crime is not recognized as the major source of criminal activity in jurisdictions which now authorize pari-mutuel wagering on horses. The catalog of action to ensure the integrity of racing was established to be strong laws, rules and regulations;

the determination of State racing officials and track management to keep it clean;

competent professional security and intelligence support; and, rigid and uncompromising enforcement of violations.

While racing officials did not indicate to the research consultants that their states were without crime, they stressed the importance of vigilance to safeguard the integrity of racing.

An especially interesting finding of the research consultants was that the major instances of criminal activity in racing in recent years were those disclosed during the course of the Select Committee's hearings. Little evidence could be found to indicate that other major racing scandals had occurred in the United States in recent times.

Another significant finding of the research group was that more than any other industry, the racing industry is sensitive to security problems and devotes more effort than comparable sports activities to ensure that such integrity is maintained. This security program is largely maintained by the Thoroughbred Agency Protective Bureau but also by the National Association of State Racing Commissioners wherein the highest racing officials of the several states combine their efforts in order to ensure that criminal influence is not a factor in the racing industry. The research group stated that "on the whole, it was found that where a state, through its racing officials, had a determined attitude and proper authority to ensure 'clean' racing and imparted this attitude to race track management, and provided adequate financial support and investigative sources, it could keep racing relatively free of any taint."

Generally, the consultants were able to present a favorable picture of the conduct of racing in the United States. They have recognized that "hard core" organized crime had at one point gained a foothold in racing. However, through the diligence of racing and track officials this influence has virtually vanished.

The report in our estimation is realistic, factual and unbiased. It is an attempt to ascertain the truth. Recognizing that there will be some criminal activity related to horse racing, nevertheless, the consultants also recognize that if men of integrity wish to stop that which is wrong they have the power to do so.

The debt of gratitude of the Pari-Mutuel Betting Study Commission to the Virginia State Crime Commission in its preparation and dissemination of the report of the research consultants is tremendous. The Crime Commission's report has satisfied us that racing in Virginia can enjoy a successful and crime-free future. The Crime Commission has been able to present us with the best material available on which to base our final recommendation. The report emanating from this agency of State government whose charge is to protect the public from wrongdoers is the finest testament to date of the bright future which racing can have in Virginia.

III. CONCLUSION

Twice before the Virginia Pari-Mutuel Betting Study Commission has recommended to the General Assembly of Virginia that pari-mutuel wagering on horse racing be legalized. Again, we come to our legislature with the same recommendation.

We believe that it is both desirable and feasible for a viable horse racing industry to be established in Virginia in conjunction with pari-mutuel betting. The results of this most recent year of study have more than ever convinced us that our original conclusion was correct and we, therefore, respectfully petition that the legislative proposal appended to this report be enacted into law.

Respectfully submitted,

Daniel G. Van Clief

Peter K. Babalas

Vincent F. Callahan, Jr.

William M. Camp, Jr.

Walter W. Craigie, Sr.

Raymond R. Guest

John W. Hanes, Sr.

Omer L. Hirst

George J. Kostel

Julien J. Mason

Charles F. Phillips, Jr.

William Ferguson Reid

Randolph D. Rouse

Alson H. Smith, Jr.

Harold Soldinger

T. D. Steele

*Russell I. Townsend, Jr.

Lawrence Douglas Wilder-

* "I approve in general the additional findings expressed in this report relative to the effects which pari-mutuel betting on horse racing would have in

Virginia. However, I take exception to certain language in the report which is "promotive" of the desirability of legalizing pari-mutuel betting in Virginia since I believe, and the bill provides, that the ultimate decision should be made by the people by submitting the question to a referendum."

DISSENTING VIEW

The facts brought before the Pari-Mutuel Betting Study Commission in the past year support and strengthen the dissenting view expressed in the initial report.

While the Select Committee report may not be an outstanding document in some respects, it certainly constitutes an almost "totally bleak" picture of racing. Its chronicle of extensive criminal involvement well illustrates the attraction that pari-mutuel windows hold for the criminal element.

Unfortunately, the legislation appended to this report does not even incorporate some of the vital recommendations of the Select Committee. Perhaps the most striking example of this is the omission of any limitation on exotic betting in the Virginia bill. A New York Times article (September 6, 1973) reported that the FBI had uncovered evidence that "almost all of the superfecta races that were run at Roosevelt, Yonkers and Monticello Raceways during the first three months of this year were fixed."

The Select Committee has also recommended federal legislation, none of which has been enacted at this date. No one can predict with certainty when such laws will be enacted, yet the need is abundantly clear.

Daniel P. Holman, former Chief of the New York Strike Force on Organized Crime, U. S. Department of Justice, was a witness respected and complimented by the Select Committee. Based on his extensive study of racing crimes, he concluded: "The States, themselves, can't handle it."

The potential economic benefits to Virginia, hazy at best, continue to fade. The most recent industry statistics, those for 1972 published in the BLOOD HORSE, may be highlighted by three observations:

- (1) Total attendance at races was down for the third consecutive year
- (2) Total amount wagered slipped below the comparable figure for 1971
- (3) State revenues from wagering, for the first time in 20 years, dipped.

indications are that tracks in several states are in serious financial difficulties.

The amount of revenue realized from pari-mutuel betting on horse racing would be small, at most, and would be largely offset by the resulting increase in State expenditures for additional law enforcement and regulatory personnel necessitated by the advent of pari-mutuel betting. In addition to the criminal activities which could be attracted by pari-mutuel betting, it is clear that Virginia would feel the political pressures as have other states that have legalized pari-mutuel betting, and this would have a tendency to undermine the integrity of the government of the Commonwealth, which is a source of pride to all Virginians.

H. Addison Dalton

Calvin W. Fowler

COMMONWEALTH OF VIRGINIA



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SENATE

COMMITTEE ASSIGNMENTS:
EDUCATION AND HEALTH
FINANCE
GENERAL LAWS
REHABILITATION AND SOCIAL SERVICES

December 28, 1973

STATEMENT OF DISSENT OF STANLEY C. WALKER TO FINAL REPORT OF PARI-MUTUEL BETTING STUDY COMMISSION

Because Virginia has not in every respect kept abreast of the demands resulting from the shift to a state of industrial progress and continued population growth from the primarily agricultural state it once was, law enforcement in our state is not presently equipped to meet the problems that are likely to accompany the introduction of pari-mutuel betting. For the last several years, the Virginia State Crime Commission (VSCC) has pointed out these weaknesses in our system and has made recommendations to correct the deficiencies. And the recent study of law enforcement in Virginia conducted by the Division of Justice and Crime Prevention (DJCP) further indicates that improvement of the law enforcement system in Virginia is clearly a top priority need.

As the DJCP study shows, Sheriffs and Chiefs of Police across the state have emphasized their crucial need for additional and more qualified personnel and for higher training standards. And the urgent need for restructuring the State's investigative capabilities has been revealed through extensive research of the Crime Commission's Organized Crime Detection Task Force and the Special Study Unit which have looked into this facet of our law enforcement system. It is because these top priority needs in our system have not yet been met that I file this statement of dissent to the final report of the Pari-Mutuel Betting Study Commission (PMBSC).

Statement of Dissent of Stanley C. Walker

In my mind, sufficient safeguards are still not provided to protect the public from criminal activity which could result from establishment of horse racing in Virginia and the problems inherent in establishment of horse racing as succinctly outlined in a letter of October 23, 1973, to the PMBSC from The Honorable A. L. Philpott, Chairman of the Law Enforcement Subcommittee of the VSCC. I believe that the statements contained in Mr. Philpott's letter point up clearly that there are matters to which we must first address ourselves before pari-mutuel betting should be allowed in our Commonwealth.

As all authoritative law enforcement research to this date has revealed, I firmly believe that unless our already inadequate law enforcement system is fortified with the necessary tools to deal with the recognized potential problems attendant upon introduction of pari-mutuel betting, it is clear that the criminal element in our society more than the law-abiding citizens of the Commonwealth would be the beneficiaries of any good that could result therefrom

APPENDIX A

COMMONWEALTH OF VIRGINIA



MEMBERS

From the Senate of Virginia
Stanley C. Walker, *Chairman*
George S. Adhizer, II
George M. Warren, Jr.

From the House of Delegates
Claude W. Anderson
L. Ray Ashworth
Arthur R. Giesen, Jr.
Theodore V. Morrison, Jr.
A. L. Philpott
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VIRGINIA STATE CRIME COMMISSION
203 EIGHTH STREET OFFICE BUILDING
RICHMOND, VIRGINIA 23219

To: The Honorable Daniel G. Van Clief, Chairman
Pari-Mutuel Betting Study Commission

From: A. L. Philpott, Chairman
Law Enforcement Subcommittee of the Virginia State Crime
Commission

Subject: Organized Crime Control: Study, Coordination, Inventory and
Analysis (including Public Information and Information
Exchange)—(Pari-mutuel Betting and Horse Racing)

The General Assembly of Virginia at its 1973 Session passed House Joint Resolution No. 291 (Acts of Assembly 1973, page 1312) continuing the Pari-Mutuel Betting Study Commission previously established pursuant to House Joint Resolution No. 8 of the 1971 Session and continued in existence by House Joint Resolution No. 84 at the 1972 Session. By the terms of the Resolution the Virginia State Crime Commission was requested to "lend its full aid and support" in assessing the report of the House Select Committee on Crime headed by Congressman Claude Pepper and to render assistance to the Commission in its continued study. The Commission felt that it was of great importance that, in assisting the Pari-Mutuel Betting Study Commission, a determination be made as to the impact that the establishment of pari-mutuel betting would have on law enforcement in this Commonwealth as well as to determine the impact, if any, of organized crime and related activities of the criminal element in connection with pari-mutuel wagering. In order to make an in-depth study in the time permitted, the Commission issued a contract to a consulting group to study and report back to it. The consultants spent some four months of concentrated effort gathering information and writing their report. They conducted a full review of the transcripts of the hearings before the Pepper Committee and analyzed its final report, such report being the only in-depth study ever conducted on the impact of the criminal element upon racing on a nationwide basis. In addition to analyzing the Pepper Report and other selected references, some 150 personal contacts were made in 13 states with racing officials, law enforcement officials and others who are knowledgeable in this field.

The State Crime Commission does not attempt to recommend whether or not pari-mutuel wagering should be established in this great Commonwealth. We feel that our consultants have done a thorough job of reviewing all of the available information with reference to criminal activities peculiar to horse racing and how they might possibly be guarded against. We are, therefore, conveying the consultants' report to you as we received it with the thought that the Pari-Mutuel Betting Study Commission should evaluate the report and draw its own conclusion. There are certain matters, however, that we feel should be called to your attention for consideration by your Commission.

The term "organized crime" has been defined in several different terms by those expert in the field of the administration of criminal justice, and there has never been an agreement among the law enforcement community as to the exact definition of the term. Our consultants have limited their definition of organized crime to the "hard core area" — the type that implies dominance by the "family" leaders and the mobsters they control who rule by violence. We believe that your definition should include more than this. Organized criminal activity other than the hard core type is a major concern to law enforcement officials today and should be given primary consideration when attempting to control the illegal activities associated with horse racing. In 1971, the Organized Crime Detection Task Force established by this Commission defined organized crime as follows:

"Organized crime is criminal activity that has such organization in depth within a community, and in breadth over a region or the nation, as to justify deep concern on the part of all citizens."

We commend this definition of "organized crime" to you as the best definition of this particular term.

We believe that you should first consider the effect of the establishment of a race track on the political subdivision wherein it is located as well as the adjacent communities. For example, the State Fair of Virginia which is located in Henrico County places an additional burden upon not only the Police Department of Henrico County insofar as law enforcement problems are concerned at the fair, but also upon the Police Department of the City of Richmond with regard to the control of the traffic. What additional expertise or manpower might be necessary to handle these problems is, of course, unknown at this time. The primary question facing local law enforcement agencies will be the division of responsibility for the enforcement of the various rules, regulations, and laws as it relates to the actual operation of the race track, such as testing of horses, screening of patrons at the track, maintaining order within the track area and others; and what agency will be responsible for traffic controls in the vicinity of the track; we, of course, realize that the local law enforcement agencies are primarily responsible for the enforcement of the criminal law in the locality; however, the division of responsibility in the other areas herein set forth must be defined to insure proper police protection in all areas. An analogous situation with regard to traffic control will exist when the proposed automobile raceway is established in Prince George County, Virginia.

The present bill as prepared by your Commission does not provide for any law enforcement capability on the part of the Racing Commission. A determination must, therefore, be made as to whether or not the Commission is to be given the authority to establish law enforcement capability within its own organization to enforce the statutes that you have proposed which are limited to the establishment of a race track for pari-mutuel betting.

It is clear that some law enforcement agency must be charged with the investigation and control of illegal bookmaking, the hidden ownership of race tracks and horses by the criminal elements of our society, the prevention of the drugging of horses, the prevention of the utilization of an electronic device for

the stimulation of horses which thereby affects the outcome of races, the prevention of collusion among owners, trainers, jockeys, drivers and officials in the possible fixing of racing and the investigation of possible political corruption. Wherein should lie these responsibilities is a matter not yet determined.

It is clear, however, that if the Racing Commission is to be given law enforcement capabilities, minimum training standards for all personnel must be established and the necessary expertise must be developed in order to enforce the rules, regulations and statutes that are peculiar to horse racing and pari-mutuel betting. It is clear, for instance, that the expertise necessary to prevent the possible drugging of horses is far different from the knowledge necessary to prevent the entrance of known gamblers, bookmakers and members of the criminal element into the track. An investigator skilled in the investigation of possible illegal bookmaking may well not be trained in the investigation of the charge of the utilization of illegal electronic devices for the stimulation of horses. We feel quite strongly that specific expertise in these separate fields must be developed prior to the authorization of any race tracks in this Commonwealth. The training requirements for the various positions should be fixed by the Law Enforcement Officers Training Standards Commission. This Commission has already established mandatory training standards for all law enforcement officers, all courtroom security personnel and all jailors and correctional officers in the Commonwealth. (We feel that legislation should be included to provide for the establishment of specific investigatory positions and mandatory training requirements as a prerequisite to authorizing an individual to enforce rules, regulations and statutes pertaining to horse racing and pari-mutuel betting.)

The State Crime Commission has addressed itself to several problems during the past few months pertaining to law enforcement in this Commonwealth. A study is being undertaken of the rapid growth in the private security industry wherein individuals are armed and in many instances vested with law enforcement powers without any training whatsoever. One of the principal weaknesses in the entire administration of criminal justice in this Commonwealth is the fact that many of our police officers are underpaid and consequently might be the ones most susceptible to corruption. A subcommittee of the Crime Commission has undertaken intensive study of the compensation of law enforcement officers in Virginia, and it is apparent that many law enforcement agencies work under an unrealistic budget. Police officers in small departments are paid less than the minimum salary established by the General Assembly for deputy sheriffs. The State Compensation Board does not permit, for example, mileage to be paid for deputy sheriffs to patrol the county to prevent crimes. A deputy sheriff can be paid for mileage only if he is investigating a crime after it has been committed.

In addition the Crime Commission has set up a special study unit headed by former Governor Colgate W. Darden, Jr., and the undersigned, to consider our State's investigative capabilities. This Commission has already held several hearings and more are anticipated as an attempt is made to determine whether or not the State provides the necessary investigative capabilities on a statewide basis.

The lack of coordination of law enforcement activities within this Commonwealth has been brought to the attention of the Commission. Through the efforts of the Division of Justice and Crime Prevention and its staff with the approval of the Council on Criminal Justice, the Virginia Criminal Information Network has been established. The Division has also aided local law enforcement in establishing compatible radio communication systems which have increased the law enforcement capabilities of many departments in this Commonwealth.

It is apparent that there are many law enforcement problems in the Commonwealth pertaining to the establishment of race tracks and pari-mutuel betting in Virginia. Insofar as we are advised, no law enforcement agency at the present time is properly equipped to deal with these problems. Prior to the establishment of race tracks and pari-mutuel betting in Virginia, it is apparent that these problems must be successfully addressed and met in order that we may continue to enjoy the integrity in government and the effective enforcement of the laws of this Commonwealth which our people have so long enjoyed. Failure to meet these dangers could well result in conditions that have never before existed in Virginia.

Sincerely yours,

A handwritten signature in cursive script that reads "A. L. Philpott". The signature is written in black ink and has a long horizontal flourish extending to the right.

A. L. Philpott
Chairman
Law Enforcement Subcommittee of the
Virginia State Crime Commission

ALP /bh
Enclosure

VIRGINIA STATE CRIME COMMISSION
REPORT OF RESEARCH CONSULTANTS STUDY
ON
THE IMPACT OF ORGANIZED CRIME AND RELATED CRIMINAL
ACTIVITIES ON PARI-MUTUEL WAGERING ON HORSE RACING

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VIRGINIA STATE CRIME COMMISSION
203 EIGHTH STREET OFFICE BUILDING
RICHMOND, VIRGINIA 23219

September 17, 1973

Mr. Lewis W. Hurst,
Executive Director
Virginia State Crime Commission
203 Eighth Street Office Building
Richmond, Virginia 23219

Dear Mr. Hurst:

I am transmitting herewith, an original and two copies of a report dated September 17, 1973 based on the study conducted for the Virginia State Crime Commission relative to the impact of organized crime and related criminal activities on pari-mutuel wagering on horse racing. The contract pursuant to which I was engaged as a research consultant to conduct the study was dated May 29, 1973. Participating with me in the study were William A. Kolar and Monroe S. Oginz who have also signed the report.

Very truly yours,

A handwritten signature in cursive script that reads "Robert K. Lund".

Robert K. Lund

THE RESEARCH GROUP

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The Research Group is grateful for the cooperation and assistance extended by all of the aforementioned individuals as well as the many representatives of the following agencies whose help was invaluable:

- The Federal Bureau of Investigation
- The Intelligence Division of the Internal Revenue Service
- The Bureau of Drug Enforcement, Department of Justice
- The Alcohol Tax and Firearms Division, U. S. Treasury Department.

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INTRODUCTION

This report is submitted pursuant to a contract issued by the Virginia State Crime Commission and awarded on May 29, 1973. Under the terms of the contract, the undersigned was retained as a research consultant and agreed to conduct a study of the impact of organized crime and related illegal activities on pari-mutuel wagering. Participating in the conduct of the study were William A. Kolar and Monroe S. Oginz and the group will hereafter be referred to as the Research Group.

The study on which this report is based entailed representative contacts with U. S. Senate and House Legislative Committees; law enforcement agencies as well as prosecutive agencies at various governmental levels, local, state and federal; racing officials of certain states which currently authorize pari-mutuel wagering; security agencies particularly concerned with protecting the sport or industry of horse racing against organized crime and related, illegal activities peculiar to horse racing; and associations or individuals either concerned with or knowledgeable in the horse racing industry.

