

Washington State Gambling Commission



Fantasy Sports

A Brief Look at Fantasy Sports and Daily Fantasy Sports

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Methodology

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Preface

Washington is one of six states where daily fantasy sports (DFS) sites do not currently accept customers. The other five states are Arizona, Iowa, Louisiana, Montana, and Nevada. This summary looks at the history of fantasy sports, how to play fantasy sports, affiliations of fantasy sports operators, possible regulation, and current status of fantasy sports in other jurisdictions. This summary has been prepared at the request of the five-member Washington State Gambling Commission.

It should be noted that the draft legislation in Appendix J is intended as a discussion draft for the Commissioners as they consider what recommendations they may make to the legislature about fantasy sports. As the Commissioners discuss fantasy sports further, they may recommend an approach different than what is in Appendix J. Similarly, the pros and cons of the different approaches may change based on their discussions.

The information in this report is current to the best of our knowledge as of October 23, 2015. Due to the current fluidity of this topic, information regarding fantasy sports and its legislation is changing rapidly.

Background Information

A fantasy sport is a game where participants construct a team that competes against other fantasy owner's teams using statistics generated by real life individual players or teams. There are many variants of scoring and league structure, but all are based on the real life statistical performance. In the United States the most common fantasy sports are baseball, football, basketball, golf, hockey, and auto racing.

Currently the legislature has not authorized fantasy sports in Washington State. The prohibition of fantasy sports in Washington is based on the definition of "game of chance," (RCW 9.46.0225), and the on the prohibition of transmission of gambling information over the phone or internet (RCW 9.46.240). State law would need to be changed to allow for fantasy sports.

In 2015, companion bills relating to fantasy sports were introduced; the Senate bill had a hearing. Although the bills died, it is anticipated that there will be further discussion during the 2016 session. House Bill 1301 and Senate Bill 5284 stated, "Fantasy competitions are considered by the state as games of skill and are specifically exempted from any classification as gambling."

There are generally two forms of fantasy sports: season long fantasy sports and daily fantasy sports (DFS).

Synopsis of Fantasy Sports History

It is estimated, by the Fantasy Sports Trade Association, that over 41 million people in the US and Canada played fantasy sports in 2014. The first iterations of fantasy sports can be traced back to the

1960's. A group of Oakland Raiders fans started a fantasy football league that loosely resembled what we know as fantasy sports today. In 1969, the first known public fantasy football league was started by a sports bar in Oakland, California.

In 1980, a big boom in fantasy sports happened, with the start of what would become known as Rotisserie Baseball. The name of the system come from a restaurant, La Rotisserie Francaise, where the game was first played by sports journalists. The fact the game was first played by sports journalists played a key role in its early popularity. In 1981, Major League Baseball had a strike, so many sports journalists had very little to write about. In lieu of their normal writing about the actual teams, they began writing about the game they played amongst their journalist friends, fantasy baseball.

In the 1990's fantasy sports started to really grow among the masses, led by fantasy football. A big factor in this was the transition of fantasy sports to the internet. New technology made it easier to get stats quickly compiled online. This started in 1995, with a website offering fantasy hockey teams in Canada. By the end of the decade there were millions of people playing fantasy sports, many online.

In 2006, Congress passed a bill that could have spelled the end for legal fantasy sports in the United States. The Unlawful Internet Gambling Enforcement Act ([UIGEA](#)) was passed (Appendix A). The bill was the end of most online gambling, including poker, in the US. Initially, it was unclear whether fantasy sports would be affected by the bill. The federal government made a specific exemption for fantasy sports. This was a key decision that specifically exempted fantasy sports from the provision set forth in UIGEA. Without this exception fantasy sports would have fallen under the guidelines of Act and the growth of the game would have been slowed rapidly.

By 2009, DFS had been introduced and were gaining popularity in the US. The two industry leaders, FanDuel (2009) and DraftKings (2011) had both been launched offering DFS. By 2013, 21 million people were playing fantasy sports in the US.

Today almost all forms of fantasy sports are also accessible by mobile devices allowing for even more convenience to participants.

Today sports coverage online, on television, and in print is catering more and more to the fantasy aspects. Numerous shows, columns, and websites are dedicated specifically to fantasy sports. The popularity of many of today's sports are driven by fantasy sports and the people who participate in it. (Newman, 2015)

Types of Fantasy Sports

Traditional Season Long Fantasy Sports Leagues

Season long fantasy sports provide a number of different versions that provide a variety of options for people wishing to play. The most common form of season long fantasy sports are head-to-head leagues. In these leagues you draft a team of real players from throughout the sport in which you are playing. For example, for a National Football League fantasy league, a group of participants (owners), usually

between eight and twelve, will draft teams of real NFL players. Each team will fill a roster and compete against the other owners in the league. In this format, each real player can only be on one owner's roster (Appendix B).

Team's rosters are built through a draft (Appendix C). Each team will consist of the same roster breakdown. For example, an active roster would consist of: Quarterback, Running Back (2), Wide Receiver (2), Tight End, Kicker, Defense, Flex player. Each team would also have a specific number of bench spots on their roster.

