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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

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A G E N D A

Page

- 1. Application of Racing 2 Day, LLC - Renewal of Advance Deposit Account Wagering Licenses 3
- 2. Public Participation 10
- 3. Closed Meeting -

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

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

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

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

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

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

23 Stan James have global expansion on their mind.
24 They want to go into India. They want to go into
25 South Africa. They want to go into the United

1 States and South America.

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

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

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

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

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

1 through.

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

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

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

20 Stan James have two operations. They have an
21 online operation and yesterday, again, they made a
22 venture and have gone on to iPods and all mobile
23 devices. They have some bricks and mortar
24 operations and they probably have their hands around
25 600 bricks and mortar shops all over the world.

1 Their view is to expand that as well.

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

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

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

21 One of the other things we want to do is we
22 want to expand into foreign languages here as well.
23 We still think that there's a lot of people in the
24 United States; obviously 40 million Hispanics, over
25 12 million Asians who are not being spoken to in

1 their own language. It's here's a website, it's
2 horseracing, go and wager. We want to reach out to
3 that little niche market that we think is there.

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

7 MR. CALDWELL: Kentucky and Oregon, yeah.

8 CHAIRMAN SIEGEL: And why Virginia next?

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

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

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

21 CHAIRMAN SIEGEL: Have you been refused a
22 license anywhere?

23 MR. CALDWELL: No, no. The first two years
24 when I set up the business the only thing that I
25 wanted to do was get the content.

1 You know, it's all about getting the risky
2 content to be able to do it like Stan James would
3 do. Nobody would be interested if we didn't have
4 the content. To go through the process, to go
5 through, you know, Churchill checks and the Monarch
6 checks and the Magna groups, you know, we've gone
7 through all that. We have all that, so now we've
8 got a full offering for the players.

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

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

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

25 CHAIRMAN SIEGEL: So the application expired

1 and you had to renew the application; is that what
2 you're saying?

3 MR. CALDWELL: That's right. Yes.

4 CHAIRMAN SIEGEL: Any other questions?

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

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

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

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

21 It's kind of what happened in the European
22 union as well. It used to be you went to places in
23 the UK and you take bets anywhere; take some in
24 French and in Spanish, and everybody went, whoa,
25 whoa, whoa. If you want to take our guys, you're

1 gonna have to get licensed in our state. So it's a
2 similar sort of thing we're going through now.

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

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

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

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

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

24 CHAIRMAN SIEGEL: Are there questions out
25 there? Frank, you? Anyone have a question of the

1 gentleman?

2 MR. PETRAMALO: Yes.

3 CHAIRMAN SIEGEL: Okay.

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

7 CHAIRMAN SIEGEL: Right.

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

10 MR. CALDWELL: We do.

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

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

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

21 MR. CALDWELL: Well, there's obviously some
22 states we don't touch at all. I mean there's lots
23 of states that we won't go to; anything that's gray.
24 Believe me, as British bookmakers, you know, we want
25 to be purely black and white here.

1 I mean as you'll see as you look down the list
2 of TVG and Xpress Bet and everything else, many many
3 of those companies do more states than we do. We
4 don't want to be the one to step across the line.
5 If somebody else wants to step across the line,
6 that's fine. We strictly speak to -- we're within a
7 state, an attorney general or the governor or
8 somebody else is gonna be in a state to say, look,
9 you can take wagers elsewhere.

10 MR. PETRAMALO: Right.

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

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

15 MR. CALDWELL: Well, we don't like to say so
16 many things in public, but I mean we do have
17 thousands of customers. I mean from our viewpoint
18 --

19 MR. PETRAMALO: In the U.S.

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

23 As I say, what's happening now is there's a
24 full integration. Stan James looked at what I have
25 built as a company, what my website did, where I was

1 licensed and they said, look, we want to take this
2 to the next level before we start marketing, so we
3 really haven't driven a lot of marketing dollars in
4 the U.S. market yet.

5 They've done a new integration with Amtote [ph]
6 which is finished and is about to be launched on the
7 1st of July and when that launches on the 1st of
8 July, then we will put marketing dollars behind it
9 and we will put those marketing dollars firstly in
10 the states where we're licensed.

11 MR. PETRAMALO: Are you owned by Stan James?

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

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

16 CHAIRMAN SIEGEL: But he never gets it right.

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

18 MR. CALDWELL: Thank you.

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

24 The one thing I found is when you went to the
25 bookmakers, they all said we'll put some bets in,

1 but we'll only put our exotics in, the high risk
2 bets. We won't put in the Win, Place and Show
3 because we make (inaudible) on those anyway. That
4 was the biggest hurdle I had to overcome with
5 bookmakers.

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

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

15 CHAIRMAN SIEGEL: Thank you.

16 MR. PETRAMALO: Nothing further. Thank you.

17 MR. CALDWELL: Thank you.

18 CHAIRMAN SIEGEL: Anyone else have questions?

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

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

24 MS. DAWSON: Oh, okay.

25 MR. CALDWELL: Stan James is funny. Stan James

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

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

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

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

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

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

23 MR. CALDWELL: Yes, it is, and Stan is a
24 popularly listed company in Britain. They're a
25 substantial company.

1 MS. DAWSON: Thank you for your explanation.

2 MR. CALDWELL: You're welcome.

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

5 NOTE: There was no response.

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

12 MR. CALDWELL: Thank you, Mr. Chairman.

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

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

19 CHAIRMAN SIEGEL: Right.

20

21 NOTE: This concludes the Informal
22 Fact-Finding Conference.

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1 CERTIFICATE OF COURT REPORTER
2

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

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

11 Given under my hand this 14th day of September,
12 2012.

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16 _____
17 **SANDRA G. SPINNER**

18 **COURT REPORTER**
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1 CHAIRMAN SIEGEL: Sure. Okay. The first item
2 on the agenda before we do that is the approval of
3 the minutes from the previous meeting, which I have
4 distributed in your packets and I guess as well by
5 e-mail. Any question, comments on the minutes?

6 MS. DAWSON: Just one.

7 CHAIRMAN SIEGEL: Yes.

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

9 CHAIRMAN SIEGEL: Her middle just is G, not R.
10 Just one correction to the minutes.

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

13 MS. DAWSON: Yes.

14 CHAIRMAN SIEGEL: Thank you.

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

21 MR. S. REYNOLDS: Aye.

22 MS. DAWSON: Aye.

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

25 MR. PETRAMALO: The application has been made.

1 At some point, can we get a copy of the application
2 in the file?

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

5 MR. S. REYNOLDS: Aye.

6 MS. DAWSON: Aye.

7 CHAIRMAN SIEGEL: Okay. The ayes have it.
8 Thank you. Congratulations. We appreciate it very
9 much.

10 MR. CALDWELL: Thank you very much.

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