In accordance with the terms of the contract, contacts with agencies and officials were established in the following states:

Florida

Illinois

Maryland

Massachusetts

New Jersey

New York

Pennsylvania

Rhode Island

In addition to the aforementioned states, contacts were also established in:

Connecticut

Delaware

Kentucky

Michigan

New Hampshire

In all, over 150 officials in 13 states were contacted in the course of the Study.

BACKGROUND

During the 1971 Session of the Virginia General Assembly, House Joint Resolution No. 8 was approved, creating a Commission to study one type of wagering enterprise, pari-mutuel betting on horse racing. The Commission, consisting of 21 members, known as the Pari-Mutuel Betting Study Commission was to conclude its study and make its report to the Governor and General Assembly by December 1, 1971. However, time intervened and to ensure that tightly drawn and planned legislation could be prepared, the Commission's request that its life be extended to 1972 was granted by the General Assembly (House Joint Resolution No. 84).

In 1972, the Pari-Mutuel Betting Study Commission submitted its report, the majority recommending that pari-mutuel wagering on horseracing be authorized in the Commonwealth of Virginia. However, prior to its submission, Harold E. Seyller, then Executive Director of the Virginia State Crime Commission, was invited to appear and be interviewed by the PBSC in regard to the relationship of organized crime to legalized horse racing. Mr. Seyller stated that a study of that relationship had never before been made in the state or nation. He expressed his personal view that pari-mutuel betting would likely lead to an increase in illegal betting in Virginia and a belief that there were tracks in the country infiltrated by organized crime as well as those which were not.

Also, prior to submission of the PBSC's report, attention was directed to the national study and hearings with respect to the relationship between organized crime and professional sports conducted by the Select Committee on Crime, U. S. House of Representatives, under the Chairmanship of Congressman Claude V. Pepper (also referred to herein as the Pepper Committee). The open hearings had been conducted from May through July, 1972 and Mr. Seyller had kept abreast of its progress but as of November 1972 when the Pari-Mutuel Betting Study Commission submitted its report, the House Select Committee had not yet submitted its final report. It was deemed desirable for all members of the PBSC and the General Assembly to have the benefit of the House Select Committee's report and Mr. Seyller was to study the conclusions and recommendations of the Pepper Committee when issued and prepare a report thereon to the Pari-Mutuel Betting Study Commission.

The General Assembly decided to defer action on the proposed bills to enact pari-mutuel wagering and by House Joint Resolution No. 291, extended the time of the Pari-Mutuel Betting Commission to complete its study and report to December 1, 1973. Mr. Seyller submitted his resignation as Executive Director in April 1973 which was prior to the time that the House Select Committee released its final report. As mentioned, the undersigned was engaged to conduct the instant study at the end of May, 1973.

PART I

HOUSE SELECT COMMITTEE FINDINGS

Due to the importance placed by the PBSC on the House Select Committee hearings, they are being discussed in Part I of this report and the Research Group's findings will be covered in Part II.

The House Select Committee's public hearings commenced May 9, 1972 and were concluded July 27, 1972. The printed transcripts were contained in 4 volumes and totaled 1853 pages. It was not until June, 1973 that the Select Committee submitted its final report to the 93rd Congress. This report embodies the Committee's conclusions and recommendations together with additional and separate views of some of the Committee's members, who took exception to various aspects of the Committee's study, its methods as well as its conclusions.

The "Preface" to the House Select Committee's final report as well as a section at its conclusion, captioned "What is Right with Racing" concisely summarizes the Committee's objectives and findings. These are cited below in order to enable the reader to become more readily oriented to what follows in this section of our report.

"PREFACE"

"On May 9, 1972, the Select Committee on Crime of the U. S. House of Representatives convened the first congressional hearings specifically intended to examine the extent to which sports and sports related activities were influenced by criminal groups.

"The chairman announced at that time the committee's public inquiry would begin with an examination of pari-mutuel racing, by far the sport of greatest gate attendance and an increasingly important source of revenue for a majority of State governments.

"The committee planned to focus on other sports as well. However, as the hearings progressed it became apparent that the investigation of criminal activities in pari-mutuel racing alone was sufficient to keep the committee and its investigators active through the end of the year.

"The public hearings produced some shocking disclosures. These included a full revelation of the scandalous events that led to syndicate takeover of one racetrack and a near successful effort to secure a second; testimony by individuals that bribes were routinely made to racing commissioners and public officials in exchange for racing licenses or favorable racing dates; sophisticated methods employed by small groups of unscrupulous individuals to fix races for high returns on modest investments, and the exposure of racing's Achilles' heel — a small and inadequate security force in desperate need of increased manpower and authority to conduct unhampered interstate investigations.

"The committee offers this report and the recommendations contained herein as a call for Federal and State action to curb the activities of those who would corrupt a sport so much a favorite of the American people".

"WHAT IS RIGHT WITH RACING"
(page 47 of the Final Report)

"The committee had hoped before the conclusion of the record on the infiltration of organized crime and criminal figures into horseracing to have the outstanding leaders in the great horseracing industry of our country testify before the committee as to the generally good job that is being done by the several States and the operators of horse tracks — in short, what is right about racing. Unfortunately, we became involved in extensive hearings taking us to many of the major cities of our country on the critical problem of drugs in the schools and, with the intervening election and the congressional recess, we did not get to hold those hearings.

"The sole purpose of this committee in holding hearings in respect to criminal and degrading elements infiltrating into the horseracing industry was to see what problems the States were facing in the conduct of pari-mutuel horseracing and to see what the Federal Government could do, if anything, to help the States and the operators of the industry to preserve the integrity of the industry and enable it to retain its position as the prime sport in the United States, attended by more people than any other sport and yielding to the States more revenue than any other sport in the Nation.

"Accordingly, most of our report relates to the things that have been done by sinister interests to take illegal profit from racing, to impair the integrity of racing and to demean its prestige and respect in the public mind. These were sordid facts which the committee thought should be brought to the public's attention so that these conditions detrimental to the racing industry could be remedied. But everyone should understand that, while there are many more cases of the kind of objectionable infiltration into the racing industry than we have disclosed in our hearings that we considered, nevertheless the committee strongly affirms that on the whole the States of the Union are doing a good job in the operation of pari-mutuel horseracing.

"In general, the horse tracks of the country are operated with integrity, and the industry deserves the confidence of the people. This does not mean that the States should not continue their efforts to assure great integrity in horseracing and that they should not do many things in requiring full disclosure of the ownership of tracks and of horses running under parimutuel racing authority, and, more effectively than they have in the past, enforce their own law against all activities which would affect the integrity of racing in any way.

"We shall in our recommendations, point out what we think the Federal Government can now undertake which will be of great value to the States in preserving the integrity of parimutuel horseracing, and shall make more specific suggestions for the consideration of the several States so that they can more effectively promote the success and preserve the integrity of parimutuel horseracing."

Scope of Hearings by Select Committee

The picture presented by the Preface to the Committee's final report and that presented in the section of its report entitled "Whats Right With Racing", leads to different impressions. On the one hand, the Committee states that the public hearings produced shocking disclosures and that the investigation of

criminal activities in pari-mutuel racing alone was sufficient to keep the Committee and its investigators active through the end of the year. On the other hand, the Committee concludes that "In general, the horse tracks of the country are operated with integrity, and the industry deserves the confidence of the people." The fact is that the committee's hearings did expose some shocking incidents of illegal activities related to horse racing. These highlighted incidents in one central forum an array of the most flagrant incidents the Committee could find. They were exposed in the public media and attracted glaring headlines when brought out during the course of the hearings. Most of the revelations were not new to the horse racing industry in as much as most of the same incidents had been brought to public light when they first occurred, some of them having been first exposed in the early 1960's. Although the stated objective of the Select Committee's hearings was to determine the extent of organized crime in sports, no definition of the term "organized crime" which is subject to many different interpretations, was given. The Committee, in its final report, submitted a year after the public hearings ended, also stated that it had hoped before its conclusion to have the outstanding leaders in the great horseracing industry of our country testify before the Committee as to the generally good job that is being done by the several States and the operators of horse tracks but because of other factors, time didn't enable it to hold those hearings.

As previously pointed out, the final report did not represent the unanimous view of all members of the Committee. There was disagreement among them as to their methods, findings and conclusions. Exception was taken by some members to innuendos and inferences which they believed were not completely substantiated by the facts.

The illegal activities as brought out by the Select Committee hearings are categorized below. In some instances, the criminal activity had organized crime overtones, some appear to be the independent acts of individuals or groups of individuals and free of organized crime influence — and others might be susceptible to organized crime association but were not substantiated by proof. More detailed comments with respect to each category follow.

It is not our purpose to present in minute detail all of the testimony brought forth in the course of the Pepper hearings or to cover every incident of illegal or criminal activity reported. Rather, it is felt that by calling attention to the nature of the more significant criminal activities exposed and the areas in which organized crime entered or tried to encroach on the racing scene, those responsible for safeguarding the integrity of racing will have been alerted to the pitfalls in the event pari-mutuel wagering becomes a reality in Virginia.

Categories of Illegal Activities

Hidden Ownership of Track or Racing Association Interest

Hidden Ownership of Horses

Race Fixing

By use of drugs

By use of electronic devices

By collusion

Substitution of Horses (Ringers)

Ten Percenters and Twin Doubles

Illegal Bookmaking

Political Corruption

Emprise Corporation

Before commenting upon the various categories of criminal activities, it is significant to note that a great deal of time was consumed during the Select Committee's hearings with respect to the relationship of the Emprise Corporation to the sports industry generally and to horse racing particularly. The Emprise Corporation is headquartered in Buffalo, New York, and was headed by Louis Jacobs, since deceased, and is now dominated by his two sons, Max Jacobs and Jeremy Jacobs. The Jacobs family, through Emprise and a multitude of subsidiaries, operates one of the largest concessionaire businesses in the world of sports. They control the food and beverage concessions at a great many football, baseball and other sports stadiums as well as at some thoroughbred, harness and greyhound tracks throughout the country.

The principal issue on which Emprise was brought into the purview of the committee's hearings was whether the Jacobs family and the corporation it controls was linked to organized crime. Evidence was brought out that the Jacobs family had in many instances advanced monies to the management of various sporting entities in consideration of being awarded concession contracts. The monies advanced were very substantial, running into hundreds of thousands of dollars and in exchange, they not only received long term exclusive contracts but in a number of instances, shares of corporate stock or partnership interests as well.

The Committee established that the Jacobs family owned stock in the Hazel Park Racetrack in Michigan and that the dominant stockholders and officers were reputed to be leading organized crime figures in Michigan. The Jacobs family in at least the case of one of its subsidiaries bought supplies from vendors who were allegedly affiliated with organized crime. They also admittedly made political contributions or payments to political figures who exerted an influence in the racing industry in several states.

The most damaging evidence of criminal activity brought out against Emprise is the fact that the corporation was convicted in California along with other defendants of conspiring to circumvent the gambling laws of the State of Nevada by attempting to acquire an undisclosed interest — through loans to "fronts" in a gambling casino at the Frontier Hotel and Gambling Casino in Las Vegas. Emprise has appealed its conviction and the appeal is still pending.

While the transcript of the hearings is replete with references to the activities of the Jacobs family and the influence they allegedly exerted over racing in several states, the Committee, in its final report, had this to say of Emprise:

"We find that Emprise Corp., in the instances enumerated elsewhere in this report, has done business with individuals designated by public authority or authorities as organized crime figures, and that Emprise Corporation knew or should have known, at the time it did business with such persons that they had been designated by responsible public authority or authorities as organized crime figures or had the reputation of being a part of organized crime.

"The Committee has not had evidence, however, nor does it find that Emprise Corp. has itself been a part of organized crime. The only evidence the committee has of criminal conduct on the part of Emprise is the conviction of Emprise Corp. on April 26, 1972, in the U. S. District Court for the Central District of California, of conspiring to use interstate transportation in aid of racketeering in violation of Section 1952, Chapter 95, of Title 18 of the United States Code. Specifically, Emprise Corp. was convicted of its role in a conspiracy in

1966 and 1967 to acquire an undisclosed interest in the Frontier Hotel and Gambling Casino in Las Vegas, Nevada.”

Hidden Ownership of Track or Racing Association Interest

The House Select Committee hearings brought to light several examples of organized crime's infiltration of race track ownership through the use of fronts to conceal true ownership. The most flagrant situation involved Raymond Patriarca, one of the most notorious Cosa Nostra figures in the country and the head of syndicated crime in New England. Patriarca whose residence is Providence, Rhode Island, currently is serving a five year prison sentence for conspiracy to commit murder. Patriarca was presumably the heaviest investor in the early 1960's in the ownership and operation of a racetrack known as Berkshire Downs, located in northwestern Massachusetts. His interest was acquired through "fronts". Another investor in the track was Dr. Charles Furcolo, whose son was at that time Governor of Massachusetts. Dr. Furcolo's interest was also acquired through the use of a "front" because he didn't want the record to disclose his relationship to the Governor.

The basic evidence linking Patriarca to the ownership of Berkshire Downs stemmed from FBI wiretaps in which Patriarca was overheard on several occasions discussing his interest in the racetrack. Ultimately, the racetrack became a financial disaster for Patriarca and the others, and resulted in a public scandal because of the elder Furcolo's hidden interest. The committee, in its final report, had this to say about Berkshire Downs: "The history of Berkshire Downs is one of undisclosed ownership, attempts to bribe public officials to extend a meager 24 day racing season and internal battles for control and huge investment losses. One of the heaviest investors and greatest losers of all was Raymond Patriarca".

Another example of organized crime influence in a race track was that of Hazel Park, Michigan. The Hazel Park Racing Association, Inc. was chartered by the State of Michigan in 1953 and became the owners and operators of Hazel Park Racetrack. From its inception, some of the original stockholders were of questionable character and were linked to organized crime. In 1951, the Senate Special Committee to investigate Organized Crime in Interstate Commerce — the Kefauver Committee — investigated the ownership of Hazel Park. The Kefauver Committee discovered that a notorious Detroit racketeer, Santo Perrone, had loaned his son-in-law, Augustino Orlando, \$50,000. for investment in Hazel Park. In 1952, Joe Zerilli, a leading organized crime figure in the Detroit area, gave his son, Anthony J. Zerilli, a wedding gift of \$50,000. which was used to purchase an interest in the racetrack. Anthony J. Zerilli ultimately became the president of Hazel Park. While in 1953, the then State Racing Commissioner, through his licensing powers, succeeded in having some of the undesirable characters associated with Hazel Park, divest themselves of their stock interests, Anthony Zerilli contested the efforts of the Racing Commissioner directed towards him and continued his dominant role in Hazel Park until 1972. At that time, Anthony Zerilli and other defendants were convicted in California along with Emprise Corp. for conspiracy to acquire an undisclosed interest in the Frontier Hotel and Gambling Casino in Las Vegas. By virtue of this conviction, Michigan's current Racing Commissioner, Leo C. Shirley, was able to exert sufficient pressure on the Hazel Park stockholders to sell the track assets to Tyner-Hartman Apartments, Inc. In a letter to the House Select Committee, Commissioner Shirley advised that "The sale is removing people from racetrack and race meet ownerships who have been publicly listed as members of the organized crime structure of the United States."

The Wheeling Downs Race Track in West Virginia also came under the domination of Anthony J. Zerilli and others reputedly linked to organized

crime in 1957 when they bought it with the help of a loan from Emprise Corp. They held it for only a few years and were forced to sell in 1962 because of floods, a steel strike and the loss of the most valuable racing dates.

While Carlos Marcello, a reputed leader of organized crime in Louisiana conceded only the most tenuous of relationships with horse racing when he appeared before the Select Committee, Aaron Kohn, Managing Director of the Metropolitan Crime Commission of New Orleans, in his testimony before the Committee, contended that the interests of Marcello and his associates extended beyond merely being involved in real estate transactions affecting racetracks. Kohn intimated that Marcello held an ownership interest in racetracks. Also, in his testimony, Kohn, brought out that members of Marcello's family owned and ran race horses in Louisiana.

The Racing Commissioner for Illinois testified that when he took office in 1969, stock in some tracks was found to be held in the names of trusts and nominees. When the Racing Board, in 1970, made changes in its rules requiring full disclosure of ownership, it was necessary to threaten tracks with forfeiture of racing dates in order to secure full compliance. Yet, in connection with one racetrack, a block of stock was evidently controlled by a Swiss bank whose owner maintains a secret numbered account. (The Research Group was informed that this stock "mysteriously" appeared recently and was purchased by individuals approved by the Racing Commission).

Hidden Ownership of Horses

The Select Committee hearings exposed the possibility that perfunctory licensing procedures in some states lent itself to the hidden ownership of horses. The implication was that organized crime elements infiltrated racing by this means. One witness, Bobby Byrne, an admitted race fixer whose testimony relative to the doping of horses generated the most sensational publicity the hearings received, asserted that hidden ownership of horses was widespread. Another witness, Joe Barboza, a former syndicate enforcer, currently serving a sentence for murder, made the hearsay statement that a close hoodlum associate of Raymond Patriarca told him that Patriarca owned about 50 percent of the horses that ran in New England. The Committee, in its final report, observed that while such an estimate makes a better boast than an accusation, nevertheless said that tax licensing procedures make hidden ownership a likelihood. The unanswered question, according to its report, is the extent of undisclosed ownership and the participation of members of criminal syndicates with such ownerships.

One Committee witness, Ralph Libutti also known as Robert Presti, admitted the ownership and racing of thoroughbreds through the use of nominees or "fronts". Presti contended that he used "fronts" because he was a horse broker and didn't want himself known as an owner as it would have been bad for his brokerage business. It was also brought out that Presti had an arrest record, and Committee Counsel intimated that this was Presti's reason for using nominees. Presti's suspected link to organized crime was never fully developed or established by the Committee. It was brought out that Presti was able to buy horses on credit from Ralph Wilson, a prominent and wealthy horse owner who, at Presti's request transferred their title to persons other than Presti. Wilson testified before the Committee that his license was suspended for 30 days by the New York State Racing Commission because nominees for Presti held an ownership interest with him in the horse, "Jim French", which he, Wilson, failed to disclose. Wilson maintained that the failure to disclose was a mere oversight by his secretary and that he was careless in his dealings with Presti.

In the course of his testimony, Presti asserted that it was a very common practice for owners to register horses in the names of nominees. He said that

one of every two stake horses is not registered in the name of the true owner. Mr. Wilson disputed that contention and said there were not many transfers of interest in horses to people who really don't own them. He said he didn't think this was the general practice in racing. The Committee expressed the wish it could share that opinion but said that without a thorough investigation to determine the extent of undisclosed ownership in horses, and there has been none, such an optimistic appraisal is of dubious worth.