Each week your team would compete against another owner's team. The players' real-time statistics are converted to points based on the settings of your league (Appendix D). An example would be a rushing touchdown is worth six points, a passing touchdown is worth three points, every 10 yards rushing is worth one point, etc (Appendix E). The settings for each league are set before the season starts and are known to all the owners. At the end of all the real life games for each week, whichever team has the most points in each head-to-head matchup gets a win; the other team gets a loss.

This continues for a select number of weeks until the fantasy league playoffs begin. At a certain point, usually week 14 or 15, the playoffs start for each league. The top four to eight fantasy teams make the playoffs and compete in a bracket style playoff for the next two to four weeks. They play head-to-head with the same scoring settings as the regular season with the winner advancing to the next round until there is eventually a champion.

Daily Fantasy Sports Leagues (DFS)

DFS leagues, as the name suggests, are leagues that are formed for games played on one day or week for football. There are numerous leagues, with different numbers of players in each league, but the main premise of each is the same (Appendix F).

In a DFS league, a person selects a roster of players for a single day, or week of NFL football. In DFS leagues, each team could possibly have the same players. There is no league player draft, you select a team that fits into a designated salary cap.

Using the NFL as an example, each DFS NFL league is set up for a week of NFL football, not necessarily a day. An NFL week generally consists of Thursday games, Sunday games, and Monday games. So for a DFS one "week" league an owner would select a full team of real NFL players using a salary cap, like \$50,000. Each player in the NFL is given a salary based on how the site you are using thinks they will do for that week. Everyone in the league selects from players with the same exact value for fairness. You fill your roster the same way you would a traditional league, but not going over the salary cap. You accumulate points based on real life statistics for your player for that week. The owner whose team has the most points for that week wins (Appendix G).

There are many types of DFS leagues. Leagues can have a varying number of participants. A review of a major DFS website had leagues that were head-to-head, two participants, to leagues with hundreds of thousands of entrants (Appendix H).

DFS Site Affiliations

DFS websites have received millions of dollars in investments from notable investors. DFS site's investors include: National Basketball Association (NBA), Comcast, NBC Sports, Time Warner, Fox Sports, Major League Baseball (MLB), National Hockey League (NHL), Kraft Group, and the Madison Square Garden Company (Appendix I) (www.legalsportsreport.com).

One DFS site also has an exclusive partnership with ESPN that kicks off in 2016. This allows them exclusive rights to advertise on ESPN. It also paves the way for that site to be integrated into ESPN platforms both online and in television broadcasts (www.legalsportsreport.com).

DFS websites also have sponsorship agreements with most professional sports teams. This includes 28 NFL teams, 28 MLB teams, and 23 NBA teams. These sponsorship deals also reach into mixed martial arts, PGA golf, soccer, and the World Series of Poker (www.legalsportsreport.com).

Current DFS News

On September 27, 2015, an employee at DraftKings won \$350,000 in a NFL DFS contest at FanDuel. Prior to that, DraftKings accidentally released NFL data prior to the start of week 3 NFL games. This led to people accusing the DFS sites of "insider trading." As a result, both DraftKings and FanDuel temporarily began restricting employees from participating in fantasy sports for money. At the time of this report DraftKings and FanDuel employees were still restricted from playing in DFS contests on other sites. DraftKings is adamant that its employees do not engage in insider trading (Kim, 2015).

As a result of the "insider trading" allegation the New York Attorney General, Eric Schneiderman, launched an investigation. His office is looking into whether employees at DraftKings and FanDuel have an unfair advantage at winning prizes using their company's data. Schneiderman expressed some concern that there are more than 30 million people playing on these sites and billions of dollars being wagered, yet no regulation.

FanDuel has hired former US Attorney General Michael Mukasey to evaluate its internal controls. They are also creating an advisory board led by Michael Garcia, who led the investigation into the 2018 and 2022 World Cup bid process. Both FanDuel and DraftKings have posted statements on their websites stating that nothing is more important to them than "the integrity of the games we offer to our customers." (CBS New York)

On Thursday, October 8, 2015, a class action lawsuit was also filed against DraftKings and FanDuel. A DraftKings DFS player sued both sites in Manhattan Federal Court. The player alleges that participants at both sites were unfairly disadvantaged by employees of each company being allowed to play the other's games. (SI Wire)

Subsequent to the above events the United States Justice Department (DOJ) and the Federal Bureau of Investigation (FBI) began investigating whether the business model of DFS violates federal law. The DOJ

is trying to determine if DFS are a form of gambling that falls outside the exemption provided by UIGEA. (Reagan/Barrett 2015)

Laws and Legislation in Other States

Currently the two major Daily Fantasy Sports Operators (DraftKings and FanDuel) do not operate in 6 states: Arizona, Iowa, Louisiana, Montana, Nevada, and Washington. Two states authorize fantasy sports by law and the remaining 42 states are taking no known action to prevent the play of daily fantasy sports.

2 states have authorized fantasy sports:

Kansas (HB 2155 passed and effective July 1, 2015); Maryland (HB 7 effective October 1, 2012). Minimum age to play fantasy sports for both states appears to be 21.

