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The Honorable Governor Brian Sandoval
Chairman-Gaming Policy Committee
State Capitol Building
101 North Carson Street
Carson City, Nevada 89701

Dear Governor Sandoval and fellow members of the Committee:

I am sorry that I am unable to be with you for today's important committee meeting, but wanted to provide my thoughts on a few aspects of Daily Fantasy Sports ("DFS"). DFS is wildly popular and I hope that we are able to work with responsible members of the industry to ensure that DFS enthusiasts are able to participate in these contests with appropriate consumer protections and regulatory supervision.

There has been much debate about whether DFS constitutes gambling. Gambling is a topic governed by state law, and each state has its own laws on this subject, which has naturally resulted in a number of different definitions and exemptions from what is included within those definitions. In our state, the attorney general's office has issued guidance that DFS falls within our laws governing gaming. Thus, absent legislation on this subject, that is the framework under which we must operate as we consider policy in this area.

Frankly, the distinction of whether DFS is a game of skill or a game of chance is relevant only to the extent it may influence the professional and amateur sports leagues and governing bodies' willingness to embrace this activity. These organizations have been guided for many years by an erroneous belief that lawful and strictly regulated sports betting poses a threat to the integrity of professional and amateur sports. The international sports community has taken a more progressive view, one that is supported by logic and fact, that properly regulated sports betting actually protects the integrity of the game and helps to detect and prevent unlawful efforts to fix matches.

I do not believe it is productive to focus on whether DFS is or is not gambling or is predominated by chance or by skill. The activity is what it is, regardless of how it may be characterized from one jurisdiction to the next, and it has already been embraced by all of the major professional sports organizations in this country, so the debate about whether it is gambling or not does not advance public policy discussion in any meaningful way.

What is important to the industry is that there be clarity regarding the legality of this activity and that there be appropriate consumer protections and regulation. To be clear, my company does not view DFS as a competitive threat. Indeed, to permit DFS enthusiasts to participate in this exciting pastime, we would like to see it be clearly legal in all jurisdictions in the United States.

The real policy discussion should be focused on the nature and scope of consumer protections and regulation. In Nevada, absent a significant legislative change, we are essentially confined to a system of regulation under the state's Gaming Commission and Gaming Control Board. These bodies are well equipped to provide whatever type of regulation may be proscribed. As not every state has the regulatory

system that we have, other jurisdictions may look to entities such as lottery agencies or racing commissions that are well suited to ensure the integrity of this type of contest while other states may need to form an agency or task an existing body with this function.

I believe that the task of regulating DFS is relatively simple: 1) ensure that the contests are run by honest and reputable people; 2) ensure that the contests are conducted in a fair and honest manner; 3) put appropriate controls in place to address underage age and problem gaming; and 4) make certain that any applicable laws related to financial reporting, money laundering, and similar matters are followed.

I believe that it is possible to address these issues in a manner that does not crush the DFS industry with oppressive regulation or expense. Certainly it is appropriate to consider innovation in how we regulate DFS contests in Nevada, given that the nature of the activity is different from traditional casino gaming that has guided our system of regulation for the past 50 plus years.

The purest form of DFS involves a large number of participants paying a relatively modest entry fee and selecting a "team" of players with a fictitious "salary cap" for the chance to win a relatively large prize based on the statistical performance of the team they select in a series of real life sporting events. My comments are limited to the pure form of DFS and may not apply to more exotic offerings such as high stakes head-to-head contests, single event contests, or other variations that may start to blur the lines between fantasy sports and proposition betting.

We should have an open mind as an industry about right-sizing regulation to fit innovation in our product offerings. In fact, we are considering many of these issues now with skill-based gaming, and in the not-too-distant past, we did so with respect to Internet gaming. I am confident that we can have a productive dialogue that could yield a scope of regulation for DFS that is not unduly burdensome to the industry and provides DFS consumers with the protections they need and deserve.

If we do not address the reality of demand for DFS product, we will only help to create an unlawful black market run by outlaw offshore operators as we have seen in other segments. DFS enthusiasts and the gaming industry are much better off having a lawful properly regulated system run by responsible companies like Draft Kings and Fan Duel rather than one operated by anonymous criminals in the shadows.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim". The signature is stylized with a large, looping "J" and a small dot above the "i".