Race Fixing

The Select Committee heard testimony in the course of its hearings of various methods employed to fix races. Most common among them was the drugging or doping of horses to influence the outcome of a race. In some instances, drugs were administered to stimulate a horse and in others, to depress a horse. Other methods described included collusion among jockeys, owners, trainers or drivers (in harness racing); the use by a jockey of a battery or other electronic device to prod a horse; the use of "ringers" or the substitution of one horse for another; bribery or threats to a jockey or other track personnel; and the combined use of several of these techniques.

Use of Drugs

The most shocking disclosures came from witness Bobby Byrne, the admitted race fixer who had an extensive criminal record for burglary and other crimes. Byrne, prior to his appearance before the Select Committee had testified before a grand jury in Rhode Island under a promise of immunity with respect to a conspiracy he and others had participated in to fix races by administering a depressant drug to preclude the drugged horses from winning. Although indictments had been returned against five individuals as a result of Byrne's testimony, the cases had not yet been brought to trial when Byrne appeared before the Select Committee. In his testimony, Byrne maintained that before he and his cohorts came up with the idea of using drugs to tranquilize horses, they used to fix races by bribing jockeys and trainers to hold back or deliberately interfere with horses they did not want to win. After they started the drug technique, he said they paid trainers and others to, in effect, look the other way while Byrne administered the drug to the selected horse or horses. Their scheme, he said, involved drugging several horses in a given race so that bets could then be placed on only the remaining horses in a race or in the case of daily double, perfecta or other exotic type betting situations, combination bets could be placed on the "live" horses. The latter yielded the greater payoffs.

Although Byrne testified that he and his group operated at various tracks throughout the country, he said Rhode Island was the easiest state in which to operate. In response to Congressman Steiger's question, he affirmed that it was because there were more people willing to cooperate with him there. In further response to Congressman Steiger's questioning, he said it was not easy to fix races at higher class tracks which attracted better horses, better purses and better trainers. He said that at the better tracks, "You are dealing with that breed of people. They are in it purely for the sport and the prestige. No amount of money is going to sway them". Byrne also intimated that Suffolk Downs in Massachusetts was a track at which he and his group operated successfully and that there was a different group also successfully operating at that track.

Chairman Pepper described witness Joseph Barboza as a leading member of the Patriarca mob in Rhode Island and Massachusetts and reportedly the most feared rackets enforcer in New England. At the time of his appearance before the Committee, Mr. Barboza was in protective custody of the U. S. Government and based on a guilty plea, is serving a five years to life sentence for second degree murder.

Barboza testified with respect to many racketeer activities he was involved in but admitted to not knowing too much about racetrack operations. He said that on behalf of Henry Tameleo, one of Patriarca's top lieutenants, he had occasion to threaten jockeys as part of a plan to enable Tameleo to ostensibly save them from being beaten. The jockeys would thereafter be beholden to Tameleo and presumably follow his instructions to "pull" horses that Tameleo didn't want to win. He also referred to Suffolk Downs and said that because of the relationship built up with jockeys, a member of the mob was able, with jockeys help, to drug horses at that track.

Electronic Devices (Batteries, Buzzers etc.)

Testimony before the Select Committee disclosed that a number of incidents have cropped up at various tracks involving the use by a jockey of an electric whip, a battery or some other form of prod. One such incident involved one of the country's leading jockeys, LANE SUIRE who was suspended for five years. Other incidents of the use of similar devices designed to speed up a horse and fix a race were alluded to and the extent of the practice could not be accurately fixed because, as it was pointed out, only where the culprit has been caught does it come to light. How many don't get caught was said to be a matter of sheer conjecture. No evidence was produced to link this type activity with organized crime.

Collusion

Testimony before the House Select Committee indicated that harness racing was particularly vulnerable to fixing by collusion among drivers. It was brought out too, that in harness racing, it is not uncommon for an owner to be trainer as well as driver. One incident testified to by Daniel P. Hollman, former Chief of the U. S. Strike Force on Organized Crime for New York, involved a particular race at Yonkers Raceway in New York on the night of June 6, 1971. A riot at the track was sparked by the fact that the pay off on a perfecta race was very low in relationship to what the odds would have normally warranted. It was brought out that the perfecta combination of numbers 6 and 7 paid only \$42.60 when the normal expected payoff based on the odds at which the horses went to the post would indicate a likely payoff of \$100.00 more. It later developed that substantial sums were bet on the perfecta combination at mutuel windows adjoining the back stretch area by owners, trainers, drivers and other paddock personnel. Hollman said he was convinced that a betting coup had been perpetrated and referred the entire matter over to the State Investigations Commission of New York. Several holders of large blocks of winning tickets never cashed them in, presumably when it was discovered that an investigation was underway. Some drivers were ultimately suspended by State officials according to Hollman but who fixed the particular race, he said, will likely never be known. No evidence was adduced to show that those involved in the conspiracy were associated with organized crime.

It was emphasized time and again before the Select Committee that "exotic" or "gimmick" type betting was frequently the target of race fixing because of the potentially high payoff if a bettor picked the right combination of numbers.

In addition to the Yonkers incident, the hearings brought out that several harness racing drivers were involved in a conspiracy to fix the outcome of a race at Roosevelt Raceway on January 22, 1966. One driver who evidently didn't go along with the conspiracy to let the predetermined horse win, and won the race himself was said to have later been the victim of a physical assault by a known member of syndicated organized crime. The latter was subsequently prosecuted and convicted.

Among other schemes brought to light was the counterfeiting by petty criminals of daily double win tickets. According to Nassau County District

Attorney William Cahn, members of the infamous Gallo mob were extorting protection money from the perpetrators of the counterfeit ticket racket.

Testimony given by Raymond Traynor, Chief investigator for the U. S. Trotting Association indicated that the number of fixed races in the harness racing industry were miniscule but the Select Committee in its final report ascribed that to limited manpower available at the U. S. T. A. and poorly trained and paid security personnel at the 47 harness tracks.

Substitution of Horses (Ringers)

Paul Berube, Special Investigator for the Thoroughbred Racing Protective Bureau testified before the Select Committee and told of the discovery of a scheme involving the substitution of a higher caliber horse for the one purported to be registered on its foal certificate. This was accomplished, he said, by the use of fraudulent or forged foal certificates. He said "the foal certificate will reflect the name of a poor horse, but will contain the lip tattoo and the markings of the superior horse, so that everything appears normal". He said that their investigation which was conducted in conjunction with the Federal Bureau of Investigation revealed that between November, 1970 and March, 1972, six horses were run at 12 different tracks in 9 states throughout the country where this particular scheme was perpetrated. He said that 41 races were affected and that the "ringer" horse won in fourteen of them. He indicated that there was a common thread in the background of all six situations which he felt could be traceable to organized crime but he was in no position to provide the Committee with details as to who was involved because the FBI and TRPB were still investigating the matter when he testified.

Ten Percenters and Twin Doubles

Another illegal activity peculiar to horse racing referred to in the course of Committee testimony relates to bettors' efforts to conceal income from the Internal Revenue Service. Track cashiers, for instance, are required to secure identification from patrons cashing in \$2.00 daily double tickets on which the payoff exceeds \$600.00 and this information is required to be reported to the Internal Revenue Service. To circumvent such reporting, certain unscrupulous individuals approach winning patrons and offer to cash large payoff tickets in exchange for 10% of their value. It was pointed out that track security personnel and cashiers have been known to help further this evasion practice.

Another illegal practice brought out related to efforts on the part of some individuals to seek out patrons who held winning tickets on the first half of a twin double combination bet. The practice was to offer a cash price for the ticket and by buying up enough win tickets from the first half of the combination races, the purchasers could exchange them for varied combinations on the second half to sometimes stage a substantial betting coup.

Illegal Bookmaking

Testimony before the Select Committee indicated that organized crime dominates illegal bookmaking. Officials of security agencies told of their efforts to eject bookmakers from racetrack premises and of the dissemination of information among tracks regarding known bookmakers and other undesirable characters. Even Joe Barboza conceded that bookmakers are ejected by track security personnel. He said that he didn't know if there were any mob controlled bookies at tracks but did know that the syndicate he was associated with wouldn't tolerate any independent bookmakers setting up business at the track; and that on one occasion he was ordered to beat up an independent bookmaker who tried to do business at a track.

There was testimony to the effect that bookmaking on horses today was not as significant as it once was since bookmaking on sports events like football, basketball, hockey and baseball has become a tremendous source of

revenue to the racketeer element. However, in back of most fixed races, there was the bookmaking aspect. Bobby Byrne said that when he and his group fixed a race, bets would not only be placed at the track but with outside bookmakers as well. It was also brought out that bookmakers require some form of wire service to get instantaneous results. Aaron Kohn, managing director of the Metropolitan Crime Commission of New Orleans told of a concealed microphone found in 1958 at Jefferson Downs Racetrack which was traced to the Carlos Marcello organization and which was used to broadcast race results directly to off-track bookmakers.

Political Corruption

In his opening statement at the inception of the Select Committee hearings, Chairman Pepper said:

“Another facet of the problem which has become evident is a pattern of official corruption in relation to sports activities. The committee has received reports that bribes or other illegal payments are often given to public officials in order to obtain helpful legislation, the necessary licenses, favorable racing dates and other advantages”.

In its final report, the Committee stated that — “The manner in which horseracing is regulated varies greatly, unfortunately, from State to State and the integrity of racing, therefore suffers. Committee witnesses told of political slush funds and campaign contributions to finance favors from State legislatures and racing commissions”.

Among situations cited by the Committee was the recent scandal in Illinois where the former Governor, a chairman of the racing board and other State officials secured stock ownership in a racing association in violation of State statute. Another Illinois situation cited was a \$100,000 contribution made to a political party by a man whose license was being investigated by the Illinois Racing Board.

In Louisiana, it was disclosed, the State racing chairman openly admitted that he had placed bets with bookmakers. An official of Emprise Corp. admitted personal delivery of \$10,000 in cash to former Governor Earl Long and two \$5,000 payments were allegedly made to a former chairman of the racing commission. Yet another involved a political contribution by the owner of Jefferson Downs racetrack in the amount of nearly \$25,000 to the campaign of Governor John McKeithen.

Substantial expenditures were allegedly made by Emprise in Hawaii and California in the interest of favorable legislative action. Another story concerned an alleged payment of \$50,000 to a government official in Arkansas. In Arizona, a racing official was awarded a contract to install plumbing by a dog track applicant. A former racing commissioner in Arizona resigned after it was published that he had received an investment of \$20,000 in a land project from racetrack principals.

In New York, \$100,000 was reportedly paid to an official of a political party for favorable action on an application for a license to operate a track concession but the monies were returned at the insistence of Governor Rockefeller when he learned of it.

Throughout the course of the hearings, reference was made to the fact that racing officials were political appointees and members of the Committee implied that many of the problems associated with racing were attributable to the relationship which exists between racing and politics.

Select Committee's Conclusions and Recommendations

In its final report, the Committee acknowledged that the hearings dealt with only the sinister aspects of horseracing so that conditions detrimental to the industry could be remedied. It concluded, however, that, in general, the horse tracks of the country are operated with integrity and that the industry deserves the confidence of the people.

The committee formulated two sets of recommendations designed to improve the sport of racing. Five recommendations suggested Federal action and others suggested action which could be adopted by the states. The principal Federal recommendation is the adoption of a statute which would make it a Federal offense to tamper, interfere with or manipulate in any way the outcome of a race. Other recommendations for Federal legislative action would make it a crime: —

- to buy, sell or possess any drug or device, not allowed by custom, rule or regulation, which can be used to affect the speed of a horse;
- to conceal true ownership or falsify the prior racing record or pedigree of a horse;
- to threaten physical violence to any person or property in furtherance of the above;
- to strengthen the Federal Conspiracy laws affecting sporting events involved in interstate commerce.

The committee enumerated the following recommendations for action by the States:

1. Provide for interstate cooperation among racing commissions in furtherance of creating a security force capable of conducting investigations into interstate violations.
2. Provide for Computer Data Centers to store and disseminate among states information relative to individuals cited for racing violations.
3. Enact strong conflict of interest statutes affecting racetrack management interests, racing officials and holders of public office, relative to gifts, contracts, political contributions, etc.
4. Award racing dates for longer periods of time rather than on an annual basis as is now customary in most states.
5. Limit certain types of exotic or "gimmick" type betting.
6. Provide for pre-race testing of horses in addition to standard post race tests now conducted at most tracks.
7. Standardize procedures among states for the types of drugs which may be administered to horses.
8. Encourage indigenous ownership of racetracks through legislation prohibiting anyone holding a majority interest in one state from obtaining a majority interest in a legalized gambling establishment in another state.

PART II
THE RESEARCH GROUP'S FINDINGS

Preface

In carrying out its assignment, this Research Group determined it should operate within certain limitations. Since the report of its findings is regarded as quasi-public in nature, it did not press for information which related to cases pending in the hands of law enforcement agencies. In addition, in many instances, we promised not to quote law enforcement officials and others interviewed so as to promote a willingness to impart information candidly and express opinions freely. We operated under one other restriction — time. As is usually the case, when undertaking a study, or research project where the subject matter has no bounds, the element of time always represents a factor. We were obliged to confine the extent of our inquiries in order to meet our agreed target date of September 20, 1973 even though, as a group, we have devoted more than the number of workdays called for under the contract.

An Overview of the House Select Committee Hearings

The House Select Committee findings constitute an integral part of this study and represented a particularly significant source of information. The hearings were regarded as of major importance for many reasons. First, the Select Committee's investigation represented the first and only known in-depth study directed solely to the relationship between organized crime and horse racing ever undertaken or attempted on a national basis. The Select Committee's budget ran into many hundreds of thousands of dollars and its staff's investigation spanned a long period of time even though the public hearings portion extended over a period of but three months. Second, in spite of the fact that many of the incidents disclosed by the Committee had been aired before, the cumulative effect of the disclosures, emanating as they did from a Congressional body, produced shock waves among those responsible for the management and integrity of the racing industry. They had a disenchanting effect on the race-going public as well. Third, the publicity generated by the Committee's hearings was nationwide in scope and depicted the racing industry as the handmaiden of organized crime. Fourth, reference to the Committee hearings by the Virginia Pari-Mutuel Betting Study Commission highlighted the need to carefully consider the Committee's findings.

The Research Group, in the course of interviewing the many witnesses it did or in examining statistical data or reviewing reports and other documents, never lost sight of the Select Committee's findings for they were in a sense, our corpus delicti. Our aim was to take no sides with the findings — neither to condone the bad or extol the good — but to try and view it in a perspective that would portray both sides of the coin. At the outset, it should be emphasized that while those concerned with the racing industry felt they were damaged by the Committee's hearings, it must also be remembered that in the final analysis, the Committee made a point of stating that horseracing deserves the confidence of the public. No one should construe this report as being critical of the Committee's efforts for, regardless of whether those engaged in the racing industry liked it or not, the Committee did perform a public service in emphasizing evils associated with racing and caused the industry to react by strengthening their laws, rules and regulations and tightening their security. It also caused law enforcement agencies to take a new look at their responsibilities.

Scope of Industry

In order to place the Committee's as well as our findings in proper

perspective, we found it desirable to take into consideration the relationship between the illegal or criminal activities cited and the total complex of horse racing in the United States. According to authoritative sources, during the year 1972, there were 11,478 racing days at all racetracks in thirty states. As for thoroughbreds alone, there were a total of 59,417 races involving 52,561 horses and some 35,000 owners and trainers. While no figures are cited for harness racing, the numbers are equally impressive. Furthermore, although perhaps not germane to this study, track attendance exceeded seventy-four million and the gross handle represented by the operation of all horse racetracks, amounted to over six billion dollars.

Organized Crime Defined

We also found it desirable to take stock of the Committee's loose reference to the term "organized crime" which it failed to define but used throughout the course of its hearings and referred to in connection with the many public releases it issued. Probably no other term is used by so many so often without realizing its implications. It attracts attention and insures headlines whenever any illegal activity is described as representing "organized crime". Perhaps that, by itself, may explain the tendency to ascribe many forms of illicit activity to "organized crime".

The Committee's report entitled "Organized Criminal Influence in Horseracing" causes the reader, unsophisticated in criminal enforcement, to see all of the criminal activities described in the report as the "hard core" organized crime publicized through television and the press. "Hard core" organized crime appears to be most clearly defined in the "Report by The President's Commission on Law Enforcement and Administration of Justice" published in February 1967 which said:

"Organized crime is a society that seeks to operate outside the control of the American people and their governments. It involves thousands of criminals, working within structures as complex as those of any large organization, subject to laws more rigidly enforced than those of legitimate governments. Its actions are not impulsive but rather the result of intricate conspiracies, carried on over many years and aimed at gaining control over whole fields of activity in order to amass huge profits. "The core of organized crime activity is the supplying of illegal goods and services — gambling, loan sharking, narcotics and other forms of vice — to countless numbers of citizen customers. But organized crime is also extensively and deeply involved in legitimate business and in labor unions. Here it employs illegitimate methods — monopolization, terrorism, extortion, tax evasion — to drive out or control lawful ownership and leadership and to exact illegal profits from the public. And to carry on its many activities secure from governmental interference, organized crime corrupts public officials."

The President's Commission noted that organized crime operates through twenty-four allied groups known as "families". Each family has its hierarchial structure and its workers. A "Commission" composed of the heads of the most powerful families is looked to as the ultimate authority on organizational and jurisdictional disputes.

While in its report of December 1971, the Organized Crime Detection Task Force of the Virginia Crime Commission cited the definition of the President's Commission (supra), it gave the following definition which it preferred to use in its study of Organized Crime in Virginia:

"Organized crime is criminal activity that has such organization in depth, within a community, and in breadth over a region or the nation, as to justify deep concern on the part of all citizens".

The Task Force definition, with varied wording, is used by many law enforcement agencies, and the U. S. Department of Justice. In making the current study, we felt that crime in racing must be sought out and only that which fits the "hard core" definition as described by the President's Commission would be regarded for our purposes as organized crime. The "hard core" definition of organized crime implies that those involved attain their ends by violence and the corruption of all that they became a part of or acquire an interest in whose leaders are insulated by buffers from the actual commission of crimes or violence. This poses a far more serious problem to society than the criminal who participates in the actual commission of the criminal act either as part of a conspiracy or individually.

As may be gleaned from the above, "organized crime" is a rather elusive term. Law enforcement itself has had difficulty in giving it a precise definition. Understandably, when the Select Committee publicly and by glaring headlines associated the racing industry with organized crime without either defining it or pointing up the very limited area where "hard core" organized crime encroached on racing or more importantly from the industry's standpoint, without pointing up the successful measures taken by the industry to keep organized crime out of racing, they decried the blow that the Committee dealt it. They claimed that the Committee distorted the picture and created an overall image of racing that was unwarranted.