12 states have introduced bills to authorize fantasy sports:

Arizona, California, Washington, Illinois, Indiana, Iowa, Louisiana, Massachusetts, Michigan, Montana, Pennsylvania, Texas. At least six of these states' bills would require the participant in fantasy sports to be 21 years of age or older.

3 states have Attorney General Opinions or regulations addressing fantasy sports:

Florida, Nevada, and New Jersey.

6 states where major fantasy sports operators do not operate:

Washington, Iowa, Arizona, Louisiana, Montana, and Nevada.

State-by-State Status

States that have authorized fantasy sports:

Kansas

HB 2155 ([here](#)) was introduced 1/28/15. This bill passed and went into effect on 7/1/15. This bill makes participation in fantasy sports leagues legal by including such sports leagues in the list of exceptions to the definition of what constitutes an illegal bet. The new language in the law provides an exception to their definition of "bet" and allows for fantasy sports under the exemption provided by the UIGEA.

SB 276 was also introduced around the same time, and included similar language as HB 2155. However, this bill did not move forward as HB 2155 also addressed other unrelated issues at the same time.

The Kansas Attorney General issued an opinion on fantasy sports leagues on 4/24/15. This opinion essentially determined fantasy sports as defined in the UIGEA and HB 2155 is more so a game of skill to which the final outcome is dependent upon the skill of the contestant. As such, they also issued an opinion stating the legislature is within their authority to exempt fantasy sports from their definition of a bet.

Kansas Racing and Gaming Commission declared earlier in 2015 that it believed DFS is illegal under their current state law. This came before the above bill was introduced.

Major fantasy sports operators currently operate daily fantasy sports in Kansas.

Maryland

In 2012 Maryland passed HB7 ([here](#)) amending its criminal laws to exempt certain fantasy sports competitions from gaming prohibitions. It states “fantasy competition” includes any online fantasy or simulated game or contest such as fantasy sports, in which: (1) participants own, manage, or coach imaginary teams; (2) all prizes and awards offered to winning participants are established and made known to participants in advance of the game or contest; (3) the winning outcome of the game or contest reflects the relative skill of the participants and is determined by statistics generated by actual individuals (players or teams in the case of a professional sport); and (4) no winning outcome is based: (i) solely on the performance of an individual athlete; or (ii) on the score, point spread, or any performances of any single real-world team or any combination of real-world teams. (b) Notwithstanding the provisions of this or any other title, the prohibitions against betting, wagering, and gambling do not apply to participation in a fantasy competition. This language resembles the UIGEA.

Major fantasy sports operators currently operate daily fantasy sports in Maryland.

States that have introduced bills to authorize fantasy sports:

Arizona

SB 1468 ([here](#)) was introduced in 2014 and would have exempted “Fantasy Competitions” from Arizona’s definition of gambling. The bill’s definition of fantasy competitions followed the UIGEA exemption of fantasy sports from the definition of a bet or wager. The bill failed and did not go anywhere in 2015. The minimum age to play fantasy sports appears to be 21.

According to the Arizona Department of Gaming FAQ’s found on their website, Fantasy Sports Team Leagues are “legal” as long as the participants receive the winnings. A league operator may not take a cut. Fantasy Sports Team Leagues, according to the website, is where participants act as owners to build a team that competes against other fantasy owners based on the statistics generated by the individual players or teams of an actual professional sport. Monies accumulated during the season are won by the owners.

Arizona remains one of 6 states where major fantasy sports operators do not operate.

California

SB 1437 ([here](#)) was introduced in February 2015. This bill underwent amendments and was re-referred to the Committee on 9/10/15. This bill would require all daily fantasy sports operators to come under a regulatory umbrella. The bill also defines what games licensed daily fantasy sports operators can offer. The requirements resemble the exemption in the UIGEA. The bill would enact the Internet Fantasy Sports Game Protection Act which would require a person or entity to apply for, and receive, a license from the department prior to offering an internet fantasy sports game for play in California. The minimum age to play fantasy sports would have been 21.

Major fantasy sports operators currently operate daily fantasy sports in California.

Illinois

HB4200 filed 4/9/15 ([here](#)) creates the Daily Fantasy Sports Regulation Act, yet has no details or summary detailing the bill. Last action taken 4/14/15 which referred to their Rules Committee. No minimum age was listed for fantasy sports.

The state strictly prohibits all types of gambling whether chance or skill unless specifically exempt. The Illinois Criminal Code provides an extensive definition of specific acts that constitute illegal gambling. A person commits gambling when he or she plays or offers a game of chance or skill for money or other thing of value, unless they qualify as an exemption.

Major fantasy sports operators currently operate daily fantasy sports in Illinois.

Indiana

HB 1073 ([here](#)) was introduced 1/6/15 and seeks to authorize sports betting. HB 1074 ([here](#)) was introduced at the same time and specifically addresses legalizing fantasy sports leagues. This bill adds a new section to the Indiana Code under 4-35-2-4.5 stating “fantasy sports league refers to a contest in which the patrons of a gambling game facility licensed under this article: 1) compete against each other or a target score as the owners or managers of imaginary teams of athletes in imaginary or simulated games; 2) use the statistics accumulated by the athletes in actual sporting events to determine the scores of the imaginary or simulated games; and 3) play for a predetermined prize.” The bill also adds to the code the requirement for players to be at least 21 years old. It gives the state the authority to adopt rules necessary to protect or enhance the credibility and integrity of the gambling game facilities licensed and the regulatory process. Finally this bill requires a fantasy sports league to operate in compliance with UIGEA.

