INFORMAL FACT-FINDING CONFERENCE

In Re: Advanced Deposit Account Wagering License for

Racing 2 Day, LLC

May 9, 2012

Virginia Racing Commission
Colonial Downs
Ballroom
10515 Colonial Downs Parkway
New Kent, VA

In Attendance
Commission Members:
Stuart Siegel, Chairman
J. Sergeant Reynolds, Jr., Vice Chairman
Carol G. Dawson
David C. Reynolds

Commission Staff:
Bernard J. Hettel, Executive Secretary
David S. Lermond, Jr., Deputy Executive Secretary
Kimberly M. Carter, Office Administrator
Joseph M. Roney, Director of Security and Operations
C. Richard Harden, DVM, Equine Medical Director

Attorney General's Office:
Amy K. Dilworth

CAPITOL REPORTING, INC.
(804) 788-4917
1. Application of Racing 2 Day, LLC - Renewal of Advance Deposit Account Wagering Licenses

2. Public Participation

3. Closed Meeting
CHAIRMAN SIEGEL: Good morning, everyone. It is the appropriate time and we would call to order the May meeting of the Virginia Racing Commission.

We have -- Prior to the official meeting, we have a presentation from Racing 2 Day, LLC, and Mr. Caldwell, you're here to make the presentation.

MR. CALDWELL: I'm here to have a conversation with you and answer any questions that you may have.

CHAIRMAN SIEGEL: Okay. Do you want to stand so we can see you?

MR. CALDWELL: My name is Winston Caldwell. I'm the president and manager of Racing 2 Day, which is a company which I set up in 2007 and the company I set up in 2007, I then sold a 50.1 percent share to Stan James, PLC, who are a British online and OTB operator in the UK, one of the top ten operators there.

They are massive sponsors of UK Racing and they sponsored 2007 (inaudible) for five years previous to (inaudible). They sponsor the Champion (inaudible). They sponsor the major race in the UK today, which is the Chester Cup.

Stan James have global expansion on their mind. They want to go into India. They want to go into South Africa. They want to go into the United
States and South America.

I spoke with them, as I say, in 2010 and sold them a part of the company that I'd set up.

My own background was I was a bookmaker in Britain for a number of years at tracks and I'm still licensed by the UK Gaming Commission and places -- the English Derby.

My background, as I say, 25 years in racing over there, OTB shops. Went to a place called the Isle of Man, which I'm not sure many of you may have heard of, but it's in the middle of the British Isles and one of the very first places where they began to do online wagering and I applied for one of three licenses there. I was popular with William Hill, another major PLC company.

I started that with my wife and two friends and in 18 months we listed on the stock market as the first online company to list on the local stock exchange. I was there for five years with that.

In my time there, I had a visit from some American colleagues from Florida who wanted to be licensed in the United Kingdom so that they could tackle European and eventually Asian markets and I started a joint venture with them there, which is all in the TRP report that you would have gone
through.

In that time, I spent the next five years with them. When they heard that I was about to leave the UK operation, they said why don't you come to Florida and work with us, which was nine years ago.

So I came over here, moved the family over here, worked with them for four or five years in U.S. offtrack in their offices in Florida and in Oregon and then I decided to set up basically by myself, so I went off, got the license in Oregon, did the deal with Stan James and now our view is to expand within the United States.

We've just gone off to Kentucky last month. We got a license and are here with you to hopefully obtain a license and our intention is the Illinois, Chicago area, go down to California and look for a license there as well this year and we've already got the license in Oregon, of course, which we got three-and-a-half, four years ago as well.

Stan James have two operations. They have an online operation and yesterday, again, they made a venture and have gone on to iPods and all mobile devices. They have some bricks and mortar operations and they probably have their hands around 600 bricks and mortar shops all over the world.
Their view is to expand that as well.

So it's two things we want to do. One is we want to get licensed and expand domestically in the United States and get players from your state here in Virginia. The other thing we want to do is we want to take content from the United States and internationalize it, bring them to Europe, bring them to Asia and try and get more interest in the pools going over there.