Research Group's Approach

As previously mentioned, contacts were made primarily with state racing officials whose responsibility it was to administer the laws, rules and regulations pertaining to racing; law enforcement and prosecutive officials who exercised jurisdiction over the investigation and prosecution of criminal violations applicable to racing; and security officials who were responsible for maintaining or supervising security at given tracks or the integrity of the racing industry from a national standpoint. En toto, the people contacted presumably were the most knowledgeable about racing, its pitfalls and the means for overcoming or remedying them. All were cognizant of the House Select Committee hearings. Everyone contacted was apprised of the fact that legislation was under consideration within the Commonwealth of Virginia to effect pari-mutuel wagering on horseracing and the purpose of our study. In addition to our efforts to secure information from them relative to the influence organized crime exerts on racing, they were questioned about their specific knowledge or experience with illegal activities peculiar to racing and, whether evidence existed to tie such activities to organized crime. Their opinions were also solicited as to whether, if Virginia were to legislate pari-mutuel betting, what organized crime impact (or criminal activities) could be anticipated and what suggestions they had to prevent or overcome them.

General Findings

In substance, with minor exceptions, those contacted were unaware of any "hard core" organized crime involvement in racing today in their states although they acknowledged they were continually checking incidents or allegations brought to their attention. They were unanimous in their view that the key to preventing illegal activities and keeping undesirable elements out of racing and maintaining its integrity were:

Strong laws, rules and regulations;

The determination of State racing officials and track management to keep it clean;

Competent professional security and intelligence support; — and

Rigid and uncompromising enforcement of violations.

It should not be inferred from the above that our sources felt that racing was free of crime problems. These will be covered more specifically later in the report. They cautioned that unless those who supervised racing were constantly on guard against encroachment by organized crime or any other form of crime, the State would be inviting problems. It was also strongly recommended by the experts interviewed that, to safeguard its integrity, racing should be free of political interference; participation as a licensee in the sport should be made a privilege rather than a right; provision should be made for indigenous ownership of racetracks; and racing officials should be given investigative authority with competent and adequate manpower. Another frequently expressed opinion was that "cheap" racing per se invites problems. It attracts the "hungry" element of owners, trainers and jockeys who are more likely to succumb to the temptations of those who would corrupt. Several experts voiced the view that one of the problems faced by racing today is that there are too many tracks and far too few good horses to go around so that unless a racing program were devised to attract higher caliber horses and provide purses comparable with the better tracks operating in the vicinity of its competition, it could create a potential for illegal activities, and at the same time, reduce the financial expectations of the state and the tracks.

The Research Group found that most of the significant evidence of organized crime's infiltration of racing and the major instances of criminal activities associated with racing in recent years was exposed by the Select Committee. While the Committee's final report noted that it had more evidence of significant illegal activities, contacts with Committee staff members did not substantiate this. The scarcity of additional significant evidence may more readily be appreciated if credence is given to the statements of Spencer J. Drayton, an officer of the Thoroughbred Racing Association (TRA) as well as president of the Thoroughbred Racing Protective Bureau (TRPB) and John L. Brennan, president of Harness Tracks Security, Inc. (HTS) in their reactions to the publicity engendered by the Select Committee hearings. HTS is responsible for protecting integrity at harness racetracks and TRPB has the same responsibility with respect to thoroughbred racing at most of the major tracks in the United States. Both these organizations viewed the disclosures of the Select Committee as a reflection on the job they were doing. Mr. Brennan wrote a letter to the New York Times which appeared in its issue of July 1, 1973 after the Times had published an article entitled "House Crime Group Reports Wide Fixing of Races" and said:

"Any corruption in our sport was uncovered by the sport itself and furnished to the Crime Committee, but the few instances cited had already been prosecuted by harness racing years ago and the individuals banished permanently from our sport. These episodes were sporadic and involved less than one-fiftieth of one percent of the races run".

When interviewed, Mr. Brennan pointed out that he was denied the opportunity of testifying before the Select Committee.

In the Twenty Seventh Annual Report of the Thoroughbred Racing Protective Bureau for the year 1972, a section is devoted to the "House Select Committee on Crime" and it is quoted below because of its relevance to our finding that available significant evidence beyond that which was disclosed by the Select Committee was limited.

"HOUSE SELECT COMMITTEE ON CRIME"

"The recent hearings in Washington before the House Select Committee on Crime have given Thoroughbred racing an undeserved black eye. Headline making material provided by cheap hoodlums appearing before the Committee obscured the facts with flamboyant

statements. Public confidence in the integrity of the sport of racing was shaken as a result of statements made to the press, not only by the witnesses who appeared before the Committee, but by Committee members themselves.

"The House Select Committee, which had been more or less dormant for some time, was responsible for an article which appeared in the May 14, 1972 edition of the New York Daily News entitled House to Air Crime — Sports Links indicating that initial hearings would focus on crime syndicate dealings in horse racing. The Committee refused to elaborate on what kind of crime infiltration or evidence they were ready to prove at its opening hearings. It is interesting to note that the article closely followed the Committee's request for \$544,121 operating capital for 1973. "On Friday, May 12, 1972, Mr. Andrew Redding, Assistant Counsel for the Select Committee, telephoned the TRPB Headquarters to advise that he would arrive the following Monday to review our files in connection with the Committee's investigation. Mr. Redding in fact spent four days perusing TRPB files which ultimately resulted in the Committee's subpoena of no less than fifty-one summary and investigative reports. Press accounts of Committee Chairman Representative Claude Pepper's initial statements indicated the Committee probe would also aim at professional and college basketball, professional football and big league baseball and hockey. These sports do not have an investigative or security agency akin to the TRPB from which the Committee could glean information. It is curious that to date the probe has not delved into other professional sports.

"Joseph A. Phillips, Counsel for the Select Committee, began hearing testimony concerning the forged foal certificate problem at a time when the facts were not fully developed, as the matter was currently under investigation by both the Thoroughbred Racing Protective Bureau and the FBI. It was suggested to the Committee that it may be more prudent to avoid public hearing of the matter until Federal authorities completed their investigation.

"Subsequently, the news media throughout the country gave the matter headlines, but the news media failed to mention the fact that the Thoroughbred industry had operated twenty-five years without a ringer problem, and that furthermore, it was the TRPB that discovered the fraud and not an outside law enforcement or investigative body".

The TRPB report went on to state that it was their organization which discovered, investigated and presented the evidence of the Bobby Byrne race fixing incident. Further, that the TRPB in its Annual Report of 1971 had given an account of Byrne's race fixing. The same Annual Report referred to the Robert Presti situation concerning the use of "fronts" in the ownership of horses as brought out by the Select Committee and asserted that the information was first discovered by them and was lifted from their files by the Committee. In conclusion, the Report stated that none of the important information supposedly developed by the House Committee was new to the TRPB.

The Research Group found that the racing industry is probably more sensitive to their security problems than any other sport and has devoted more effort than any other comparable sports activity to maintain its integrity. In addition to TRPB and HTS, there is a National Association of State Racing Commissioners of which each state in which racing is authorized participates as a member. This organization is also committed to promoting the best interests of racing in so far as the public is concerned and to safeguarding the

industry's integrity. Information is routinely received by the National Association of all state racing commission disciplinary rulings and this is subsequently distributed across the country to all other states. They issue a twice weekly bulletin of all such rulings and also disseminate information with respect to problems faced by the industry. At regional meetings held periodically throughout the year and at their annual convention, all problems, including illegal activities, security and other measures for dealing with them, are openly discussed. The U. S. Trotting Association serves in a similar fashion for protecting the integrity of harness racing. Aside from the various national organizations which oversee the industry and provide for its security, some states rely on their State Police arms to provide enforcement support and all racetracks maintain independent security staffs. Very few states, unfortunately, provide adequate investigative support for their racing commissions and this is viewed by the Research Group as a shortcoming.

Historically, it was found that the racing industry generally has responded over the years to correcting its faults and its problems and has tried to maintain a "clean house". It has made great strides in lifting itself by its own boot straps from the days when irregularities were the rule rather than the exception. There have obviously been some failures, some attributable to lax or indifferent management or political corruption and some to the inescapable inevitable that no matter what measures are taken to safeguard against criminal activities, there will always be someone who at sometime will penetrate the veil of security. When it happens, the industry has been quite quick to react. On the whole, it was found that where a state, through its racing officials, had a determined attitude and proper authority to insure "clean" racing and imparted this attitude to racetrack management, and provided adequate financial support and investigative resources, it could keep racing relatively free of any taint. Many of the racing authorities mentioned that, as part of their self-policing system, they preferred not to resort to formal or legal action against undesirables or those whose practices were regarded as inimical to the best interests of racing. It was said that they were able to apply other means of pressure like denying stall space to unethical owners or trainers, or discouraging them by threat of exposure, or by just making life uncomfortable for those whose activities they found questionable if they failed to respond. We were led to believe that this was not an uncommon method of getting rid of undesirables or curbing questionable practices.

It is a sad fact of life today that crime is no stranger to any industry, and those we interviewed were quick to point out this risk factor as being inherent in enterprises other than racing. They said that no business was completely free of possible infiltration by organized crime or those bent on criminal activities and cited many examples so well known as to warrant no further elaboration here. Competitive professional sports were particularly vulnerable. They admitted that horseracing attracted a criminal element that was always looking for the "edge" because, by its very nature, gambling was indigenous to horseracing; and that if those responsible for racing ever dropped their guard, organized crime and other criminal elements would find the means of moving in. A highly publicized recent event demonstrated that no competitive sport is evidently immune from the "edge" seeker. Officials of the All-American Soap Box Derby, run in August of this year, disqualified a 14 year old boy because he used a built-in electromagnet system to get an illegal boost at the starting line. Investigation disclosed that the boy was helped and encouraged by his uncle, father of the boy who won last year's Soap Box Derby. As might have been expected, officials announced that next year, they will make more thorough pre-race inspections as a preventive measure. So it was found with respect to horse racing — when the loophole is discovered, responsible officials will try to plug it.

Specific Findings as to:

Bookmaking

All the experts agree that gambling is the most important source of organized crime's income. There is no reliable basis for determining what percentage of gambling income is derived from illegal bookmaking. With the tremendous take from the numbers lottery and the continually increasing take from other sports, bookmaking on horse races is said to represent a small percentage of the total. Nevertheless, it is obvious that if there were no horse racing in the United States, there would be little problem with illegal bookmaking on or off the track. There would surely still be bookmaking, however, on races run in Canada, Mexico and other nations. Whether Virginia legalizes pari-mutuel wagering or not, as was pointed out in the report of the Virginia Organized Crime Detection Task Force, illegal gambling operations have been uncovered and will continue in many sections of the Commonwealth. All of the horse betting is now based on horseracing conducted in other states. While there was no unanimity among the experts contacted by the Research Group, the consensus was that the presence of a new racetrack in a community was likely to stimulate illegal betting on the part of some people who had not previously been exposed to it. Department of Justice and other law enforcement officials were of the view that the introduction of pari-mutuel wagering would encourage and promote more illegal bookmaking. Officials in some states, however, said they could detect no difference in the extent of illegal bookmaking when nearby tracks were operating and when they were not. They saw little or no impact on bookmaking activities as a result of the presence of a race track. Organized crime specialists in law enforcement interviewed in Florida felt that because that state afforded its citizens so many outlets for legalized pari-mutuel betting (34 entities involving flat-harness — and quarter horse plus jai lai), illegal bookmaking on horse racing was on the wane there. On the other hand, illegal bookmaking in most large cities was reported as a constant problem to most law enforcement officials. In Massachusetts and Rhode Island, gambling was described as a way of life in their big cities. Furthermore, particularly in those two states, "hard core" organized crime was said to be in control of bookmaking and did have an impact on pari-mutuel wagering. In fact, according to some experts, New York and New Jersey bookmakers either limit the amount of bets they will book on certain New England tracks or not take any at all because they suspect the integrity of races in that area. Conversely, it might be inferred that bookmakers themselves do have confidence in the integrity of racing elsewhere.

Vincent Teresa, a notorious New England hoodlum associated with the Patriarca family and the possessor of an extensive criminal record, testified in July 1971 under a promise of immunity before the Permanent Subcommittee on Investigations of the U. S. Senate Committee on Government Operations. The purpose of that Committee's hearings was directed at "organized crime and its operations in connection with thefts of securities, mail robberies, and other activities relating to forged documents, stolen documents, particularly stocks and bonds". Teresa testified principally about his activities as a burglar, and his involvement in stolen or forged securities, stolen cars, stolen or forged credit cards, arson, fraudulent bankruptcies, rigged card or dice games, loansharking, counterfeiting, fraudulent bank loans and other illegal enterprises. In the course of his rambling testimony, he touched briefly on the subject of gambling and this is what he had to say:

"Gambling is far more important than any other business in the mob. Narcotics may be big in New York with the drugstore gangsters, but in Boston the leaders wouldn't touch it. "Loan sharking is a big business, but it could not exist without the gambling as its base. Securities have been a big moneymaker, but maybe that will come to

an end now. "Gambling is the standby and the foundation. From it comes the corrupt politicians and policemen, the bribes and the payoffs, and sometimes murder. If you could crush gambling, you would put the mob out of business. You'd have them back on the pushcarts as it was in the old days. "There is no bookmaker that can do business by himself; he couldn't survive. The mob would turn him over to the police, give him a few beatings, or even kill him if he's real stubborn. He has to go with them, because they run everything."

We were informed that it was standard procedure for security personnel at most tracks to either stop known bookmakers from entering track premises or to eject them after entry, once their presence became known. Interviews with racing security and other enforcement officials confirmed that they maintain lists and photographs of undesirables. This includes known bookmakers. We were told that such lists together with photographs are distributed to all TRA member tracks. We were also informed that known members of "hard core" organized crime families are reluctant to make an appearance at some tracks as they did not wish to suffer the embarrassment of being asked to leave. However, it was recognized that "runners" in the employ of bookmakers do gain entry to tracks to lay-off or place "come back money" through the mutual windows because of either lax enforcement or because their identities have not become known to security personnel.

Hidden Ownership of Race Tracks

Aside from the Select Committee disclosures relative to the Zerilli interest in Hazel Park and Wheeling Downs, and Patriarca's interest in Berkshire Downs, no evidence was found of hidden track ownership by underworld figures. A nationally known authority on organized crime, bookmaking and legalized betting commented to the Research Group on the difficulties of preventing the hidden (or open) proprietary interest by organized crime figures, their relatives, friends, associates or nominees. It presents a difficult if not impossible problem in dealing with private ownership corporations with publicly held stock to prevent unsavory characters from having their friends or relatives purchase stock in their own names. He, as well as others interviewed, suggested that a state starting from ground zero might avoid such problems by the promulgation of licensing and supervising provisions that are stronger than those which now exist in other states. Anyone who cannot live with them need not apply for a license.

Aaron Kohn, Managing Director of the Metropolitan Crime Commission of New Orleans, in a written statement submitted to the Select Committee, intimated that Carlos Marcello, the reputed leader of organized crime in Louisiana, may have had an ownership interest in racetracks in New Orleans but this was never proven even though Marcello had been the subject of investigation by more investigative agencies over a longer period of time than most any other racketeer figure in the country. Nicholas Rattenni, the reputed "Mafia king" of Westchester County, was reported in news articles and by law enforcement officials as having sold in 1969 a substantial block of stock which his late wife owned in Roosevelt Raceway, New York.

Continuing studies made on the subject of racketeer infiltration into legitimate business conducted by the Internal Revenue Service and others disclosed no ownership interest aside from that already mentioned on the part of organized crime figures. The Pennsylvania Crime Commission in 1970, compiled a list of more than 375 Pennsylvania businesses controlled in whole or part by crime syndicates and horse racing was not among them. In the same vein, John L. Brennan of Harness Tracks Security advised us as follows in a letter dated July 13, 1973:

"We are in possession of no evidence that organized crime has obtained a foothold in the harness racing sport, either as owners of horses or of race tracks. We are constantly alert to any effort along that line and are acutely aware of that possibility".

Mr. Brennan also forwarded a copy of the letter he addressed to the New York Times which was published July 1, 1973, in which he wrote in part that —

"There is no available data of evidential value that any hoodlums, racketeers or Mafia have any undisclosed interest in any harness track".

The same national authority referred to above, mentioned that New Jersey, in its planned sports complex, is thinking of a state owned and operated track, which would preclude licensing problems. Along the same line, he said there might be an innovative thought in a new kind of compromise where the track could be owned by people interested in improving the breed of race horses, but with pari-mutuel wagering on and off track being operated by a public benefit corporation such as the Off Track Betting Corporation of New York. He also pointed out that the growing limitations on what government can do in the area of licensing create all kinds of legal litigation that is probably best avoided in the first instance.

Hidden Ownership of Horses

Hidden ownership of horses is acknowledged to be the most difficult area of licensing to police without conducting an in-depth financial and background investigation on every licensee. The scope of the problem, admitted to be a serious one, is not known simply due to lack of resources, compared with the volume of licensees, to determine it.

Interviews with members of state racing commissions and law enforcement agencies disclosed several instances, not reported by the Select Committee, of ownership of horses in the names of "fronts" for individuals reputed to be associated with "hard core" organized crime figures. Also, we were advised of on going investigations of additional allegations. For example, one state is seriously looking into the ownership of farms, from which horses are raced at near-by tracks, which are not licensed due to lack of stall space at the track. Another state is examining the problem of leasing horses to determine whether the lessor might be an organized crime figure who maintains influence over the lessee.

In their testimony before the Select Committee, Presti, Byrne and Barboza also said that the practice of ownership in the names of others than the true owner is widespread.

In a commentary published in the July 1972 issue of the Horseman's Journal, Tony Chamblin, executive director and treasurer of the Horsemen's Benevolence Protective Association, had this to say on the subject of hidden ownerships:

"Recent events have proved it is relatively easy for underworld figures, or for that matter, "reputable" figures to run their stables in other people's names. The percentage of hidden owners does not reach the 60 per cent level estimated by Bobby Byrne but we fear the figure, if known, would be astonishingly high".

Drugging of Horses

The subject of drug usage is recognized as one of the more serious problems affecting the racing industry and, ways and means of coping with the problem are among the principal subjects brought up at regional and national meetings of the National Association of State Racing Commissioners. The

subject is not as simple as it might appear on the surface for we were informed that the laws of all the states are not uniform and that a positive finding in a urine sample does not of itself prove that the horse was either stimulated or tranquilized in such a way as to affect his running performance. Certain drugs were said to be routinely administered to horses for therapeutic purposes just as humans require and take drugs to cope with pain or illness. We were told that state laws, rules and regulations, vary in the type and dosage of drugs which may be legally administered and with respect to the period of time before a race when they may be legally administered. Racing authorities emphasized that horses differed in their reaction to drugs. It was said that the period of retention in their system could fluctuate and that the urine specimen of one horse might disclose a drug trace five days after it was administered whereas another might show no trace of the same dosage one day after administration. At the most recent annual convention of the National Association of State Racing Commissioners, Dr. Jerry W. Blake of the Department of Veterinary Clinical Sciences of Ohio State University, concluded:

“There is an almost total lack of knowledge as to the effects of stimulants and depressants on horses. What is a therapeutic dosage? Do these doses vary from horse to horse? Is it wrong to administer subtherapeutic doses of a drug which allows a horse to run optimally without affecting its performance? Should there be standardized controlled medication?”