Recently State Representative Alan Morrison stated his intention to revisit HB 1074. However, his intention is not to regulate daily fantasy sports operators at all. He does not intend to affect the daily fantasy sports industry as it currently operates in Indiana. (Dustin Gouker, Legal Sports Report 9/15/15)

Currently, Indiana Gaming Commission has a FAQ on their website as of 9/22/15 stating fantasy sports are “legal” so long as the definition of gambling is not met. It continues by saying “if you pay to belong

to a league or to participate, it's illegal." However, Indiana appears to be tolerating online fantasy sports in their state.

Major fantasy sports operators currently operate daily fantasy sports in Indiana.

Iowa

Senate File 166 ([here](#)) introduced 2/5/15 adds a new paragraph to Iowa's code on lawful contests of chance and allows fantasy sports as outlined in UIGEA. It also states the department of inspections and appeals shall conduct a study concerning the impact of defining a fantasy or simulation sports contest as a bona fide contest as provided in the Act. The department shall solicit input from licensees regulated by the racing and gaming commission, individuals involved in gambling treatment programs, fantasy sports contest providers, and other interested stakeholders. The department shall submit a report to the general assembly by 12/1/16. The amended bill added language preventing daily fantasy sports contests based on high school sporting events. This bill was placed on the calendar under unfinished business on 3/13/15.

In addition, House File 281 ([here](#)) was introduced on 2/17/15 and includes the same new paragraph to Iowa's code on lawful contests of chance. Neither proposals reference a minimum age requirement, but it appears the legal age to gamble in Iowa is 21.

Iowa remains one of 6 states where major fantasy sports operators do not operate.

Louisiana

HB 475 ([here](#)) was introduced in April 2015. This bill provides an exception to the crimes of gambling and gambling by computer for the participation in any fantasy or simulation sports game, educational game, or contest by computer if in compliance with the UIEGA exemption. The bill cleared the House but stalled in the Senate Judiciary Committee. Strong opposition to the bill cites the prohibition to online gambling in the state and the need to maintain the prevention of online gambling.

A Louisiana Attorney General Opinion from 1991 declared fantasy football leagues over the phone to be an act of illegal gambling. The opinion states "Whether an element of skill is involved in selection of the team or individual players is relevant to determination of whether the activity is a lottery, however it is not dispositive of the issue of whether the activity constitutes gambling." (LA Atty. Gen. Op. No. 91-14, 1991)

Louisiana remains one of 6 states where major fantasy sports operators do not operate.

Massachusetts

S.191 ([here](#)) was introduced in April 2015. This bill would give the lottery commission the authority to implement online games of skill including fantasy sports. The bill also identifies fantasy sports as a game of skill. Last action for this bill was a hearing scheduled for 9/15/15.

As of September 2015, Attorney General Maura Healey is reviewing the legality of DraftKings with respect to Massachusetts law. When asked about the legality of DraftKings, Healey said “This is a new industry. It’s something that we’re reviewing, and we’ll learn more about it.” (Michelle Williams with MassLive.com)

On 10/7/15 Healey stated Massachusetts would not pursue any criminal inquiries into Boston based DraftKings. Healey stated there are no federal or state laws prohibiting daily fantasy sports sites from operating and customers of DraftKings should not worry if they are breaking the law. Healey advised they were not looking to shut them down. (Steve Annear “Maura Healey says DraftKings operation is legal”, Boston Globe)

Major fantasy sports operators currently operate daily fantasy sports in Massachusetts.

Michigan

SB 459 ([here](#)) introduced 9/9/15 revises Michigan’s penal code relating to gambling by excluding fantasy sports from their penal code section 750.310. It adds a section indicating the chapter does not apply to participation in a fantasy or simulation sports game or educational game or contest as described in and that meets all of the conditions of 31 USC 5362(1), which is the essentially the UIGEA exemption. This bill would legalize fantasy sports in general and does not provide for any regulation.

According to www.legalsportsreport.com, the Executive Director Rick Kalm of Michigan Gaming Control Board believes daily fantasy sports are illegal in the state. Attorney General’s Office has not issued an opinion on legality of fantasy sports.

Major fantasy sports operators currently operate daily fantasy sports in Michigan.

Montana

HB 181 ([here](#)) was introduced in December 2014. This bill had a hearing but was tabled in Committee and had no further action. The bill gives exceptions to Montana gambling law for fantasy sports leagues that charge total fees not to exceed \$100. This bill exempts qualifying fantasy sports play from the definition of internet gambling under Montana Code. The bill alters the definition of fantasy sports league to allow for collegiate sports. The bill allowed for entities other than pari-mutuel networks to operate such leagues. The bill amended 23-5-802 to make qualifying fantasy sports play exempt from the explicit prohibition on wagering on online fantasy sports. Finally the bill did not remove that prohibition which means online fantasy sports play that falls outside the scope described by the bill would still be illegal.