One thing I've always -- because I've been trying to bring your pools to Europe for ten years. I've always felt that people don't know the size of the pools here, the size of the market here, the amount of money that's available for a dividend, compared to what you can bet on a Tuesday afternoon in Britain.

So I think there's -- you will get interest from players if you pitch the market in the right way. I don't believe anybody has really tried to do dollars on that. We are prepared to do that.

One of the other things we want to do is we want to expand into foreign languages here as well. We still think that there's a lot of people in the United States; obviously 40 million Hispanics, over 12 million Asians who are not being spoken to in
their own language. It's here's a website, it's horseracing, go and wager. We want to reach out to that little niche market that we think is there.

CHAIRMAN SIEGEL: But at this point, you're only licensed in this country in Kentucky and Oregon?

MR. CALDWELL: Kentucky and Oregon, yeah.

CHAIRMAN SIEGEL: And why Virginia next?

MR. CALDWELL: Well, we've looked at Virginia, we've looked at Oregon and California. They are the three markets we wanted to go into and get a license in. There was no particular rhyme or reason to the order. Just Virginia is the next one on that list.

CHAIRMAN SIEGEL: Right, but you haven't been to, for example, Florida or New York at this point, California?

MR. CALDWELL: No. I mean obviously, from the license in Oregon, we can take wagers in a multitude of states, so you know, we're able to take 20-odd states from the Oregon license.

CHAIRMAN SIEGEL: Have you been refused a license anywhere?

MR. CALDWELL: No, no. The first two years when I set up the business the only thing that I wanted to do was get the content.
You know, it's all about getting the risky content to be able to do it like Stan James would do. Nobody would be interested if we didn't have the content. To go through the process, to go through, you know, Churchill checks and the Monarch checks and the Magna groups, you know, we've gone through all that. We have all that, so now we've got a full offering for the players.

CHAIRMAN SIEGEL: Any questions from the commissioners at this point?

MS. DAWSON: I just have one. I noticed in the material that you've submitted that you had to ask for reinstatement for your corporation license in Virginia.

MR. CALDWELL: Yeah. We were gonna do Virginia this time last year, I think was when we initially started the application and then we stopped that because we had to go off and do some fundraising, so be wanted to go off and do that, get that first in place before we expanded any further. So we actually got another 1.5 million put in the company in August last year and we have another fundraising being done at the moment and the shareholders who are in the company have agreed to do that.

CHAIRMAN SIEGEL: So the application expired
and you had to renew the application; is that what
you're saying?

MR. CALDWELL: That's right. Yes.

CHAIRMAN SIEGEL: Any other questions?

MR. S. REYNOLDS: I'm just curious. You got a
license in Oregon, but you said it allows you to
take wagers from 20 other states. How does that
work? If you got a license in Virginia would that
work just as well in some other states around here?

MR. CALDWELL: It's been a change in the last
few years. It used to be you had a license in one
place and you just took wagers where you wanted to.

What's happening now in the U.S. in the last
few years is Kentucky -- as I said, for our
residents, we want our residents to be protected, so
if you want to take wagers from Kentucky residents,
you're gonna have to get a Kentucky license.

Similarly to here, if you want to take them
from Virginia residents, you have to get a Virginia
license.

It's kind of what happened in the European
union as well. It used to be you went to places in
the UK and you take bets anywhere; take some in
French and in Spanish, and everybody went, whoa,
whoa, whoa. If you want to take our guys, you're
gonna have to get licensed in our state. So it's a similar sort of thing we're going through now.

I think you'll see that expand. I think you'll (inaudible) -- from Oregon and actually go and get -- try and take on more. I think you're gonna have to go and get more and more state licenses as time moves on.

MR. S. REYNOLDS: Still a little curious. Like the chairman said, why Virginia? The handle is so much larger in say New York, Kentucky, Florida.

CHAIRMAN SIEGEL: He's got Florida, he's got Kentucky, but Florida and California and New York.