At this same meeting, Dr. Sidney R. Nusbaum, Director of the Diagnostic Laboratory of New York State Veterinary College gave a discourse on the subject towards the end of which he said:

“In sum, then, pre-race testing combined with various post-race options presents the industry an opportunity to effectively monitor and prevent improper use of drugs. This should not, however, be the limit of the industry's interest”.

“Those of us who have had the opportunity to survey the problem, both from afar and up close, feel that new evidence, methods, and knowledge will present the challenge and the opportunity to establish codes of drug use which will be consistent, and easier to administer than some of the present rules”.

Much of Bobby Byrne's testimony before the House Select Committee related to the use of drugs to fix a race. While his testimony was regarded as an exaggeration in most states because attempts to check out his story failed to corroborate it, some of what he said with respect to Massachusetts and Rhode Island was substantiated by law enforcement officials there. His testimony, as a state witness, led to many indictments and a number of convictions involving not only members of the unsavory group who worked with him but some owners, trainers and jockeys as well. Two of the defendants against whom Byrne testified who were said to be the money men behind the operation, were reputed to be associated with known “hard core” organized crime figures in the New York — New Jersey area although no direct link was ever proven.

Also relevant to the subject was the testimony of Vincent Teresa, previously referred to herein as being associated with the Patriarca crime syndicate in New England, before the Permanent Subcommittee on Investigations of the U. S. Senate Committee on Government

Operations in 1971. He testified to the same effect as Bobby Byrne that the doping of horses by or for the benefit of "hard core" organized crime figures does take place, particularly in the New England area. Teresa testified that in addition to the administration of stimulants to speed up a horse, they shot it with depressants to slow him down. Another scheme practiced by the mob, he said, was to buy the "spit box", the receptacle which contains the horse's urine specimen. He inferred that they tried to bribe the custodian of the "spit box" to substitute the urine of the drugged horse with that of a "clean" horse. This was done to avoid the detection of a stimulant in the course of urine tests conducted after a race.

It was learned that Vincent Teresa co-authored a book since his appearance before the Senate Subcommittee entitled "My Life in the Mafia". The book describes Teresa as the number three man in the New England "family" of Raymond Patriarca even though in his testimony before the Subcommittee, he denied ever being a member of the "family". The book contains a chapter captioned "Fixing Horse Races" in which he repeats much of what was brought out in the course of the House Select Committee hearings. A law enforcement official very close to Teresa expressed doubts about the extent of Teresa's experience and exposure to horse racing and another warned about his credibility.

Counter to the picture of widespread drugging of horses presented by Byrne or Teresa, Spencer Drayton, president of TRPB, in response to our specific question on the subject, advised that in 1972, in the course of over 30,000 races at TRA tracks involving 237,000 entries, they received only 64 allegations of either stimulation or tranquilization by drugs. Also in our review of racing stewards' reports, as reported in the Daily Racing Form for the period June 5 through August 2, 1973, it was noted that only 22 positive findings were reported at the 35 thoroughbred tracks racing during all or most of that period. How many of these represented a finding that a stimulant or depressant was used deliberately to influence a race is not known. However, most appear to represent infractions of a state's racing rules and regulations judging by the fines or suspensions imposed rather than attempts to deliberately tamper with a horse to affect the outcome of a race.

One of the authorities we talked to — a former FBI agent, former chief of track security and currently a racing steward, expressed the view that with proper attention on the part of honest and responsible officials, it is relatively easy to detect symptoms of tranquilization before a race. As for stimulants, he said, no amount of stimulating drugs will guarantee that the horse to whom it was administered, will win the race. That no safeguards are immune from personal dishonesty, may be gathered from the fact that a state veterinarian in Pennsylvania was recently fined \$5,000. and barred from all tracks for his role in a urine sample fraud.

As may be gathered from the above statements of Dr. Blake and Dr. Nusbaum, racing authorities are constantly striving to improve methods to cope with the problems of drug administration. The industry, we were told, has gradually increased the scope of its post race testing over the years. At one time, only the winner was tested. Now it is almost universal practice in most states to require post race tests of at least the first two horses in a race as well as at least one or more additional horses selected at random. More stringent rules for post race drug testing have been adopted in many states for perfecta, daily double and other races in which "exotic" type betting is involved.

It is obvious that the drugging of horses has always been of special concern to the horse racing industry. No matter how infrequently incidents arise, as

authorities within the industry contend, each time a serious incident is publicized it receives sensational coverage and does great damage to the sport. We have found that, perhaps as a result of the Select Committee hearings, several states are expanding their testing facilities and capabilities as well as exploring the feasibility of extending pre-race testing which Ohio has adopted in harness racing, to include thoroughbreds. The State of Illinois, we were told recently invested over \$200,000 in a new laboratory facility.

Electronic Devices

At a carefully run track, jockeys quarters were said to be built in such a fashion as to permit constant observation. They are not permitted to bring in food or beverages. It is provided for them. There is usually but one entrance or exit so as to permit observation and preclude contact with outsiders before a race. In spite of these precautions, electronic prods, batteries or buzzers do turn up occasionally. In Michigan, not too long after a member of this Research Group visited that state, an incident arose which indicated that two buzzers were found in a truck owned by Tony Franklina, a trainer whose license was thereupon revoked. In response to our inquiry of TRPB to ascertain the frequency of the known use of such electronic prods during the year 1972, we were informed by Spencer J. Drayton that in the course of 3,296 racing days at TRA tracks, they received only 13 allegations of such use. He said there were over 30,000 races involving the entry of approximately 237,000 horses during that period.

In the course of his testimony before the House Select Committee, Paul Berube, an investigator for TRPB, indicated that the use of an electronic device usually involved only the persons connected with the particular horse such as the owner, trainer, jockey, or stable personnel rather than being tied to "hard core" organized crime. Racing and law enforcement officials contacted, share Berube's opinion.

An unusual incident which occurred in July 1972 illustrates the need for constant vigilance and the lengths to which unscrupulous individuals will go to fix a horse race. On July 8, 1972, FBI Agents arrested Sollie Viner and Martin Goodman, two Canadian citizens, at Rochester, New York, on charges of violating the Interstate Transportation in Aid of Racketeering Statute. They had been accused of paying an American firm \$4,000 to build a portable laser device capable of being used to rig horse races. Since the device was powerful enough to cause skin burns on either a human or an animal, Viner and Goodman planned to use it against horses on which they had not bet, thereby causing the other animals to break their stride and permit potential long shots to win. Although the plotters declared their intention of clearing over \$250,000 by the utilization of this device, they were taken into custody before actually being able to test it. On September 11, 1972, Goodman entered a plea of guilty in the United States District Court at Rochester and was sentenced to four months in prison and 16 months on probation. On October 16, 1972, Viner was convicted following a jury trial in the United States District Court at Rochester and was sentenced to eight months in prison.

Collusion Among Owners, Trainers, Jockeys and Drivers

Aside from the revelations by Select Committee hearings based on the testimony of Byrne and Barboza or that of the McClellan Committee hearings based on the testimony of Vincent Teresa, the Research Group found virtually no independent evidence other than that related herein that "hard core" organized crime is involved in collusion among owners, trainers and jockeys. While law enforcement officials in Rhode Island expressed reservations about the integrity of racing in that state, they provided nothing beyond that which

was previously disclosed except to point out that organized crime figures were suspected of having hidden ownership interests in race horses and exerted an unhealthy influence on the sport there.

There was an intimation in articles which appeared in the New York papers after the fixed perfecta race which was run at Yonkers Raceway on the night of June 6, 1971 that "hard core" organized crime may have been in the background but this was not proven by subsequent investigation. An article which appeared in the New York Daily News of July 15, 1971 reported that Nicholas Rattenni, "reputed Mafia King" of Westchester County, New York had been seen with a vice-president of Yonkers Raceway an hour before the alleged fixed race was run.

Officials contacted said it would be naive to think that conspiracies among owners, trainers, jockeys or drivers do not occur for they have occasionally been successful in discovering them. They are said to be a constant possibility, but proving a collusion case is very difficult, even if suspected. Spencer Drayton of TRPB advised that in 1972, out of over 30,000 races run at TRA tracks, they received only 29 allegations of such attempts. As mentioned previously, the greatest temptation to conspire to predetermine the outcome of a race lies in the "exotic" or "gimmick" type betting area where the greatest opportunity exists for staging a betting coup. In this connection, New York State recently suspended "Superfecta" betting as the result of a strange pattern of winning bets tending to suggest some prior information about the likely winner. Also, a few years ago, the New England tracks agreed among themselves to limit types of exotic betting but public demand and the resulting reduction in revenue was said to have forced them to bring it back. Illinois also abolished certain forms of exotic betting but they felt compelled to reinstate it because of the revenue loss. According to Drayton of TRPB and John Brennan of HTS, racing commissioners could take more positive action with respect to information turned over to them by their respective agencies than they do. It was their view that racing commissions are somewhat lenient and are sometimes more concerned about the rehabilitation of violators than punishment.

In order to cope with, if not completely eliminate betting coups, many states now require tracks to post changing odds in perfecta and daily double wagering on closed circuit TV screens located in the sellers area. As one racing official put it, if a betting coup is in the making, the bettor will at least have the means of becoming aware of it and the opportunity of getting in on "the action" if that is what he wants. It eliminates, he said, the element of surprise when the results show a smaller or larger than expected pay-off. Another innovation at some tracks is the use of a system to alert track management and security to a potential betting coup in the making. One member of the Research Group was invited to inspect an elaborate closed circuit TV system employed at Calder Race Course in Florida. It consists of a bank of television screens designed to monitor many areas of the track at one time. The system enables security personnel to zoom in on any suspicious activity, including seller and cashier windows. The location of the cameras are changed frequently and are set at night to monitor stable and other areas to detect possible entry attempts by unauthorized personnel.

It was the view of many experts that opportunities for collusion were greater in harness racing than thoroughbred racing. This was said to be based on the fact that in harness racing, the owner was often also the driver and sometimes the trainer as well. There was also said to be a much closer relationship outside the track among harness racing people as they all generally covered the same racing circuits and were apt to be in each others company in or outside the track on a far more frequent basis than their counterparts in thoroughbred racing. It was also said that purses in harness

racing were much smaller than in thoroughbred racing and that, in itself, opened the door to the temptation of making up for the low purses through successful betting. Because of the smaller purses, an owner was not as apt to protest when he lost a race in which he might have suspected skulduggery. It was said to be more difficult to discover unethical riding tactics in a harness race than in a flat race. Also, eight horse fields, traditional in harness racing, are considered particularly subject to manipulation because of the relatively small number of horses. Most of the scandals exposed due to collusion centered in harness races on which exotic type betting was involved.

The situation in New York previously alluded to which led to the suspension of superfecta betting, concerned harness racing. According to an article in the New York Times of September 6, 1973, the Department of Justice uncovered evidence showing that almost all the superfecta races run at Roosevelt, Yonkers and Monticello Raceways during the first three months of 1973, were fixed. Superfecta races require the bettor to select in that order the first four horses to finish. It was reported that the races were fixed by bribing certain drivers to hold back their horses so they would not finish in the first four spots. The fixers of the races were said to have netted more than \$2,000,000 on wagers. Grand jury indictments, it was reported, were expected to be returned in the next few weeks against 20 persons, including five with organized crime connections. Five individuals have since been indicted for perjury and ten have been arrested. According to Department of Justice sources, those indicted or arrested are "small fry" and indictment of major figures are still many weeks away. Most of the superfecta betting took place at various locations of New York's Over the Counter Betting system so that track management or security were in no position to know what was taking place. It was OTB security personnel who detected the scheme.

Substitution of Horses (Ringers)

According to Spencer Drayton of TRPB, the "ringer" cases disclosed in the course of the Select Committee hearings represented the first instance of such a practice to come to light in over 20 years. The individuals involved used forged, false or counterfeit foal certificates. They were investigated by the FBI as well as TRPB and were ultimately prosecuted. As a result of that situation, the New York Jockey Club has instituted new procedures for assisting tracks in the identification of horses which it was said should preclude that from happening again. At any rate, the Research Group found no evidence of other instances involving the substitution of horses.

Political Corruption

The House Select Committee hearings disclosed a sordid picture of the instances political corruption played a detrimental role in the horse racing industry. Most of the racing and enforcement officials interviewed stressed that political interference did not promote the integrity of the industry. While no additional evidence of political corruption was discovered by the Research Group, it may be appropriate to recall the plea on the subject made by Mr. James Edwards when he served as a member of the Panel on Pari-Mutuel Betting on Horse Racing, held at the Fauquier Springs Club on May 16, 1971. Mr. Tyson Gilpin, President of the Virginia Thoroughbred Association served as chairman of that panel. Mr. Edwards said:

"I warn you to keep politics out of racing, it is a curse, and it is in many states in racing. I would like to relate several experiences that I have had, but I am afraid I would be fingered by telling you of these experiences and then I would have to answer to jealous, dominant racing commissions and I have to answer enough already without

inviting trouble. But, please above all, keep politics out of racing. Last but not least the State of Virginia has a great many good breeders, good people and people interested in horses. I feel that racing commission members should not be paid. It should be a voluntary non-profit position. I feel that politics should not enter into the selection of such Commissioners, that outstanding individuals of proven ability, knowledge, stability and integrity should be appointed to the Commission”.

It was the view of many enforcement and racing officials interviewed that racing commissioners should be appointed because of their knowledge of the racing industry and should receive adequate salaries.

THE IMPACT OF HORSE RACING ON THE COMMUNITY

During its visits to various states, the Research Group sought an answer to the question of whether the presence of a racetrack brings crime to the community or alters the crime picture within it. Police officials interviewed were in general agreement that the commission of crimes outside the track enclosure as a result of racing are minimal.

For example, the Chief of Police at Hazel Park, Michigan, (population 23,784) directly outside the city limits of Detroit, stated that he has for many years tried to differentiate between crime in his city (outside the track enclosure) during racing season and during the off season. One of the reasons for his interest was his knowledge that organized crime figures held an ownership interest in the track. He summed up his resulting views with a statement that more crimes are caused in the city by the highway (U. S. Route 75) running through it than the presence of the racetrack. A Prince Georges County Police official, with enforcement authority in Bowie, Maryland (population 35,028), believed that the Capital Beltway brought more crime to Bowie than did the racetrack. In Livonia, Michigan (population 110,109), authorities described the crime impact on the community due to the presence of a track within its limits as minimal. In Laurel, Maryland, a city with a track on its borders, an official said that possibly more bad checks are passed to local merchants during racing days but that no other noticeable change in crime occurs. All stress that traffic control, like at any other large event, takes manpower from normal police assignments, that crimes such as assault, larceny on the parking lot, thievery, pick-pocketing, bookmaking and even arson do occur within track confines, causing an additional police workload just as at any other public spectacle.

Detectives assigned to the State Racing Commission confirm the above statements with regard to communities in New York State which have racetracks within their municipal boundaries. State Police and security consultants assigned full time at the Wayne County Municipal Airport (Detroit's main airport) which has the Detroit Raceway and Hazel Park within easy commuting distance, said they are not aware of any influx of known undesirable characters through the airport during the racing season.

Law enforcement and racing officials described crime at a race track as being similar to that which would be common to any large public gathering as at a football or baseball stadium, a circus or convention. It entails, they said, the deployment of manpower to investigate crimes considered routine when large crowds assemble at a given point. They noted that the only additional problem at a racetrack would be that of dealing with the on-track bookmaker and that is usually left to track security personnel who, with the help of local law enforcement personnel and information provided by TRPB and HTS, try to keep undesirables out or eject those who do get in.

OTHER STUDIES

The Research Group, in the course of its study, became aware of pari-mutuel wagering studies undertaken by the states of Connecticut and Georgia. The Connecticut study was made in 1965 when the legislature of that state was considering a bill to effect pari-mutuel wagering (Connecticut enacted a pari-mutuel bill in 1972). That study was of much broader scope and encompassed the economic as well as other aspects of the legalization of pari-mutuel wagering. One facet of the study was devoted to the relationship between organized crime and horseracing. Although the Majority Report of that study group recommended against enactment of pari-mutuel wagering because it would not produce enough revenue to alter or alleviate the State's tax structure, the following comments which appear in the Majority Report are noteworthy:

"After interviewing hundreds of people, in communities that have long been accustomed to the pressure of a race track, we have come to the conclusion that the claims of bad influence on economic, social, welfare, and criminal aspects in a community are greatly exaggerated. In the small percentage of cases where abuse may be demonstrated, we feel that this is an insignificant number to condemn all horse racing".

In its summary of findings, the Connecticut Study Group said:

"That the oft-spoken charge that racing breeds crime, increased welfare costs or blighted personal finances was largely unsupported by official statistics or in interviews with enforcement officers, welfare officials as well as bankers and merchants in areas of track locations."

It was evident from the Connecticut report that the vast majority of those officials and individuals they contacted saw no problem of increased crime or infiltration by organized crime by the legalization of pari-mutuel wagering. However, its members did report that they received a great deal of unsupported testimony that racing breeds crime and although they made efforts to check out such allegations, they were unable to find corroborating evidence. The strongest support for the minority point of view that racing did breed crime came from the Report of the 1955 Massachusetts Crime Commission in which the latter Commission, speaking of illegal gambling, described it as:

"A two billion dollar pernicious, shocking and dishonest business deliberately designed to take the customers money for a chance to win a prize".

"The existence of these conditions is influenced by and encouraged by the presence of legalized pari-mutuel gambling in the New England area".

The Connecticut Group described the above quoted statements from the Massachusetts Crime Commission report as the most sweeping indictment of horse racing by a responsible group that it found in the course of its inquiries and since its source was an official body in New England, Connecticut, as a New England State, was bound to give great weight to its findings. In the view of the Massachusetts Commission, legalized pari-mutuel wagering encouraged increased betting with illegal bookmakers and through "come-back money" (money placed through the mutuel machines by bookmakers to either balance their books or influence odds) the illegal bookmaker could to some extent, control legal wagering.

The Georgia study, called a survey, was conducted for the Metropolitan Atlanta Commission on Crime and Juvenile Delinquency in late 1970 and early 1971. It was conducted by two attorneys whose mission it was to determine the relationship between crime and pari-mutuel wagering in connection with pari-mutuel legislation being considered in Georgia. Our review of the report disclosed that the authors relied heavily on the Connecticut Study Group's findings and these, together with additional research, led the authors to state their conclusion as follows:

"In view of the paucity of evidence that our study disclosed of any connection between "on-track" pari-mutuel betting and increases in crime, particularly "organized crime", we recommend that this Commission not oppose the principle of legalized pari-mutuel betting in Georgia. Naturally, the Commission can and should review any specific legislation which may be proposed in Georgia to determine whether such legislation provides for proper, independent regulation of racing and wagering on racing. Thirty states have adopted statutes authorizing pari-mutuel betting and creating commissions to regulate these activities. Counsel has secured for the Commissions files copies of many of these statutes and the regulations adopted by the state commissions. Before this Commission should approve any specific legislation, it should review the legislation in light of the experiences of other states and the various safeguards enacted in other states to assure that racing and wagering is regulated efficiently and independent of political and other influence".