Montana Gambling Control Division lists on their website ([here](#)) that fantasy sports leagues are legal because they “are non-banking games in which players bet against and settle with each other rather than betting against and settling with the house.” Per Montana Code Annotated 2014 section [23-5-802](#), fantasy sports leagues are lawful under a pari-mutuel system of wagering. However, it is unlawful to wager on a fantasy sports league by telephone or by the internet.

Montana remains one of 6 states where major fantasy sports operators do not operate.

Pennsylvania

HB 1197 ([here](#)) was introduced and/or referred to their Gaming Oversight committee on 5/13/15. This bill adds a chapter to the Pennsylvania Consolidated Statutes to deal with fantasy sports. The bill would require a license to operate fantasy sports tournaments which must be held in a brick and mortar establishment. Fantasy sports tournaments must be held within the licensed facility. A license would cost \$50,000 and a “tournament vendor” (any company that works with a licensee to provide fantasy contests) would have to pay a fee of \$10,000. The state would collect a 5% tax on monthly gross revenue. Gaming interests that already have a license in Pennsylvania will be issued a fantasy sports license if they want one. Licensees can develop and/or provide a website or mobile application to track the contest, but not enter it. Participants must be 21 years old. A “bad actor” clause prevents companies that are in violation of UIGEA. The bill defines fantasy sports similar to UIGEA and provides the Pennsylvania Gaming Control Board the authority to create further regulations for daily fantasy sports tournaments. The bill also appears to allow current daily fantasy sports providers to work with licensees to provide an online architecture for a fantasy sports contest, but players must pay the entry fee while on site at a casino.

Per Representative George Dunbar (sponsor of the above bill), there is nothing under current gambling laws that allows fantasy sports operators to collect money and distribute money on a fantasy sports tournament. While this would not be illegal, it is not codified under current gambling laws.

Major fantasy sports operators currently operate daily fantasy sports in Pennsylvania.

Texas

HB 4019 filed 3/13/15 ([here](#)) creates a criminal offense if a person knowingly operates an internet website that allows the user to make, through use of the website, a bet on the outcome of a sporting event or on participation in a competition based on the performance of the players in a sporting event or series of sporting events. In addition, a person who makes a bet through the use of an internet website (as described above) will have committed an offense under their gambling penal code. HB 4040 ([here](#)) was filed 3/13/15 and is a similar bill to the one above. This bill details licensing requirements for the above bill. HB 4040 allows for the licensure of sports betting websites which include bets made on the performance of the players in a sporting event or series of sporting events. These bills did not make it out of the House Committee. While Fantasy Sports is not mentioned, it is believed these bills were intended to address Fantasy Sports.

Major fantasy sports operators continue to operate daily fantasy sports in Texas.

Washington

SB 5284 ([here](#)) was introduced in January 2015. A companion bill, HB 1301, was also introduced at the same time. These bills introduced a new section in the RCW to allow for fantasy competitions, defining them as they are in UIGEA. The new section also declares fantasy competitions as “games of skill and

are specifically exempted from any classification as gambling”. Both bills died but will remain alive in the 2016 legislative session.

The Washington State Constitution prohibits all forms of gambling unless specifically authorized by statute. The legislature has not authorized fantasy sports. The prohibition of fantasy sports in Washington is based on the definition of “game of chance”, and on the prohibition of transmitting gambling information over phone or internet. The Washington State Gambling Commission has a brochure ([here](#)) on sports wagering that addresses fantasy sports as being illegal.

Washington remains one of 6 states where major fantasy sports operators do not operate.

Attorney General Opinions and Regulations Addressing Fantasy Sports

Florida

In 1991 then Attorney General Bob Butterworth issued an opinion ([here](#)) that participating in real money fantasy sports leagues violated the state’s gambling laws, specifically citing Section 849.14 of the Florida Statutes.

Current Attorney General Pam Bondi, via her spokesman, advised she has no plans to revisit the issue of fantasy sports. She also stated the attorney’s general office does not rescind previous legal opinions. ([Orlando Sentinel, September 2015](#)). However it appears Florida is tolerating fantasy sports at this time.

Major fantasy sports operators currently operate daily fantasy sports in Florida.

Nevada

In October 2015 Nevada Gaming Control Board analyzed the legality of pay-to-play fantasy sports (DFS) and declared that DFS constitutes gambling under Nevada Law. Nevada Gaming Control Board advised DFS could only operate if licensed and all operators must cease and desist until such licensure is obtained. The Nevada AG also reviewed DFS ([here](#)) and came to the same conclusion while stating DFS were sports pools. The AG also indicated DFS may constitute as a lottery, depending on the test applied by the Nevada Supreme Court. The AG did not determine whether DFS are predominately skill based. Under Nevada law, the determination of whether an activity constitutes a gambling game or a sports pool does not require analysis of the level of skill involved. (www.legalsportsreport.com)

Nevada remains one of 6 states where major fantasy sports operators do not operate.