MR. CALDWELL: Yeah, yeah. Well, I mean, you know, the only thing is, of course, there's a big bond involved in those two. You've gotta put up a half million dollar bond for California, for instance, you know, which we're in the process of doing, too.

But you know, as I say, it was no rhyme or reason. We targeted four: Kentucky, Virginia, Illinois and California, the four we wanna do in the next 12 months and we've already got one, as I say, and we're in the process of getting the next three.

CHAIRMAN SIEGEL: Are there questions out there? Frank, you? Anyone have a question of the
MR. PETRAMALO: Yes.

CHAIRMAN SIEGEL: Okay.

MR. PETRAMALO: First, I apologize for being late. I didn't realize the meeting venue had been changed.

CHAIRMAN SIEGEL: Right.

MR. PETRAMALO: You have customers in many states other than Oregon and Kentucky, correct?

MR. CALDWELL: We do.

MR. PETRAMALO: Do you operate in those states because there's no licensing requirement in those states?

MR. CALDWELL: No. We're licensed in Oregon. Oregon permits us to take wagers in those states. As I say, some states will say you cannot take, you know, our customers and offer them your racing unless you're licensed in our state.

MR. PETRAMALO: Right, but for example, do you have customers in West Virginia or Pennsylvania?

MR. CALDWELL: Well, there's obviously some states we don't touch at all. I mean there's lots of states that we won't go to; anything that's gray. Believe me, as British bookmakers, you know, we want to be purely black and white here.
I mean as you'll see as you look down the list of TVG and Xpress Bet and everything else, many many of those companies do more states than we do. We don't want to be the one to step across the line. If somebody else wants to step across the line, that's fine. We strictly speak to -- we're within a state, an attorney general or the governor or somebody else is gonna be in a state to say, look, you can take wagers elsewhere.

MR. PETRAMALO: Right.

MR. CALDWELL: That's it. If they have said that, we don't go there.

MR. PETRAMALO: Ballpark, how many customers do you have now?

MR. CALDWELL: Well, we don't like to say so many things in public, but I mean we do have thousands of customers. I mean from our viewpoint --

MR. PETRAMALO: In the U.S.

MR. CALDWELL: In the U.S. and then internationally, Stan James have about 1.2 million customers in their database.

As I say, what's happening now is there's a full integration. Stan James looked at what I have built as a company, what my website did, where I was
licensed and they said, look, we want to take this to the next level before we start marketing, so we really haven't driven a lot of marketing dollars in the U.S. market yet.

They've done a new integration with Amtote [ph] which is finished and is about to be launched on the 1st of July and when that launches on the 1st of July, then we will put marketing dollars behind it and we will put those marketing dollars firstly in the states where we're licensed.

MR. PETRAMALO: Are you owned by Stan James?

MR. CALDWELL: Fifty point one percent. I still own part of the company myself.

MR. PETRAMALO: I've in the past supported Stan James with significant wagering.

CHAIRMAN SIEGEL: But he never gets it right.

MR. PETRAMALO: I didn't say it was successful.

MR. CALDWELL: Thank you.

The other thing that I should say is that one of the things, its always been difficult. As I say, ten years ago when I got licensed in the UK initially, we bought a hub and we set it up in the UK and we tried to expand at that point.

The one thing I found is when you went to the bookmakers, they all said we'll put some bets in,
but we'll only put our exotics in, the high risk bets. We won't put in the Win, Place and Show because we make (inaudible) on those anyway. That was the biggest hurdle I had to overcome with bookmakers.

And the biggest hurdle I have to overcome at the tracks was that, you know, weren't we gonna meet in the middle here?

So eventually, finally, I found a public company who had seen the light and said, no, all the wagers are going to be at booths. Everything will be co-mingled. It'll be Win, Place and Show, exotics and that's what we've got here with Stan James. That's the difference here.

CHAIRMAN SIEGEL: Thank you.

MR. PETRAMALO: Nothing further. Thank you.

MR. CALDWELL: Thank you.

CHAIRMAN SIEGEL: Anyone else have questions?

