



JAMES J. MURREN
CHAIRMAN OF THE BOARD
CHIEF EXECUTIVE OFFICER

August 22, 2016

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:

Recently, Draft Kings and Fan Duel proposed draft language for potential legislation to create a Fantasy Gaming License under the state's gaming law. This is certainly a step in the right direction, as previously this industry was adverse to any form of regulation by a gaming agency. Although a good first step, the proposal leaves many questions unanswered and raises a number of important policy concerns that need to be addressed. In addition, this proposal has caused a number of different reactions among our peers, and some may oppose any discussion of creating a separate category of gaming license to accommodate innovation. MGM Resorts International ("MGM") believes, however, that this proposal makes timely the discussion about whether our state should entertain different license categories and regulatory frameworks to accommodate innovation. We look forward to this debate.

First and foremost, the primary policy consideration must always be providing adequate and appropriate protection for the public. Should we conclude that it is appropriate to adapt our regulatory framework to permit innovation, MGM believes this must only be done if we can be assured that the new regulations adopted for any such activity provide the public with the same level of protections and assurances of integrity that Nevada's system currently provides. Our decisions must never be guided by a particular innovator's contention that our system is too burdensome or that they do not wish to participate in a regulatory process. This would be a dangerous precedent that could lead to the erosion of sound policy that has protected the public and permitted the state's dominant industry to thrive for decades.

Although we must not lose focus on the primary objective of protecting the public and maintaining the integrity of the gaming industry, we are not convinced that every form of gaming necessarily requires the same regulatory process. Today, land-based casinos, lotteries, horse racing, online gaming, and sports wagering all present different issues and to some extent are regulated in different ways, but always with the same objective of protecting the public and the integrity of the activity being regulated. If we were to consider a different form of regulation for daily fantasy sports ("DFS"), such a decision would have to be based on a conclusion that this activity presents different risks that can be addressed in different ways and that the public could have confidence in whatever framework is adopted.

At this time, the DFS industry has not definitively addressed the question of why should we consider treating DFS differently; thus it seems premature to consider specific proposed language for legislation. That being said, there were several aspects of their proposal that caused us concern, and I would like to briefly address these issues.

First, the DFS proposal suggests that this activity be regulated as a form of gaming in our state, but that the minimum age be established at 18. Nevada's long-standing policy limits gaming to adults who are 21 or older, and DFS should be no exception. Next, the language specifically excludes the ability of a fantasy sports licensee to conduct contests that involve collegiate athletics. This is contrary to the existing policy of the state, which correctly identifies that properly regulated, lawful sports wagering enhances the integrity of the underlying sporting event and does not compromise it. The NCAA has for years ignored facts and logic and has taken a contrary position. The proposed language is an accommodation to the NCAA and, if adopted in Nevada, will be used against the industry in other contexts. We must not agree to any collegiate exclusion. Finally, the adoption of a different tax rate for fantasy gaming is also problematic. Nevada has a very reasonable tax rate, and the state should not negotiate its tax rate with operators of new forms of gaming that may come to the state.

Adopting a new category of gaming is not appropriate until such a time that we have appropriate information to permit us to consider potential impacts to the integrity of our industry and to ascertain that any such proposed change will not leave the public unprotected. I encourage DFS companies to make the case for their proposal and to provide detailed evidence to support their proposal. As I noted in an earlier communication to this Committee, it is appropriate to consider innovation in how we regulate, but I cannot support any change that is not thoughtfully studied or that leaves any doubt about the state's reputation for only permitting gaming experiences where integrity can be assured.

Sincerely,

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