New Jersey

In spring 2013 the New Jersey Division of Gaming Enforcement approved temporary regulations to allow fantasy sports operations in the state’s casinos. The regulations were made permanent after the trial period and can be found [here](#). The regulations state “the conduct of a fantasy sports tournament shall not be considered ‘gaming’ or ‘gambling’ as defined in J.J.S.A. 5:12-22, nor shall the entry fee,

management fee or any other revenue generated from the conduct of fantasy sports tournament be considered ‘gross revenue’”. They also allow casinos to permit a patron to utilize a mobile wagering account and deposit account to enter fantasy sports tournaments. The casino may partner or contract with one or more third party entities to offer fantasy sports tournaments. Such other entities shall be registered as a vendor. Minimum age for participation is 21.

Major fantasy sports operators continue to operate daily fantasy sports in New Jersey.

Moving Forward with Fantasy Sports

As fantasy sports, and DFS in particular, become more prevalent in the state we need to consider a course of action regarding the legality of both in Washington. Based on what other states have done and what we currently know about fantasy sports there are a number of different avenues that we can use to best serve the citizens of Washington State.

One approach would be to keep things status quo and continue the stance that all forms of fantasy sports are not authorized activities. This would be continuing to prohibit low dollar social fantasy sports, as well as DFS, and all forms of fantasy sports in between.

The pros to this approach would be that we would not have to worry about the ongoing federal status of DFS. We have already decided they are not authorized and would not have to worry about how a change in the federal stance on DFS would affect Washington. There would be no need to establish a regulatory program for fantasy sports by the WSGC. The cons to this approach would be that traditional season long fantasy sports played mainly for social purposes would remain unauthorized. This would mean the people in Washington playing social fantasy sports for nominal amounts of money would continue to participate in an activity that is not specifically authorized. WSGC would still have the responsibility to investigate fantasy sports complaints without receiving any revenue to cover this work.

Another approach would be authorizing some form of low volume fantasy sports played mainly for social purposes. This would mean authorizing season long fantasy sports that are played by millions of people across the United States. This would include leagues between friends played for a nominal amount of money that is all paid back to the participants. Parameters would be set at a threshold in regards to league fees, size, rules, etc.

The pros to this approach would be authorizing a form of traditional season long fantasy sports. This would appease a large group of Washington citizens who are currently playing an activity that isn’t specifically authorized because the law isn’t clear. The cons to this approach are few. The challenge would be to set the parameters in a way to not have unintended growth or conversely, restrict the activity too much. This would likely mean having limits on the dollar amount, prizes, rules, commercial involvement, league settings, and other issues that could be exploited. The WSGC would be in the position of following up on complaints without receiving any revenue for this work.

A third approach could be to authorize all forms of fantasy sports without regulation or licensing. Depending on how legislation is worded, this could mean the citizens of Washington would be able to play all fantasy sports and DFS both in person and online. There would be no oversight and no regulations affecting operation of fantasy sports.

The pros of this would be that all Washington citizens could compete in all forms of fantasy sports. Washington would defer to federal laws as they pertain to fantasy sports. This would take any responsibility to oversee or regulate fantasy sports out of the state's hands. The cons would be the fact that Washington would not be able to ensure that activities of fantasy sports operators remain legal and honest. The state would also have no say in what is authorized in the state and have limited ability to ensure the operators are not defrauding the citizens of Washington. The WSGC would have to respond to complaints relating to fantasy sports without receiving any revenues to cover those investigations.

A fourth possible approach would be to regulate and/or license fantasy sports providers. This would mean collecting fees to license or regulate fantasy sports providers that would like to offer their games in Washington. Whether we license or regulate, there would be a form of oversight on the providers that choose to offer their fantasy sports games in the state.

The pros of this approach are that DFS would be made available to the residents of Washington State. By licensing, the WSGC would receive revenues that could cover investigation into both licensed and unlicensed fantasy sports. This would put Washington out in front of the movement to regulate DFS. DFS operators may say a con would be the time that it would take to license and do pre-licensing investigations. This could keep them from being available to the public for a period of time. We could also put a substantial amount of time and effort into drafting legislation, putting together regulations, and licensing DFS operators to have DFS deemed illegal federally.

Staff Recommendation to the Commissioners

After reviewing the issues associated with fantasy sports and DFS, Commission staff has come up with a recommendation to the Commissioners outlining what we think is the best way to approach this topic. The first recommendation would be to recommend legislation to authorize low volume season long fantasy sports played for social purposes. This would allow citizens to compete in fantasy sports wagering up to a certain amount of money that is all paid out to the participants. The legislature would set up parameters for social season long fantasy sports to ensure this activity does not expand beyond its intention. This is not currently outlined in the Appendix J draft language.

For DFS and other fantasy sports generally played online, without all of the entry fees being paid out to the participants, we suggest authorizing these contests with a form of licensure/regulation of the operators. This would entail introducing new sections to RCW 9.46 devoted to "Fantasy Sports" that sets out what would be authorized. These RCWs would define fantasy sports, internet fantasy sports, and set rules and regulations. (Appendix J) This would allow DFS in Washington, putting the state in line with UIGEA and the views or interpretations of 45 other states. We would allow companies to offer

their games in Washington with some form of pre-licensing investigation, along with ongoing regulation, and oversight. This would give the citizens of Washington some reassurance that the activities they are engaging in are legal and honest.