MS. DAWSON: I wanted to ask follow-up about Mr. James because he has a large percentage of the ownership and he's from Gibraltar?

MR. CALDWELL: No, he's not actually from Gibraltar. He's from England.

MS. DAWSON: Oh, okay.

MR. CALDWELL: Stan James is funny. Stan James
was set up in the 60s and Stan is S-T-A-N, so it's
Steve Fisher, the first two letters of his name, Ann
Fisher, his wife, an Irish lady. That was Stan.

James was an aristocratic guy who hung about
Mick Jagger and the Beatles in the 60s and who had
lots of money and they went to him and said let's
put something together and start a company. They
did.

By the mid 70s, Mr. James had disappeared and
Steve and Ann Fisher were left with the business.
Then they set up betting shops in Britain, OTBs, as
you would call them here. They had telephone
account wagering, but they weren't online.

What took them to Gibraltar was their son, he
went there, Peter, and they set up an online
operation and set up a telephone operation and they
base the online and telephone operation in Gibraltar
now.

MS. DAWSON: So that company and you are the
policy-making individuals?

CHAIRMAN SIEGEL: The policy-making is between
Stan James and yourself?

MR. CALDWELL: Yes, it is, and Stan is a
popularly listed company in Britain. They're a
substantial company.
MS. DAWSON: Thank you for your explanation.

MR. CALDWELL: You're welcome.

CHAIRMAN SIEGEL: Any other questions from anyone before we proceed?

NOTE: There was no response.

CHAIRMAN SIEGEL: Okay. Well, thank you very much. We appreciate your presentation. As the first item on the agenda as we move into the meeting, we will take action with regard to this application, so if that works for everyone, we will -- you can have a seat, if you like.

MR. CALDWELL: Thank you, Mr. Chairman.

CHAIRMAN SIEGEL: Thank you. Thank you for your presentation.

MR. PETRAMALO: Mr. Chairman, also there's a staff report included in the booklet concerning all the information and investigation conducted for this applicant.

CHAIRMAN SIEGEL: Right.

NOTE: This concludes the Informal Fact-Finding Conference.
CERTIFICATE OF COURT REPORTER

I, Sandra Spinner, hereby certify that I, having been duly sworn, was the court reporter at the Informal Fact-Finding Conference of the Virginia Racing Commission on May 9, 2012, at the time of the hearing herein.

I further certify that the foregoing transcript is, to the best of my ability, a true and accurate record of the incidents of the hearing herein.

Given under my hand this 14th day of September, 2012.

_________________________
SANDRA G. SPINNER
COURT REPORTER

CAPITOL REPORTING, INC.
(804) 788-4917
CHAIRMAN SIEGEL: Sure. Okay. The first item on the agenda before we do that is the approval of the minutes from the previous meeting, which I have distributed in your packets and I guess as well by e-mail. Any question, comments on the minutes?

MS. DAWSON: Just one.

CHAIRMAN SIEGEL: Yes.

MS. DAWSON: My middle initial is a G, not R.

CHAIRMAN SIEGEL: Her middle just is G, not R.

Just one correction to the minutes.

Okay. If there are no other comments, we'll ask for approval of the minutes.

MS. DAWSON: Yes.

CHAIRMAN SIEGEL: Thank you.

The next item, we'll take action on the application from Racing Today and we've had enough discussion. I guess if anyone else wants to ask a question or make a comment they can do so, otherwise, all in favor of this application indicate by saying aye.

MR. S. REYNOLDS: Aye.

MS. DAWSON: Aye.

MR. S. REYNOLDS: Are we going to take a motion and second and all that stuff?

MR. PETRAMALO: The application has been made.
At some point, can we get a copy of the application in the file?

CHAIRMAN SIEGEL: Yes. Yes. Okay. All in favor, indicate by saying aye.

MR. S. REYNOLDS: Aye.

MS. DAWSON: Aye.

CHAIRMAN SIEGEL: Okay. The ayes have it.

Thank you. Congratulations. We appreciate it very much.

MR. CALDWELL: Thank you very much.