Additional excerpts from the report of the Georgia survey which are deemed pertinent to the instant Study are set forth below:

"J. Edgar Hoover, Chief, Federal Bureau of Investigation, has stated that racing is a wholesome diversion and a well-supervised sport. Mr. Hoover did not find wagering objectionable"

"Everybody has a desire to win something. People will buy stocks because they hope the stock will rise in value and they can gain. People bet on a horse because they have hopes the horse will win, and they will gain something. Many church groups find bingo a diversion and that also could be classified as gambling. . . . Actually, from a law-enforcement standpoint, a well-conducted racetrack is a help to the community if only for the reason that the people at the track are finding an outlet for their emotions, are enjoying a diversion, if you will, which time, if they weren't at the track, they might use for less laudable escapes". The Morning Telegraph, August 8, 1959, p. 1 (New York, N. Y.).

"Mr. Glen E. Davis, Major Executive Officer, Vermont Department of Public Safety, in a letter to counsel dated November 12, 1970, stated:

"Crime in general being committed and possibly connected to our pari-mutuel complex has been practically negligible. We did have experience in handling a few drug cases as they related to animals in the first years of operation. Of course you will have the usual persons attempting to come from other areas to any local racing facility who have been rejected or denied entrance to a facility. People of this type will always learn of and quickly attempt to challenge a new operation. . . . "in conclusion I would like to point out that we have just completed our season and the State is going to realize about three million dollars in revenue. The year has seen the largest paid admission ever although there have been routine problems of undesirables being present, there has been no increase in crime or have we had a known incident that would cause us any particular alarm of organized crime being present".

“Mr. Richard E. Sharbaught, Executive Director of Harness Horsemen International, in a letter to counsel dated August 11, 1970, stated:

“My personal opinion is that there is no increase in criminal activity, organized or otherwise, with the introduction of pari-mutuel wagering and, if anything, there could conceivably be a lessening of criminal activity through the channelling of wagering dollars into controlled, legalized betting at the expense of illegal avenues, since there are just so many dollars available for wagering in any community”.

“Mr. Regional N. Webster, President of the Thoroughbred Owners and Breeders Association, in a letter to counsel dated August 21, 1970, stated that “. racing has gained the reputation of being the best policed sport in the world. To my knowledge there is absolutely no relation between pari-mutuel betting on horse races and organized crime”.

“Commissioner J. S. Friedberg of the Kentucky State Racing Commission, in a letter to counsel dated August 6, 1970, stated that “. legal on-track pari-mutuel betting will decrease organized criminal activities. . . . This is not a climate in which organized crime either functions or flourishes”.

“Commissioner Friedberg went on to state: Although we are not acquainted, I would hope that we could agree that one of the great social lessons of our time is that prohibition of an activity tends to increase rather than decrease the association of criminals with that activity”.

PART III
OBSERVATIONS AND CONCLUSIONS

In a speech made before the National Association of State Racing Commissioners at their annual convention this year, Julian Cole, publicity director for Calder Racecourse addressed himself to the question of racing's image. He asked why it is that when a favored horse doesn't run the kind of race expected of it, stories come out regarding possible drugging or tampering, and an investigation is called for. Yet, he said, when a favored football team loses by two or three touchdowns, no one talks about an investigation. He was advocating a public relations program and better communications within the industry and with the public. He said, maybe then, we could put a stop to a disgruntled owner, trainer or fan crying "fix" whenever the results go the other way. Racing, it seems to us, suffers from an inherent aura of suspicion that surrounds most forms of gambling.

Just as it is virtually impossible to determine the extent of tax evasion, or for that matter, business, political or foreign directed espionage in this country, it is equally impossible to measure the extent of fixing or other criminal activities associated with racing, no matter by what means perpetrated. These are crimes which only become known as they are discovered. There is always the danger that in a limited research project, one will have missed pertinent information shelved away in an agency contacted or available in some other agency not contacted. Our efforts produced little in the way of concrete evidence relative to the impact "hard core" organized crime exerted over racing beyond that which was disclosed by the House Select Committee. We found it to be the only in-depth study ever conducted on the subject on a nationwide basis. The only other relevant studies which we could find were those made in Connecticut and Georgia. Both of these resulted in findings that "hard core" organized crime was not a significant factor in the horse racing industry. It is apparent from our contacts with Federal and State law enforcement agencies that their total effort against organized crime did not uncover sufficient information to warrant an in-depth study of the horse racing industry. This may be interpreted as a compliment to the industry. Many believed that the industry, through its own investigative and security systems, was doing an adequate job.

There can be little doubt that horse racing is the most self-policed industry in the world of professional sports. It has long recognized its problems and with the creation of TRPB over 25 years ago, has continually strived to improve its image and insure integrity within the sport. Unfortunately, the industry is subject to the same human failures common to all human endeavors. Notwithstanding efforts to regulate and police itself, there have been failures along the road, some serious, others minor. Even the latter, however, have often been exaggerated in the public news media. In reality, compared to the total complex of racing, a six billion dollar industry, the failures have been relatively minimal. Even so, the industry has demonstrated a high degree of sensitivity to its problems and has reacted quickly to overcome them. For the most part, corruption in the sport has been uncovered by the sport itself.

The elements of "hard core" organized crime which did gain a foothold in racing ownership many years ago have virtually vanished. They have either been pushed out or have sold out. In coping with the problem of ridding itself of undesirables, the industry learned the hard way that it is much easier to keep such individuals out in the first place than to get them out after their interests have become vested. The key was said to be stringent licensing regulations, making participation a privilege rather than a right. Some states issue their

licenses in the form of badges which contain photograph, fingerprint and other identification data. These are required to be worn at all times. Racing, however, is not likely to ever be free of problems for as John Brennan of HTS said - "We are not operating a Sunday school but a legalized gambling sport". There will always be someone trying to gain the proverbial "edge" whether that someone is an organized crime figure or a so called legitimate operator. In that respect, racing is no different than any other sport, business or government entity. Baseball has its spit-ballers; banks, its embezzlers; securities, its manipulators; government, its grafters or influence peddlers; or retailing, its shoplifters. No industry, profession or governmental agency is immune from dishonesty or corruption. The criminal element in our society is always waiting in the wings trying to find the weak link in any system. The path of least resistance has been said to make people and rivers run crooked.

Some industries are more vulnerable to infiltration by organized crime than others. Racing, because the sport can't be severed from its gambling counterpart, places it in the vulnerable category. It attracts some of the finest elements in our society and some of the poorest - those who play percentages and are always seeking the highest reward for the least amount of effort.

The element of risk is ever present in any endeavor where profit is the motive. Racing is no exception. The Commonwealth of Virginia must ask itself what risks it is willing to take for the sake of revenue. The merchant who contemplates the establishment of a department store must anticipate the economic as well as the crime risk. He faces the problems of pilferage by shoplifters, from personnel within his shipping, receiving, purchasing and buying departments as well as from his sales clerks, cashiers and bookkeeping departments. If he decides to go ahead with his venture, he must take measures to safeguard against the risks. By the same token, before embarking on the business of racing, the risks have to be equated with the rewards and measures must be taken to insure against the potential hazards. It is reasonable to anticipate that no matter what the safety barriers, someone is bound to breach them. When it happens, new measures have to be found to prevent their recurrence for the price of security is constant vigilance.

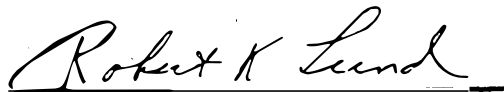
The basic mandate of the Research Group was to determine the impact of organized crime and its related criminal activities to pari-mutuel wagering. Over 150 personal contacts were made in 13 states with officials concerned with racing supervision and track management as well as with enforcement, prosecutive and security agencies and other knowledgeable experts on the subject. The overwhelming majority expressed confidence that "hard core" organized crime exerted no significant influence over racing and that while there were (and will continue to be) attempts to fix races and engage in other illegal activities peculiar to racing, these were sporadic and, in relationship to the overall picture of racing, were infinitesimal. The fear in the first place that the horse racing industry was indeed permeated and influenced by organized crime was attributable to the House Select Committee on Crime. During the course of open hearings on the subject conducted from May through July, 1972, the Committee conveyed to the press, the public at large and the racing industry the impression that horse racing was dominated by organized crime. However, when that Committee issued its final report in June 1973, it declared that racing was operated with integrity and that the industry deserved the confidence of the people.

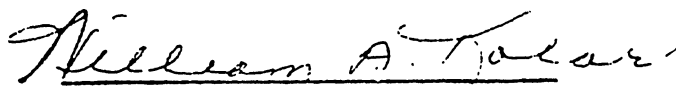
The major exception to the overwhelming majority view that organized crime had no impact on racing, came from officials in Rhode Island and Massachusetts. They had found evidence there that races were fixed by persons linked to organized crime; that the acknowledged head of organized crime in New England, Raymond Patriarca, had acquired a hidden interest in a Massachusetts track; and that organized crime figures were suspected of

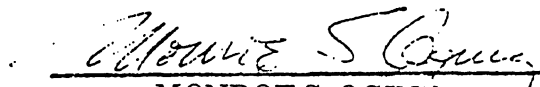
owning horses in the names of "fronts". One law enforcement official felt that racing brought with it more problems than the revenue derived from it was worth. The others, however, were unanimous in their view that, with strong laws, rules and regulations combined with tight security and strict enforcement under State leadership and track management dedicated to "clean racing", it could be kept free of influence by organized crime, and that illegal activities associated with racing could be controlled. Many experts expressed the view that a state starting from scratch was in an unique position to avoid the known pitfalls that created racing's problems.

Organized crime lives by its criminal activities. They go hand in hand with each other. Racing, however, is subject to criminal activities which are independent of organized crime and organized crime has been known to infiltrate legitimate business without resort to criminal activities. No matter how organized crime gains its foothold, it tarnishes whatever it touches. If it were to infiltrate racing, it would not just hurt the industry or a particular track but the reputation, as well, of the State, its partner, that let it happen.

We have tried throughout this report to highlight the major criminal activities peculiar to horse racing and point out how the pitfalls may be guarded against. It was understood when this Research Group undertook our assignment, that no recommendation would be made by us for or against pari-mutuel wagering and so none is made.


ROBERT K. LUND


WILLIAM A. KOLAR


MONROE S. OGINZ

Dated: September 17, 1973

APPENDIX B

A BILL to create the Virginia Racing Commission, to authorize pari-mutuel betting on horse racing, to license those owning and operating racing and pari-mutuel facilities, to regulate those participating in horse racing on which pari-mutuel betting is permitted, to impose taxes on the conduct of such racing, and to provide penalties for violations; to that end to amend and reenact §§ 18.1-316, 18.1-318.1, 18.1-319, 18.1-321, 18.1-323, 18.1-336, 18.1-340, 18.1-341 and 18.1-342, as severally amended, of the Code of Virginia, and to amend the Code of Virginia by adding in Title 59.1 a chapter numbered 17 and articles numbered 1 through 6, with sections numbered 59.1-200 through 59.1-238.

Be it enacted by the General Assembly of Virginia:

1. That §§ 18.1-316, 18.1-318.1, 18.1-319, 18.1-321, 18.1-323, 18.1-336, 18.1-340, 18.1-341 and 18.1-342, as severally amended, of the Code of Virginia, are amended and reenacted, and that the Code of Virginia is amended by adding in Title 59.1 a chapter numbered 17 and articles numbered 1 through 6, with sections numbered 59.1-200 through 59.1-238, as follows:

§ 18.1-316. Gambling prohibited; exceptions. — (a) Any person who shall bet, wager or play at any game for money or other thing of value, *except at pari-mutuel windows operated by a corporation licensed under § 59.1-214*, shall be fined not exceeding one hundred dollars, or confined in jail not exceeding sixty days, or both.

(b) This section shall not apply to any bingo game or raffle conducted in accordance with the provisions of § 18.1-340(b).

§ 18.1-318.1. Conduct of illegal gambling business. — (a) Whoever conducts, finances, manages, supervises, directs or owns all or part of an illegal gambling business shall be fined not more than twenty thousand dollars and imprisoned not more than five years.

(b) As used in this section:

(1) "Gambling" includes but is not limited to pool-selling, book-making, maintaining slot machines, roulette wheels or dice tables, and conducting lotteries, policy, bolita or numbers games, or selling chances therein or engaging in conduct prohibited or made unlawful by this article.

(2) "Illegal gambling business" means a gambling business *other than pari-mutuel betting operated by a licensee under § 59.1-214*, which

(i) Involves five or more persons who conduct, finance, manage, supervise, direct or own all or part of such business; and

(ii) Has been or remains in substantially continuous operation for a period in excess of thirty days or has a gross revenue of two thousand dollars in any single day.

(c) Any property, including money, used in violation of the provisions of this section may be seized and forfeited to the Commonwealth of Virginia as though it were motor vehicles used in the illegal transportation of alcoholic beverages and the provisions of § 4-56 of the Code of Virginia shall apply mutatis mutandis.

(d) This section shall not apply to any bingo game and raffles conducted by an organization exempt from tax under paragraph (3) of subsection (c) of section 501 of the United States Internal Revenue Code of 1954, as amended, if

no part of the gross receipts derived from such activity inures to the benefit of any private shareholder, member or employee of such organization except as compensation for actual expenses incurred by him in the conduct of such activity.

§ 18.1-319. Betting on games, races, etc. — No person *other than a corporation licensed under Chapter 17 of Title 59.1 (§ 59.1-200 et seq.) and operating under the rules and regulations of the Virginia Racing Commission* shall:

(1) Occupy any room, shed, tenement or building, or any part thereof, or any place upon any grounds, with books, apparatus or paraphernalia for the purpose of recording or registering bets or wagers or of selling or making books, pools, or ~~mutuals~~ *mutuels* upon the result of any game, athletic contest or any trial of speed or power of endurance of animals or beasts,

(2) Being the owner or lessee or occupant of any room, tent, tenement, shed, booth or building or part thereof, knowingly permit the same to be used or occupied for any such purpose, or therein keep, exhibit or employ any device or apparatus for the purpose of recording or registering such bets or wagers or the selling or making of such books, pools or mutuals,

(3) Become the custodian or depository for gain, hire or reward of any money, property or thing of value bet or wagered or to be wagered or bet contrary to the provisions of this section,

(4) Receive, register, record, forward or purport or pretend to forward to or for any game, athletic contest or any race course any money, thing or consideration of value offered for the purpose of being bet or wagered upon any game or athletic contest or the speed or endurance of any animal or beast,

(5) Occupy any place or building or part thereof with books, papers, apparatus or paraphernalia for the purpose of receiving or pretending to receive, recording, registering or forwarding, or pretending or attempting to forward, in any manner whatever, any money, thing or consideration of value bet or to be bet contrary to the provisions of this section, or

(6) Aid, assist or abet at any race track or place in any manner in any of the acts forbidden by this section.

Any person violating the provisions of this section shall be deemed guilty of a misdemeanor and punished as provided in § 18.1-9, as the same may be amended from time to time.

But nothing in this section shall be construed to prevent agricultural associations and riding and driving clubs or associations from offering a purse or premium at such trials of speed of animals or beasts as may be held by them.

§ 18.1-321. Money and property used in connection with racing; forfeiture thereof; innocent owners or lienors. — In addition to the penalties provided in §§ 18.1-319 and 18.1-320, all money and gambling paraphernalia found in connection with the promotion, operation or conduct of any race or attempted race *beyond the limits of the Commonwealth*, and all moneys found in any place in which bets on races are received, shall be forfeited to the Commonwealth and may be seized by an officer and held to await proceedings for condemnation; provided, that such forfeiture shall not extinguish the rights of any person without knowledge of the illegal use of such property who is the lawful owner or who has a lien on the same which has been perfected in the manner provided by law. The money or other personal property so forfeited shall be disposed of as provided by law.

§ 18.1-323. Keeping gaming banks, gaming tables, etc.; seizure thereof;

how disposed of. — If any person keep or exhibit, for the purpose of gaming, any gaming table or bank of any name or description whatever or any table or bank used for gaming which has no name, any wheel of fortune or slot machine, or any pigeon-hole table or Jennie Lynn table, whether the game or table be played with cards, dice, or otherwise, or be a partner or concerned in interest in the keeping or exhibiting such table or bank, he shall be confined in jail not less than two nor more than twelve months, and fined not less than one hundred nor more than one thousand dollars. Any such table, bank or wheel of fortune and all the money, stakes or exhibits to allure persons to bet at such table, bank or wheel may be seized by order of the court, or under warrant of a justice of the peace or a judge or clerk of a court not of record, and the money so seized shall be forfeited, one half to the person making the seizure, and the other half to the Commonwealth, and the table, bank, machine or wheel shall be burned; provided that when any billiard or pool table or other paraphernalia, not inherently gambling paraphernalia, is so seized, the court may, in its discretion, award the same to some charitable organization or war recreation center, upon condition that it be used only for the purpose of recreation.

The provisions of this section and §§ 18.1-324 through 18.1-328 shall not be construed to prohibit the operation of pari-mutuel equipment by a corporation licensed under Chapter 17 of Title 59.1 (§ 59.1-200 et seq.) and operating under the rules and regulations of the Virginia Racing Commission.

§ 18.1-336. Conducting game played for money or “rake off,” etc. — Any person *other than a licensee under Chapter 17 of Title 59.1 (§ 59.1-200 et seq.) operating under the rules and regulations of the Virginia Racing Commission* who shall conduct or be interested in conducting any game played for money or other thing of value, or “rake off” of any money or other thing of value from a pool made up by those who are engaged in playing cards or other game for money or other thing of value, whether such “rake off” be for profit or for the necessary expenses of the game or for any other purposes whatever, or shall receive directly or indirectly any money or other thing of value as compensation for conducting such game or for furnishing the room or paraphernalia for such game, shall be guilty of a misdemeanor and shall be punished by confinement in jail not less than six months nor more than twelve months.

