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# **RACING SERVICES INC. AND SUSAN BALA**

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## Racing Services and Susan Bala

Susan Bala and her rebating OTB firm, Racing Services Inc., were convicted earlier this month by a jury in federal court in North Dakota. The 12 separate crimes she and her firm were found guilty of included charges of conducting an illegal gambling business, conspiracy to conduct an illegal gambling business, illegal wire transfer and money laundering. Besides a potentially significant jail sentence, she was ordered to forfeit \$19.7 million to the federal government. Her sentencing is scheduled for April 29, and she also faces state criminal charges of illegal gambling in North Dakota.

So many issues have been raised about Racing Services Inc and rebating in general that we can only hope that the time between the verdict and the sentencing is used to clear up most, if not all the issues, involving this operation. Given the promptness and conclusiveness of the jury verdict on Racing Services, it is somewhat surprising that Ms. Bala did not take a plea in this case. But perhaps in order to reduce the sentence against her, it might be helpful to Ms. Bala, and it would certainly be helpful to all of horse racing, if all the facts about the Racing Services operation were to be made public.

Here's what I would like to see made public:

1. The Size of the Rebates. What was the exact determinant of the amount of the rebate? Was it the bargaining skill of the bettor? the total amount bet per day/ per week/per month? the types of bets and the takeout of those particular bets? What percent of handle was rebated to players? When the rebates were first gaining attention, there was some discussion that they were not rebates but dividends to investors who helped form the firm? What was the actual ownership of Racing Services?
2. Tracks and Purses. In 2002 and 2003, there was a persistent rumor that Racing Services was trying to funnel many of its wagers through its Mexico locales. By doing this, it would have been able to duck North Dakota taxes. It also would have avoided North Dakota's requirement that OTB in North Dakota support charitable causes. Tracks in North America generally charge a far smaller simulcasting fee to Mexican OTB's than to American OTB's. If that's the case, were racetracks – and in turn, horsemen – swindled by a mislabeling of North Dakota handle as Mexican handle?
3. The Uvari Issue – In the major federal prosecution brought earlier this year involving the Uvaris, it is alleged that there was massive tax fraud occurring with many people betting through one account at rebate shops. This situation allowed many of the bettors to win large wagers without being subject to federal taxation and diverted the tax losses to the one bettor whose name was on the account. Did this happen with the other major bettors who placed their wagers through Racing Services?

4. The Whale Issue – There were occasions where enormous last second bets made through Racing Services changed the odds of a race considerably right at post time. How was this accomplished? Did the bettor(s) have access to the tote information that was denied others? Did the bettor(s) have an ability to place bets directly into the tote system? If they had an ability to bet directly into the tote system, could they cancel bets after the race began? How many bettors had this type of access? Did the receiving tracks have knowledge of this situation and consent to this access? We need a full explanation on how this was done.
5. The Simulcast Rates – Some tracks sending to Racing Services claimed that they charged Racing Services a higher simulcast fee based on their rebate policies. Was this, in fact, true, or was Racing Services charged the same rate as other simulcast sites that weren't rebating? Did the simulcasting fees charged to Racing Services increase after Racing Services started doing significant rebating in the late 1990's? Who handled Racing Services' settlements, and did this affect their simulcast rates?
6. Who Bet? Were horsemen and/or track officials betting through Racing Services? If horsemen bet, were they betting on their own horses? Is it possible that they were manipulating the wagering on the races they were participating in? If horsemen were betting, how much did the fact that they were betting through Racing Services affect purses at their home tracks? (It's likely that by betting through a guest site instead of through the host track, the distribution to purses at the host track would have been diminished.) If track officials bet through Racing Services, wouldn't this be seen as a violation of duty of loyalty to their track, and again, how much would these actions affect purses at their tracks.

For the last three years, everyone in racing has been calling for increased transparency. Susan Bala's conviction give us an opportunity to actually make racing transparent. Let's hope racing takes advantage of this opportunity and actually explains to the public the full nature extent of Ms. Bala's operation.