Sources Used to Compile This Summary

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Appendix A

In 2006, Congress passed the [Unlawful Internet Gambling Enforcement Act](#) (the “UIGEA”), which deals with gambling over the internet. (31 USC 5361-5366) The law specifically exempts fantasy sports, providing:

Participation in any fantasy or simulation sports game or educational game of contest in which (if the game or contest involves a team or teams) no fantasy or simulation team is based on the current membership of an actual team that is a member of an amateur or professional sports organization and meets the following conditions.

- All prizes and awards offered to winning participants are established and made known to the participants in advance of the game or contest and their value is not determined by the number of participants or the amount of any fees paid by participants.
- All winning outcomes reflect the relative knowledge and skill of the participants and are determined predominantly by accumulated statistical results of the performance of individuals (athletes in the case of sports events) in multiple real-world sporting or other events.
- No winning outcome is based: a) on the score, point spread, or any performance or performances of any single real world team or any combination of such teams; or b) solely on any single performance of an individual athlete in any single real-world sporting or other event.

This specific exemption for fantasy sports has directly contributed to the exponential growth of the industry over the past few years. (Vela, 2013)

31 U.S. Code § 5362 - Definitions

(1) Bet or wager.— The term “bet or wager”—

(A) means the staking or risking by any person of something of value upon the outcome of a contest of others, a sporting event, or a game subject to chance, upon an agreement or understanding that the person or another person will receive something of value in the event of a certain outcome;

(B) includes the purchase of a chance or opportunity to win a lottery or other prize (which opportunity to win is predominantly subject to chance);

(C) includes any scheme of a type described in section [3702](#) of title [28](#);

(D) includes any instructions or information pertaining to the establishment or movement of funds by the bettor or customer in, to, or from an account with the business of betting or wagering; and

(E) does not include—

(i) any activity governed by the securities laws (as that term is defined in section 3(a)(47) of the Securities Exchange Act of 1934 [\[1\]](#) for the purchase or sale of securities (as that term is defined in section 3(a)(10) of that Act);

(ii) any transaction conducted on or subject to the rules of a registered entity or exempt board of trade under the Commodity Exchange Act;

(iii) any over-the-counter derivative instrument;

(iv) any other transaction that—

(I) is excluded or exempt from regulation under the Commodity Exchange Act; or

(II) is exempt from State gaming or bucket shop laws under section 12(e) of the Commodity Exchange Act or section 28(a) of the Securities Exchange Act of 1934;

(v) any contract of indemnity or guarantee;

(vi) any contract for insurance;

(vii) any deposit or other transaction with an insured depository institution;

(viii) participation in any game or contest in which participants do not stake or risk anything of value other than—

(I) personal efforts of the participants in playing the game or contest or obtaining access to the Internet; or

(II) points or credits that the sponsor of the game or contest provides to participants free of charge and that can be used or redeemed only for participation in games or contests offered by the sponsor; or

(ix) participation in any fantasy or simulation sports game or educational game or contest in which (if the game or contest involves a team or teams) no fantasy or simulation sports team is based on the current membership of an actual team that is a member of an amateur or professional sports organization (as those terms are defined in section [3701](#) of title [28](#)) and that meets the following conditions:

(I) All prizes and awards offered to winning participants are established and made known to the participants in advance of the game or contest and their value is not determined by the number of participants or the amount of any fees paid by those participants.

(II) All winning outcomes reflect the relative knowledge and skill of the participants and are determined predominantly by accumulated statistical results of the performance of individuals (athletes in the case of sports events) in multiple real-world sporting or other events.

(III) No winning outcome is based—

(aa) on the score, point-spread, or any performance or performances of any single real-world team or any combination of such teams; or

(bb) solely on any single performance of an individual athlete in any single real-world sporting or other event.

All [31 U.S. Code 5362](#) – Definitions

<https://www.law.cornell.edu/uscode/text/31/5362>

Appendix B

<http://games.espn.go.com/ffl/resources/help/content?name=roster-settings-standard>

Roster Settings

PLAYER UNIVERSE

To assemble your team, you will draft players from a list of all NFL players, in both the AFC and NFC.

ROSTER SIZE

Free Standard League rosters have slots for a total of sixteen (16) players per team. There are nine (9) Starting slots. See below for specific Starting positions. Additionally, there are seven (7) Bench slots.

DEFAULT ROSTER SETTINGS			
Total Roster Size: 16	POSITIONS	STARTERS	MAXIMUM
Total Starters: 9	Quarterback (QB)	1	4
Total On Bench: 7 (0 IR)	Running Back (RB)	2	8
	Flex (RB/WR/TE)	1	N/A
	Wide Receiver (WR)	2	8
	Tight End (TE)	1	3
	Team Defense/Special Teams (D/ST)	1	3
	Place-Kicker (K)	1	3
	Bench (BE)	7	N/A

POSITION ELIGIBILITY

The NFL sends us an updated list of every player's position eligibility, including rookies, prior to the start of each season. We simply cannot change those positions as they must remain fixed throughout the course of the season despite whatever our personal feelings are as to who should be designated as a TE vs. WR and such.