§ 18.1-340. Managing, etc., a lottery, etc., or buying, selling, etc., chances. — (a) If any person *other than a licensee under Chapter 17 of Title 59.1 (§ 59.1-200 et seq.) operating under regulations of the Virginia Racing Commission:*

(1) Set up, promote or be concerned in managing or drawing a lottery or raffle for money or other thing of value,

(2) Knowingly permit such lottery in any house under his control,

(3) Knowingly permit money or other property to be raffled for in such house, or to be won therein, by throwing or using dice, or by any other game of chance,

(4) Knowingly permit the sale in such house of any chance or ticket in, or share of a ticket in, a lottery, or any writing, certificate, bill, token or other device purporting or intended to guarantee or assure to any person, or entitle him to a prize or share of, or interest in a prize to be drawn in a lottery, or,

(5) For himself or another person buy, sell or transfer, or have in his possession for the purpose of sale or with intent to exchange, negotiate or transfer, or aid in selling, exchanging, negotiating or transferring, a chance or ticket in or share of a ticket in a lottery, or any such writing, certificate, bill, token or device,

He shall be confined in jail not exceeding one year, and fined not exceeding

five hundred dollars; provided that any person who shall violate any of the provisions of this section when such violation shall consist of the operation or conduct of a lottery commonly known as the numbers game or the numbers racket shall be confined in the penitentiary not less than one year nor more than ten years and fined not less than five hundred dollars, or in the discretion of the jury or the court trying the case without a jury, he shall be confined in jail not less than six months nor more than twelve months and fined not more than five hundred dollars, either or both.

(b) This section shall not apply to any bingo game or raffle conducted solely by any of the following:

(1) A voluntary fire department or rescue squad which has been recognized by an ordinance or resolution of the political subdivision where the voluntary fire department or rescue squad is located as being a part of the safety program of such political subdivision;

(2) An organization, which for purposes of this section, shall be defined as any of the following which operates without profit and which has been in existence continuously for a period of two years immediately prior to seeking a permit as hereinafter provided:

(i) A corporation, trust, church, association, community chest, fund or foundation organized and operated exclusively for religious, charitable, scientific, literary, community or educational purposes;

(ii) Posts or associations of war veterans or auxiliary units or societies of any such posts or associations, if such posts, associations, units or societies are organized in the United States or any of its possessions;

(iii) A fraternal society, order or association operating under the lodge system;

(iv) A corporation or association organized and operated exclusively for the restoration and maintenance of historic gardens and the general promotion of beautiful gardens.

Provided, however, that no part of the gross receipts derived from such activity inures directly or indirectly to the benefit of any private shareholder, member, agent or employee of any of such volunteer fire department, rescue squad or organization; and provided further, that any such volunteer fire department, rescue squad or organization shall not enter into a contract with any person or firm, association, organization, partnerships or corporation of any classification whatsoever, for the purpose of organizing, managing or conducting bingo games or raffles. Such volunteer fire department, rescue squad or organization may delegate the authority or duty of organizing, managing or conducting bingo games or raffles only to a natural person or persons who are bona fide members of such volunteer fire department, rescue squad or organization. No such volunteer fire department, rescue squad or organization shall conduct any bingo game or raffle without first having obtained an annual permit from the governing body of the political subdivision where such volunteer fire department, rescue squad or business office of the organization is located. No such volunteer fire department, rescue squad or organization shall place or permit to be placed on the premises, or within one hundred yards of the premises, where such bingo game is to be conducted, any sign or signs advertising such bingo game. Records of all receipts and disbursements shall be kept and shall be filed annually with the commissioner of accounts of such political subdivision and such records shall be a matter of public record. The governing body of such political subdivision may revoke the permit of any volunteer fire department, rescue squad or organization found to be not in compliance with this subsection, and any person, shareholder, agent,

member or employee of any such volunteer fire department, rescue squad or organization violating this subsection shall be guilty of a misdemeanor and upon conviction thereof shall be subject to a fine not to exceed one thousand dollars.

Should any volunteer fire department, rescue squad or organization be found in violation of this subsection, then the Commonwealth attorney of such political subdivision may, in addition to, the foregoing criminal penalty, apply to any court of competent jurisdiction for an injunction against such volunteer fire department, rescue squad or organization from continuing to run bingo games or raffles for a period not to exceed three years from the date of such violation.

§ 18.1-341. Forfeiture of money, etc., drawn and property used in lottery; innocent owners or lienors. — All money and things of value drawn or proposed to be drawn by an inhabitant of this State and all money or things of value received by such person by reason of his being the owner or holder of a ticket or share of a ticket in any *illegal* lottery or pretended lottery, ~~con~~ *trary to this Chapter*, and all money, gambling paraphernalia, office equipment and all other personal property of any kind or character used in connection with the promotion, operation or conduct of any *such illegal* lottery or attempted lottery shall be forfeited to the Commonwealth and may be seized by an officer and held to await proceedings for condemnation; provided, that such forfeiture shall not extinguish the rights of any person without knowledge of the illegal use of such property who is the lawful owner or who has a lien on the same which has been perfected in the manner provided by law. The money or other personal property so forfeited shall be disposed of as provided by law.

§ 18.1-342. County ordinances prohibiting lotteries and games of chance; forfeiture of money, paraphernalia or property used in connection therewith. — The governing body of any county having and operating under the county board form of organization and government under Article 5 (§ 15-362 et seq.) of Chapter 12 of Title 15 of the Code of Virginia or the county manager form of organization and government under Chapter 11 (§ 15-266 et seq.) of Title 15 of the Code of Virginia, respectively, is hereby authorized and empowered to adopt ordinances prohibiting lotteries and games of chance, *except those authorized under Chapter 17 of Title 59.1 (§ 59.1-200 et seq.)*, and providing for the punishment of persons engaged in managing or promoting *such* lotteries or buying or selling *such* chances or being concerned therein as provided by § 18.1-340 of the Code of Virginia. Such counties are authorized and empowered by ordinances to institute forfeiture proceedings as provided by § 18.1-341 of the Code of Virginia, and such proceedings for the enforcement of said forfeitures may be instituted and conducted in the name of said county, and the procedure shall be mutatis mutandis, the same as is prescribed in § 19.1-17 of the Code of Virginia and other sections relating thereto for forfeiture proceedings by the Commonwealth.

CHAPTER 17

HORSE RACING AND PARI-MUTUEL BETTING

ARTICLE 1

Virginia Racing Commission

§ 59.1-200. *Policy.* — (a) *It is hereby declared to be the policy of the Commonwealth of Virginia, in order to encourage legitimate industries and occupations, to foster the horse breeding industry and legitimate horse racing with pari-mutuel wagering in the Commonwealth, in a manner consistent with the health, safety and welfare of the people. In furtherance of this policy, it is*

the purpose and intent of this chapter to vest in the Virginia Racing Commission forceful control of all racing with pari-mutuel wagering in the Commonwealth, with plenary power to prescribe rules and regulations and conditions under which such racing and wagering shall be conducted, so as to maintain horse racing in the Commonwealth of the highest quality and free of any corrupt, incompetent, dishonest or unprincipled practices; to dissipate any cloud of association of such racing with the undesirable; and to maintain in such racing the appearance and the fact of complete honesty and integrity.

(b) The conduct of any horse racing with pari-mutuel wagering, participation in such racing or wagering, and entrance to any place where such racing or wagering is conducted is a privilege which may be granted or denied by the Commission or its duly authorized representatives in its discretion in order to effectuate the purposes set forth in this chapter.

§ 59.1-201. Definitions. — Unless another meaning is required by the context, the following words shall have the meaning prescribed by this section:

(a) "Breakage" shall mean the odd cents by which the amount payable on each dollar wagered exceeds a multiple of ten cents;

(b) "Commission" shall mean the Virginia Racing Commission;

(c) "Drug" shall have the meaning prescribed by § 54-524.2. The Commission shall by regulation define and designate those drugs the use of which is prohibited or restricted;

(d) "Enclosure" shall mean all areas of the property of a track to which admission can be obtained only by payment of an admission fee or upon presentation of authorized credentials, and any additional areas designated by the Commission;

(e) "Handle" shall mean the amount wagered during a race meeting or during a specified period thereof;

(f) "Licensee" shall include any person holding an owner's or operator's license under §§ 59.1-208 through 59.1-218 of this chapter;

(g) "Member" shall include any person designated a member of a non-stock corporation, and any person who by means of a pecuniary or other interest in such corporation exercises the power of a member;

(h) "Pari-mutuel wagering" shall mean the system of wagering whereby wagers are placed in a collective pool, the odds determined in accordance with the amounts wagered on each contestant but the total, less the percentage retained by the licensee, divided among those who wagered on the first three contestants;

(i) "Person" shall include a natural person, partnership, joint venture, association, corporation, or governmental unit;

(j) "Race meeting" shall mean the whole consecutive period of time, one rest day per week excluded, during which horse racing with pari-mutuel wagering is conducted by a licensee;

(k) "Stock" shall include all classes of stock of an applicant or licensee corporation, and any debt or other obligation of such corporation or stock of an affiliated corporation if the Commission finds that the holder of such obligation or stock derives therefrom such control of or voice in the operation of the applicant or licensee corporation that he should be deemed a stockholder.

§ 59.1-202. The Virginia Racing Commission. — (a) The Virginia Racing Commission is hereby created. It shall consist of five members appointed by the Governor, and confirmed by a majority of those elected to each house of the General Assembly at the next regular session following any such appointment.

The initial appointments shall be as follows: one for a term of one year, one for a term of two years, one for a term of three years, one for a term of four years, and one for a term of five years. Thereafter, all appointments shall be for a term of five years. Vacancies in the Commission shall be filled for the unexpired term in the manner provided for original appointments. Each commissioner shall be eligible for reappointment, in the discretion of the Governor. The Commission shall elect its chairman.

(b) No member or employee of the Commission, and no spouse of any such member or employee, shall have any financial interest, direct or indirect, in any horse racetrack subject to the provisions of this chapter, or in any entity which has submitted an application for a license under Article 2 of this chapter, or in the operation of any such track within the Commonwealth, or in the operation of any wagering authorized under this chapter. No member or employee of the Commission shall participate as owner of a horse or otherwise as a contestant in any race subject to the jurisdiction of the Commission, or have any pecuniary interest in the purse or prize contested for in any such race.

(c) Each member of the Commission shall receive one hundred dollars for each day or part thereof spent in the performance of his duties, and in addition shall be reimbursed for his reasonable expenses incurred therein.

(d) The Governor may remove any commissioner for inefficiency, neglect of duty or misconduct in office, giving him a copy of the charges against him and an opportunity to be publicly heard in person or by counsel in his own defense before the Governor not less than ten nor more than thirty days following notice of removal. Any commissioner removed hereunder may appeal such removal to the Supreme Court of Virginia, which shall give such appeal priority on its docket. If the Court finds that the action of the Governor was arbitrary, or without evidence to support it, it shall reinstate such commissioner.

(e) The Commission shall establish and maintain a general business office for the transaction of its business at a place to be determined by the Commission. The Commission shall meet at such times and places within the Commonwealth as it shall determine. A majority of the commissioners shall constitute a quorum for the transaction of any business, the performance of any duty or the exercise of any power of the Commission.

§ 59.1-203. Powers and duties of the Commission. — Pursuant to provisions of this chapter, the Commission shall have the powers and duties necessary to carry out fully and effectively the provisions of this chapter. Such powers and duties shall include, but not be limited to, the following:

(a) The Commission is vested with jurisdiction and supervision over all horse races licensed under the provisions of this chapter, and over all persons conducting, participating or attending such races. It shall employ such persons to be present at race meetings as are necessary to ensure that they are conducted with order and the highest degree of integrity, and may require that the licensee pay such salaries to such employees of the Commission as the Commission shall prescribe. It may eject or exclude from the enclosure or from any part thereof any person, whether or not he possesses a permit, whose conduct or reputation is such that his presence may, in the opinion of the Commission, reflect on the honesty and integrity of horse racing or interfere with the orderly conduct of horse racing;

(b) The Commission, its representatives and employees, may visit, investigate and have free access to the office, track, facilities or other places of business of any licensee, and may compel the production of any of its books, documents, records or memoranda for the purpose of satisfying itself that this chapter and its rules and regulations are strictly complied with;

(c) *The Commission shall prescribe and publicize reasonable rules, regulations and conditions under which all types of racing subject to its jurisdiction, and pari-mutuel wagering, shall be conducted in the Commonwealth, and such other reasonable regulations as it deems necessary and appropriate to effect the purposes of this chapter. Such regulations may include penalties for violation. In promulgating such rules and regulations, the Commission shall not be subject to Chapter 1.1 of Title 9 of the Code of Virginia (§§ 9-6.1 et seq.);*

(d) *The Commission may issue subpoenas for the attendance of witnesses before it and administer oaths to and compel production of records or other documents and testimony of such witnesses whenever, in the judgment of the Commission, it is necessary to do so for the effectual discharge of its duties;*

(e) *The Commission shall have authority to compel any person holding a license hereunder to file with the Commission such data, including but not limited to financial statements and information relative to stockholders and all others with any pecuniary interest in such person as shall appear to the Commission to be necessary for the performance of its duties hereunder, and may prescribe the manner in which books and records of such persons shall be kept.*

(f) *The Commission shall have authority to enter into arrangements with any other foreign or domestic governmental agency, whether federal, State or local, for the purposes of exchanging information, establishing security forces or performing any other act better to ensure the proper conduct of racing.*

§ 59.1-204. *Staff. — The Commission shall appoint an executive secretary and such other employees as it deems essential to perform its duties under this chapter, who shall possess such authority and perform such duties as the Commission shall prescribe or delegate to them. Such employees may include stewards, chemists, veterinarians, inspectors, accountants, guards and such other employees deemed by the Commission to be necessary for the supervision and the proper conduct of the highest standard of horse racing. Such employees shall be compensated as provided by the Commission.*

The executive secretary, in addition to any other duties prescribed by the Commission, shall keep a true and full record of all proceedings of the Commission and preserve at the Commission's general office all books, documents and papers of the Commission.

§ 59.1-205. *Hearing and appeal. — Any person aggrieved by a refusal of the Commission to issue any license or permit, or suspension or revocation of a license or permit, imposition of a fine, or any other action of the Commission, may, within thirty days of such action, appeal to the court of record of the city or county in which the track at which the offense at issue was committed is located, or to the Circuit Court of the City of Richmond. The Commission shall be represented by counsel of its choice. If the court finds that the action of the Commission was arbitrary, or contrary to law, it shall order the issuance or reinstatement of such license or permit, abatement of such fine, or such other action as it deems appropriate. The decision of the court shall be subject to appeal as in other cases at law.*

§ 59.1-206. *Injunction. — Whenever it appears to the Commission that any person has been violating or may violate any provision of this chapter or any reasonable rule or regulation or final decision of the Commission, it may apply to the court of record, or the judge thereof in vacation, of the county or city in which such violation has or may occur for an injunction against such person. The order granting or refusing such injunction shall be subject to appeal as in other cases in equity.*

§ 59.1-207. *Reserved.*

ARTICLE 2

Licenses

§ 59.1-208. *Owner's and operator's licenses required.* — No person shall construct and establish a horse racetrack where race meetings are to be held and pari-mutuel wagering permitted, or own any such track or facilities, unless he has obtained an owner's license issued by the Commission in accordance with the provisions of this article.

No person shall operate pari-mutuel wagering or conduct any race meeting at which wagering is permitted with his knowledge or acquiescence, unless he has obtained an operator's license under the provisions of this article.

No license issued under the provisions of this article shall be transferable.

§ 59.1-208.1. *Limited license.* — (a) *Authority to issue; limitations.* — Notwithstanding § 59.1-208 but subject to such rules and regulations as it may prescribe, the Commission is authorized to issue licenses to the following or other similar type organizations. Such licenses shall permit the holders to conduct a race meeting or meetings with wagering privileges, not to exceed twelve days for any one organization in any calendar year.

Montpelier Races

Oatlands Equestrian Center

Fairfax Race Association, Inc.

Warrenton Gold Cup Committee

Atlantic Rural Exposition

Middleburg Fall Race Meeting

Middleburg Race Association

Virginia State Fair

(b) *Transfer of meet to another track.* — The Commission may at any time or times of emergency in its discretion, authorize any organization or association licensed under this section to transfer its race meet or meetings from its own track, or place for holding races, to the track, or place or holding races of any other organization or association licensed under this act upon the payment of any and all appropriate license fees for the conduct of racing at the particular track, or place for holding races, on which the racing is to be conducted; provided, however, that no such authority to transfer shall be granted without the express consent of the organization or association owning or leasing the track to which such transfer is made.

(c) For any such meeting, the license tax to the Commonwealth pursuant to § 59.1-225 shall be three percent of the handle.

§ 59.1-209. *Application for owner's license.* — (a) Any person desiring to construct or own a racetrack at which pari-mutuel wagering is permitted shall

and shall be in such form and contain such information as prescribed by the Commission, including the following:

(1) The name and address of such person; if a corporation, the state of its incorporation, the full name and address of each officer and director thereof, and if a foreign corporation, whether it is qualified to do business in this State; if a partnership or joint venture, the name and address of each officer thereof;

(2) The name and address of each stockholder or member of such

corporation, or each partner of such partnership or joint venture, and of each person who has or has contracted for a pecuniary interest in the applicant or the facilities at which such race meeting or pari-mutuel wagering will be conducted, whether such interest be an ownership or a security interest, and the nature and value of such interest, and the name and address of each person who has agreed to lend money to the applicant;

(3) Such information as the Commission deems appropriate regarding the character and responsibility of the applicant and the members, partners, stockholders, officers and directors of the applicant;

(4) The location and description of the racetrack, place or enclosure where such person proposes to hold such meetings, including the name of any county, city or town in which any property of such track is or will be located. The Commission shall require such information about the facilities and location of such track as it deems necessary and appropriate to determine whether they comply with the minimum standards provided in this article, and whether the conduct of a race meeting at such location would be in the best interests of the people and of the horse industry in the Commonwealth. If the application is to construct racing and pari-mutuel facilities, such information shall include plans and specifications showing the planned track or facilities and all access roads, buildings and improvements to be used in connection therewith and any surveys or studies made by the applicant, or required by the Commission, of such type and in such detail as the Commission deems adequate to determine the economic prospects of the track, the appropriateness of the facilities both for spectators and participants, the effect of such track on the environment, and the adequacy of access to such track;

(5) Such information relating to the financial responsibility of the applicant as the Commission deems appropriate;

(6) Unless a license to construct or own such facilities has already been obtained under this article, a certification of the court of record of every county or city in which such track or its facilities is or will be located, that in a referendum held pursuant to Article 4 (§ 59.1-223 et seq.) hereof, establishment of a pari-mutuel betting facility was approved;

(7) If any of the facilities necessary for the conduct of racing or pari-mutuel betting are to be leased, the terms of such lease; and

(8) Any other information which the Commission in its discretion deems appropriate.

(b) Any application filed hereunder shall be verified by the oath or affirmation of an officer of the applicant, and shall be accompanied by a fee set by the Commission which shall not exceed two hundred dollars.

