



US Fantasy Sports

August 22, 2016

Ms. Marie Bell
Executive Secretary
Gaming Control Board
555 E. Washington Avenue, Suite 2600
Las Vegas, NV 89101

Re: Written Comments of US Fantasy for the Gaming Policy Committee Meeting
to be held on August 23, 2016

Dear Ms. Bell:

We at US Fantasy (“USF”) strongly believe in the potential of daily fantasy sports (“DFS”) and that, with its clear millennial appeal, DFS may be an essential component for the future of Nevada’s gaming industry.

We also believe that Nevada is poised to lead in this area - but only if we use Nevada’s first-in-the-world gaming resources and gold standard of compliance to lead this burgeoning industry in a safe and legal way.

It cannot be stressed enough that consumer trust takes years to build, but only moments to destroy. This is why Nevada’s legislators and gaming regulators must ensure that the DFS industry in Nevada maintains the same vibrancy, competitiveness, reliability, and trustworthiness of the greater gaming industry as a whole.

An Update on US Fantasy

USF has recently been awarded approval from Nevada’s gaming regulators to be the first Nevada-licensed gaming operator to offer DFS-style wagering. As of our official launch on September 2, 2016, USF will allow players to make fantasy-type sports wagers at partner Nevada land-based casinos using the existing pari-mutuel system.

As a Nevada-licensed gaming operator, USF will operate pursuant to *existing Nevada gaming statutes and regulations*. In addition, the transparency of the pari-mutuel pools and its contestant-determined pricing eliminates the possibility of ‘insider trading’ concerns that have plagued the non-licensed DFS operations and will offer unparalleled consumer protections for contestants and the industry.

We look forward to growth of the DFS model in Nevada, and expect that the wide availability of Nevada-regulated DFS offerings will spur consumer confidence and create even more growth and excitement for our product.

However, we are concerned that the draft legislation as put forward by the DFS industry for review and discussion in this meeting today lacks several key provisions.

Key Provisions That Must Be Addressed in Nevada's DFS Laws and Regulations

The DFS bill that has been proposed ("Bill") mirrors the legislation that has been introduced in a number of other states by the DFS industry. With the introduction of the Bill here, Nevada's legislators and regulators now have a chance to review and fine-tune this legislation in a way that will protect Nevada's consumers, create a level playing field with other Nevada gaming licensees, and set a standard for other jurisdictions.

To help them do this, we recommend that the Gaming Policy Committee needs to take the time to carefully review this Bill and analyze how it will coordinate with Nevada's existing gaming laws and regulations.

The Bill would create a new class of license for fantasy sports operators in Nevada. Like other forms of gaming license, the new license would be granted by the Nevada Gaming Commission ("Commission"). Unlike other forms of gaming license, however, there are some key limitations:

1. The Bill does not provide Nevada's gaming regulators the tools they need to ensure that DFS contests are run by honest and reputable people.

The Bill creates DFS licensing as a *right* to anyone that makes a proper application. The Commission must issue a license to any DFS applicant that meets the basic requirement of filing an application, paying the \$500 fee, and providing a plan of operation. There are no suitability requirements in the bill or provisions that would allow Nevada regulators to investigate DFS applicants as they do all other prospective gaming licensees.

2. The Bill does not ensure that DFS contests are conducted in a fair and honest manner.

In fact, the Bill actually precludes regulators from adopting *any* regulations regarding the conduct of the contests.

3. The Bill does not ensure that controls are in place to prevent underage gaming

Again, the Bill precludes regulators from issuing any regulations that address how contests are run or from regulating the systems used for contests. Because age verification is done via system or administrative processes, it would be beyond regulation.

4. The Bill does not ensure anti-money-laundering (“AML”) or Bank Secrecy Act (“BSA”) compliance.

The Bill has no reference to AML or BSA compliance, and the strict limit on regulating any material activity of the DFS operator ensures that Nevada’s regulators cannot control or influence such compliance in any way.

5. The Bill provides Nevada’s gaming regulators with virtually no tools to discipline DFS operators for unscrupulous acts that may harm Nevada’s citizens and the reputation of gaming in Nevada.

The Bill limits the Commission to imposing a maximum \$1000 fine for any enforcement or disciplinary action.

6. The Bill does not provide for any flexibility regarding taxation of DFS operators in Nevada.

The Bill establishes an initial licensing fee and annual licensing fee for DFS operators that is calculated as the *lesser of* \$10,000 or five percent of the DFS operator’s gross fantasy game revenues for the preceding 12 months, with no additional fees or taxes. This will obviously be an area of much interest and discussion amongst Nevada’s legislators to determine the appropriate combination of taxes and fees for these operators.

7. The Bill does not clear up the legal gray area of DFS offerings on a federal level to allow Nevada-licensed gaming operators to partner with DFS operators in a way that would not jeopardize their existing gaming licenses in Nevada or other jurisdictions.

Whether current Nevada gaming licensees will be able to participate in interstate DFS or be involved with a Nevada DFS licensee that is involved with interstate DFS is not clear because at least 10 states have Attorney General Opinions identifying DFS as an illegal form of gambling, and two federal prosecutor’s offices have confirmed that there are ongoing investigations regarding the legality of DFS in interstate commerce under federal law.

Finally, if Nevada is going to put its gold standard seal of approval on a gaming or gaming-like activity, Nevada should not do so without the same implied gold standard requirements indicative of a license granted by the Nevada Gaming Commission.

Very truly yours,

Vic Salerno,
US Fantasy