§ 59.1-210. Consideration of license. — (a) The Commission shall promptly consider any application for an owner's license, and grant or deny such license based on all information before it, including any investigations it deems appropriate. The Commission shall deny a license to any applicant, unless it finds that the applicant's facilities are or will be appropriate for the finest quality of racing, and meet or will meet the following minimum standards:

(1) That any track provided for standardbred racing be at least five-eighths of a mile; that any dirt track provided for flat racing be at least one mile; and that any track provided for flat or jump racing on the turf be at least seven-eighths of a mile;

(2) That such track be appropriate for use for a combination of at least two of the three types of racing designated in subsection (1) above; and

(3) That the facilities be appropriate for the conduct of year round racing.

(b) The Commission shall deny a license to an applicant if it finds that for any reason the issuance of a license to the applicant would not be in the interest of the people of the Commonwealth or the horse racing industry in the Commonwealth, or would reflect adversely on the honesty and integrity of the horse racing industry in the Commonwealth, or that the applicant, or any officer, partner or director of the applicant:

(1) Has knowingly made a false statement of a material fact in the application, or has deliberately failed to disclose any information called for in the application;

(2) Is or has been guilty of any corrupt or fraudulent act, practice or conduct in connection with any horse race meeting in this or any other state, or has been convicted of a felony;

(3) Has at any time knowingly failed to comply with the provisions of this article or any reasonable rules and regulations of the Commission;

(4) Has had a license or permit to hold or conduct a horse race meeting or a permit to participate therein denied for just cause, suspended or revoked in any other state or country, if such denial, suspension or revocation is still in effect;

(5) Has legally defaulted in the payment of any obligation or debt due to this State;

(6) Has constructed or caused to be constructed a race track or pari-mutuel facility for which a license was required under § 59.1-209 hereof without obtaining such license, or has deviated substantially, without the permission of the Commission, from the plans and specifications submitted to the Commission, or

(7) Is not qualified to do business in Virginia, or is not subject to the jurisdiction of the courts of this State.

§ 59.1-211. Refusal of owner's license. — No owner's license or renewal thereof shall be granted to any corporation if the Commission finds that any holder of more than five percent of the stock of such stock corporation, or any member of such non-stock corporation:

(1) Is or has been guilty of any corrupt or fraudulent act, conduct or practice in connection with horse racing in this or any other state, or has knowingly failed to comply with the provisions of this article or the reasonable rules and regulations of the Commission;

(2) Has had a license or permit to hold or conduct a race meeting, or to participate therein, denied for cause, suspended or revoked in any other state, if such denial, suspension or revocation is still in effect; or

(3) Has at any time during the previous five years knowingly failed to comply with the provisions of this article or any reasonable rules and regulations of the Commission.

§ 59.1-212. Duration, form of license, bond. — A license issued under § 59.1-210 shall be for the period set by the Commission, but shall be reviewed from time to time. The Commission shall designate on the license the duration of such license, the location of such track or proposed track, and such other information as it deems proper.

The Commission shall require a bond with surety acceptable to it, and in an amount determined by it to be sufficient to cover any indebtedness incurred by the licensee to the Commonwealth.

§ 59.1-213. Application for operator's license. — (a) Any person desiring to hold a race meeting at which pari-mutuel wagering is permitted shall file

with the Commission an application for an operator's license. Such application may be made in conjunction with an application for an owner's license, if appropriate. It shall be filed at the time and place prescribed by the Commission and contain such information as prescribed by the Commission, including all information prescribed for an owner's license under § 59.1-209, and in addition the date the applicant wishes to conduct a race meeting.

(b) Any application filed hereunder shall be verified by the oath or affirmation of an officer of the applicant, and shall be accompanied by a fee set by the Commission which shall not exceed two hundred dollars.

§ 59.1-214. Consideration of operator's license. — (a) The Commission shall promptly consider any application for an operator's license, and grant or deny such license based on all information before it, including any investigation it deems appropriate. The Commission shall deny a license to any applicant, unless it finds:

(1) That such applicant is a corporation organization under Title 13.1 of the Code of Virginia or comparable law of another state, and qualified to do business in Virginia;

(2) If the corporation is a stock corporation, that no one person owns more than five percent of the stock of such corporation, and that no family group, which shall mean any person, his spouse, his children and grandchildren and their spouses, his brothers and sisters and their spouses, and his parents, owns more than ten percent of the stock of such corporation; if the corporation is a non-stock corporation, that there are at least twenty members, and that no more than ten percent of the membership belongs to any family group;

(3) That seventy-five percent of the stock of such stock corporation is owned by residents of the State of Virginia, or that seventy-five percent of the membership of such non-stock corporation are residents of Virginia, that all stockholders or members have submitted to the jurisdiction of the Virginia courts, and all nonresident stockholders or members have designated the executive secretary of the Commission as their agent for process, and that all of the officers and directors of the corporation are residents of Virginia;

(4) That the applicant's articles of incorporation provide that the corporation may, on vote of a majority of the stockholders or members, purchase at fair market value the entire membership interest of any stockholder, or require the resignation of any member, who is or becomes unqualified for such position under § 59.1-211;

(5) That the applicant would be qualified for a license to own such race track facilities under the provisions of §§ 59.1-210 and 59.1-211.

§ 59.1-215. Duration, form of license, bond. — A license issued under § 59.1-214 shall be for a period of five years from the date of issuance, but shall be reviewed annually. The Commission may, as it deems appropriate, change at the beginning of any year the dates on which the licensee is authorized to conduct a race meeting. An applicant for renewal of a license may omit to resubmit any information which in the opinion of the Commission is already available to it.

Any license issued under § 59.1-214 shall designate on its face the type or types of horse racing for which it is issued, the person to whom issued, the date or dates upon which such race meeting is to be conducted, the location of the track where such meeting is to be conducted, the period during which such license is in effect and such other information as the Commission deems proper.

The Commission shall require a bond with surety acceptable to it.

an amount determined by it to be sufficient to cover any indebtedness incurred by such licensee during the days allotted for racing.

§ 59.1-216. Denial of license final. — The denial of an owner's or operator's license by the Commission shall be final unless appealed under § 59.1-205 of this chapter.

§ 59.1-217. Suspension or revocation of license. — The Commission may suspend or revoke any license or fine the holder thereof not to exceed five thousand dollars, after hearing with fifteen days' notice, in any case where it has reason to believe that any provision of this chapter, or any reasonable rule, regulation or condition of the Commission, has not been complied with, or has been violated. The Commission may revoke a license if it finds that facts not known by it at the time it considered the application indicate that such license should not have been issued. Deliberations of the Commission hereunder may be conducted in executive session. If any such license is suspended or revoked, the Commission shall state its reasons for doing so, which shall be entered of record. Such action shall be final unless appealed in accordance with § 59.1-205 of this chapter.

§ 59.1-218. Acquisition of stock of licensee. — Any person desiring to acquire stock in, or become a member of, any corporation which holds an operator's license hereunder shall apply to the Commission on a form prescribed by it for approval of such acquisition or membership. The Commission shall consider such application forthwith, and may, if it finds it necessary, demand additional information of the proposed transferee or member. If in its judgment the acquisition or membership would be detrimental to the public interest, to the honesty and integrity of racing, or to its reputation, the application shall be denied. If the application is not denied within thirty days, it shall be deemed approved.

ARTICLE 3

Permits

§ 59.1-219. Permit required. — No person shall participate in any horse racing subject to the jurisdiction of the Commission or in the conduct of a race meeting or pari-mutuel betting thereon, whether as a horse owner, trainer, jockey, exercise boy, groom, stable foreman, valet, veterinarian, agent, pari-mutuel employee, concessionaire or employee thereof, or track employee, or enter the track enclosure in any capacity other than as a spectator, unless such person possesses a permit therefor from the Commission, and complies with the provisions of this article and all reasonable rules and regulations of the Commission. No permit issued under the provisions of this article shall be transferable.

§ 59.1-220. Application for permit. — (a) Any person desiring to obtain a permit as required by this section shall make application therefor on a form prescribed by the Commission. Each applicant, or the chief executive officer of any corporation or partnership applying for an owner's permit, shall be photographed and fingerprinted, and shall supply such information as the Commission may require. Such information shall include a description of any criminal charge brought against such applicant or officer during the previous ten years, and the outcome of any proceeding brought pursuant to any such charge. The application shall be accompanied by a fee prescribed by the Commission, which may vary in amount for each person, but shall not exceed twenty dollars.

(b) Any application filed hereunder shall be verified by the oath or affirmation of the applicant.

§ 59.1-221. *Consideration of application.* — (a) *The Commission shall promptly consider any application for a permit and issue or deny such permit based on the information in the application and all other information before it, including any investigation it deems appropriate. If an application for a permit is approved, the Commission shall issue a permit, which shall contain such information as the Commission deems appropriate. Such permit shall be valid for one year.*

(b) *The Commission shall deny the application and refuse to issue the permit, which denial shall be final unless an appeal is taken under § 59.1-205, if it finds that the issuance of such permit to such applicant would not be in the interests of the people of the Commonwealth, or the horse racing industry of the Commonwealth, or would reflect on the honesty and integrity of the horse racing industry in the Commonwealth, or that the applicant:*

(1) *Has knowingly made a false statement of a material fact in the application, or has deliberately failed to disclose any information called for by the application;*

(2) *Is or has been guilty of any corrupt or fraudulent practice or conduct in connection with any horse race meeting in this or any other state;*

(3) *Has knowingly failed to comply with the provisions of this article or the reasonable rules and regulations of the Commission;*

(4) *Has had a permit to engage in activity related to horse racing denied for just cause, suspended or revoked in any other state, and such denial, suspension or revocation is still in effect; or*

(5) *Is unqualified to perform the duties required for the permit sought.*

§ 59.1-222. *Suspension or revocation of permit.* — *suspend or revoke a permit issued under this chapter or fine the holder of such permit not to exceed one thousand dollars, after hearing with fifteen days' notice to the permittee, in any case where it has reason to believe that any provision of this chapter, or any reasonable rule, regulation or condition of the Commission, has not been complied with, or has been violated. The Commission may revoke such permit, after such hearing, if it finds that facts not known by it at the time it was considering the application indicate that such permit should not have been issued. Deliberations of the Commission under this section may be conducted in executive session. If any permit is suspended or revoked, the Commission shall state its reasons for doing so, which shall be entered of record. Such action shall be final unless an appeal is taken in accordance with § 59.1-205.*

ARTICLE 4

Referendum

§ 59.1-223. *The Commission shall not consider any initial license to construct, establish or own a race track until a referendum is held on the question in each county or city in which such track or its facilities are to be located, in the following manner:*

(a) *A petition, signed by five percent of the qualified voters of such county or city, shall be filed with the court of record of general civil jurisdiction of such county or city, or the judge thereof in vacation, asking that a referendum be held on the question, "Shall pari-mutuel betting be permitted in [name of such county or city] in accordance with Chapter 17 of Title 59.1 (§ 59.1-200 et seq.) of the Code of Virginia?"*

(b) *Following the filing of such petition, the court or judge shall, by order of record, require the regular election officials of such city or county to open*

the polls and take the sense of the qualified voters on the question. Such election shall be on a day designated by order of such court, but shall not be later than the next general election unless such general election is within sixty days of the date of the entry of such order.

(c) The clerk of such court of record of such city or county shall publish notice of such election in a newspaper of general circulation in such city or county once a week for three consecutive weeks prior to such election.

(d) The regular election officers of such city or county shall open the polls at the various voting places in such city or county on the date specified in such order and conduct such election in the manner provided by law. The election shall be by ballot which shall be prepared by the electoral board of the city or county and on which shall be printed the following:

Shall pari-mutuel betting be permitted in in accordance with Chapter 17 of Title 59.1 (§ 59.1-200 et seq.) of the Code of Virginia?

.... Yes

.... No

In the blank shall be inserted the name of the city or county in which such election is held. Any voter desiring to vote "Yes" shall mark a check () mark or a cross (X or +) mark or a line (—) in the square provided for such purpose immediately preceding the word "Yes," leaving the square immediately preceding the word "No" unmarked. Any voter desiring to vote "No" shall mark a () mark or a cross (X or +) mark or a line (—) in the square provided for such purpose immediately preceding the word "No," leaving the square immediately preceding the word "Yes" unmarked.

The ballots shall be counted, returns made and canvassed as in other elections, and the results certified by the commissioners of election to the court ordering such election, or the judge thereof in vacation. Thereupon, such court, or the judge thereof in vacation, shall enter an order proclaiming the results of such election and a duly certified copy of such order shall be transmitted to the Commission and to the governing body of such city or county.

§ 59.1-224. Reserved.

ARTICLE 5

Taxation

§ 59.1-225. Percentage retained; tax. — Any person holding an operator's license hereunder shall be authorized to conduct pari-mutuel wagering on horse racing subject to the provisions of this chapter and the conditions, rules and regulations of the Commission. Such licensee shall be authorized to retain from the pari-mutuel pool an amount not to exceed fifteen percent of the handle, and the legitimate breakage, out of which shall be paid:

(a) five percent of the handle and one-third of the breakage to the Commonwealth as a license tax; and

(b) five percent of the handle and one-third of the breakage during any race meeting as purses or prizes to the participants in such race meeting.

§ 59.1-226. Admissions tax. — The governing body of any county or city may by ordinance impose a tax on any corporation licensed hereunder to conduct a race meeting at a track located solely in such county or city of ten cents of the admission of each person on each day of such meeting, except those holding a valid permit under this chapter and actually employed at such track in the capacity for which such permit was issued. The licensee may collect such

amount from the ticket holder in addition to the amount charged for the ticket of admission.

If such track or its facilities are located in two or in three localities, each locality may impose a tax hereunder of five cents or three and one-third cents per person, respectively.

§ 59.1-227. *Other taxes prohibited.* — No licensee shall be subject to any tax, State or local, except those authorized herein, sales and use taxes, income taxes, recordation taxes and real and personal property taxes.

§ 59.1-228. *The tax imposed under § 59.1-225 of this chapter shall be paid to the Commission for each calendar month by the twentieth day of the following calendar month.*

§ 59.1-229. *Reserved.*

ARTICLE 6

Criminal Penalties

§ 59.1-230. *Unlawful conduct of wagering.* — Any person not licensed hereunder who conducts pari-mutuel wagering, or horse racing on which wagering is conducted with his knowledge or consent, or conducts any wagering on the outcome of a horse race, shall be guilty of a misdemeanor, and fined not to exceed five thousand dollars.

§ 59.1-231. *Fraudulent use of credential.* — Any person other than the lawful holder thereof who has in his possession any credential, license or permit issued by the Commission, or a forged or simulated credential, license or permit of the Commission, and who uses such credential or license for the purpose of misrepresentation, fraud or touting is guilty of a felony and shall be punished by a fine not to exceed five thousand dollars or by imprisonment for not less than one year nor more than five years, or by both such fine and imprisonment.

Any credential, license or permit issued by the Commission if used by the holder thereof for a purpose other than identification and in the performance of legitimate duties on a race track, shall be automatically revoked whether so used on or off a race track.

§ 59.1-232. *Unlawful transmission of information.* — Any person who knowingly transmits information as to the progress or results of a horse race, or information as to wagers, betting odds, changes in betting odds, post or off times, jockey changes in any race by any means whatsoever for the purposes of carrying on illegal gambling operations, or to a person engaged in illegal gambling operations, shall be guilty of a misdemeanor, and fined not to exceed five thousand dollars.

This section shall not be construed to prohibit a newspaper from printing such results or information as news, or any television or radio station from telecasting or broadcasting such results or information as news. This section shall not be so construed as to place in jeopardy any common carrier or its agents performing operations within the scope of a public franchise, or any gambling operation authorized by law.

§ 59.1-233. *Touting.* — Any person, who knowingly and designedly by false representation attempts to, or does persuade, procure or cause another person to wager on a horse in a race to be run in this State or elsewhere, and upon which money is wagered in this State, and who asks or demands compensation as a reward for information or purported information given in such case, is guilty of a misdemeanor.

§ 59.1-234. *Bribing of jockey, driver or other participant.* — Whoever gives, promises or offers to any jockey, driver, groom or any person participating in any race meeting, including owners of race tracks and their employees, stewards, trainers, judges, starters, and special policemen, any valuable thing with intent to influence him to attempt to lose or cause to be lost a horse race in which such person is taking part or expects to take part, or has any duty or connection, or who, being either jockey, driver, or groom or participant in a race meeting solicits or accepts any valuable thing to influence him to lose or cause to be lost a horse race in which he is taking part, or expects to take part, or has any duty or connection, shall be guilty of a felony, and punishable by imprisonment for not less than one year, nor more than three years, or by a fine of not more than three thousand dollars, or by both fine and imprisonment.

§ 59.1-235. *Administration of drugs, etc.* — Any person who influences, or induces, or conspires with, any owner, jockey, groom or other person associated with or interested in any stable, horse, or race in which a horse participates, to affect the result of such race by stimulating or depressing a horse through the administration of any drug to such horse, or by the use of any electrical device or any electrical equipment or by any mechanical or other device not generally accepted as regulation racing equipment or who so stimulates or depresses a horse, or who knowingly enters any horse in any race within a period of twenty-four hours after any drug has been administered to such horse for the purpose of increasing or retarding the speed of such horse, is guilty of a felony punishable by a fine of not more than three thousand dollars, or by imprisonment for not more than three years or by both.

Any person who, except for medicinal purposes, administers any poison, drug, medicine or other substance to any horse entered or about to be entered in any race, or who exposes such substance to a horse with the intent that it be taken, or who causes to be taken by or placed upon or in the body of such horse any foreign substance, with intent to impede or increase its speed, endurance, health, or physical or mental condition, is guilty of a felony punishable by a fine not to exceed three thousand dollars, or by imprisonment of not more than three years, or both.

§ 59.1-236. *Possessing drugs.* — The possession or transportation of any drug except those permitted by regulations of the Commission within the racing enclosure is prohibited, except upon a bona fide veterinarian's prescription with complete statement of uses and purposes on the container. A copy of such prescription shall be filed with the stewards. Any person knowingly violating the provisions of this section shall be guilty of a misdemeanor, and fined not to exceed one thousand dollars.

§ 59.1-237. *Racing under false name.* — Any person who knowingly enters or races any horse in any running or harness race under any name or designation other than the name or designation assigned to such horse by and registered with the Jockey Club or the United States Harness Association or other applicable association or who knowingly instigates, engages in or in any way furthers any act by which any horse is entered or raced in any running or trotting race under any name or designation other than the name or designation duly assigned by and registered with the Jockey Club or the United States Harness Association or other applicable association, is guilty of a felony and punishable by imprisonment for a period not exceeding three years or by a fine not exceeding three thousand dollars, or both.

§ 59.1-238. *Violations not specified.* — Any person who violates any of the provisions of this chapter for which a penalty is not herein expressly provided is guilty of a misdemeanor, and subject to a fine not to exceed three thousand dollars. Suspension or revocation of a license or permit by the Commission for any violation shall not prevent criminal liability for such violation.