Being the savvy fantasy football veteran that you are you might also be wondering if your commish has the ability to modify a player's position eligibility to suit the desires of your league. Unfortunately they don't and we're sorry - we know how frustrating it can be when a "running back" who often lines up in the slot and gets 50+ receptions a year can't get WR eligibility. But look on the bright side - at least you probably have a flex spot to work with.

SETTING YOUR LINEUP

You decide which players to start for each day of competition. Your Team page allows you to analyze each of your current players, review their performance (previous day/week, year to date etc.) and freely move players between your Active roster and Bench. Roster moves involving a player may be made right up until that player's team is scheduled to begin playing in their game for that scoring period.

When you make transactions, you must move one active player to the bench, or to waivers, when moving an inactive/benched player to your active lineup. If you make a move that violates a roster slot, an error message will appear, notifying you to double-check the proposed transaction. You will need to ensure that you are moving players into eligible slots per Position Eligibility (see above).

ADDING / DROPPING PLAYERS AND THE UNDROPPABLES LIST

Head on over to the "Players" page to access the free agent list (any player that is eligible to be added to your roster either as a free agent or via waivers). You will more than likely need to drop a player in order to pick someone up unless you already have an open roster spot available.

ESPN puts together an Undroppable Players list, a grouping of elite players who cannot be dropped to waivers, for two reasons. First let's be honest, it makes you feel great to have guys on your team that can't be dropped because they are just that good. But more importantly it's to insure fair play so that no one can ruin your league by dropping their elite guys to the waiver wire once their team is out of contention, and also so that if you mistakenly try to drop one of these elite players the system won't let you. So to wrap things up, if you can't drop a player and you don't know why there's a good chance they are a member of this special list and apologies, but you can't drop them.

Appendix C

<http://games.espn.go.com/ffl/resources/help/content?name=draft-methods>

Draft Methods

Draft Overview

Your draft is an important factor for a successful season. Teams that begin with a strong draft are most likely to find themselves in good shape for the rest of the season. Four draft options are available for fantasy football: Autopick, Live Snake draft, Live Auction draft and the Offline draft. If you are drafting in a standard league, each team receives 16 players during the draft, so in a 10-team league there will be a total of 160 players. In custom leagues, your final player total will be dependent on your roster settings.

Click on a draft type below to see specific rules:

1. [Autopick draft](#)
2. [Live Online draft](#)
3. [Offline Draft](#) (Private Custom Leagues Only)
4. [Auction Draft](#)

LIVE AND MOCK DRAFT LOBBY LEAGUES

THE LIVE DRAFT LOBBY

The Live Draft Lobby is where it all starts once you are ready to join a Free Standard, ESPN Custom or Prize-Eligible league. Once you're there, click on a room name. If you are ready, [click here](#) to go to the FFL Live Draft Lobby.

NOTE: The listed Standard League names are for quick identity purposes only, and will change to generic league names, which you can customize by league vote after the draft is complete. After entering the lobby you will see the "*Join This League*" button. Another method is to locate a Free Standard or Prize-Eligible league via the [League Directory](#).

WAITING FOR THE DRAFT TO START

After you successfully join a lobby league, your team name and info will appear on the page in bold. The league's draft start time is displayed in the middle of the page and on the countdown clock below it.

NOTE: In order for a Free Standard, ESPN Custom, Prize-Eligible or League Manager league draft to move into drafting mode, all *Open Slots* must be filled before the listed draft start time. If open slots remain, try recruiting members to join via the message board or simply wait hoping the room will fill itself in time (the page automatically reloads itself every 30 seconds). Any live draft Lobby league (ESPN created league) that is not full before the draft start will have their draft time continually pushed back in five minute intervals until the league is filled.

NOTE: Once your draft has filled, it will convert once the scheduled time arrives.

STARTING THE DRAFT

If your league is full at the listed start time the lobby room page will automatically reload itself with a link to *Launch Draft*.

THE MOCK DRAFT LOBBY

The Mock Draft Lobby is a great way to practice drafting. It works in the same way as the Live Draft Lobby. The only difference is the Mock Draft does not count! The Mock Draft Lobby can be used for draft practice or for testing purposes. We encourage you to try it out. Good luck with your season!

If you are interested, [click here](#) to go to the ESPN Fantasy Football Mock Draft Lobby.

Appendix D

<http://games.espn.go.com/ffl/welcome/createleague>

Create Your League

The best fully featured and totally free fantasy game around. Whether you're a fantasy fanatic or just a fan of football, ESPN has everything you could want, and even a few extras you didn't expect, all for free. Find the type of league that's best for you and click the corresponding create button below.

Choose the type of league that's right for you:

League Format:	League Manager 	ESPN Custom 	Standard Free or Prize Eligible*
Access	Private Invite Only	Public or Private	Public or Private
League Manager	✓		
Free Live Scoring	✓	✓	✓
Custom Rules, Scoring, and Rosters	✓	✓	
Offline Draft	✓		
Teams in League	Up to 20	Up to 20	10
Keepers and League History	✓		
ESPN Trade Review			Prize Eligible Only
League Prize			Prize Eligible Only*
Leaderboard Eligible			✓
Cost	100% FREE	100% FREE	Create League for Pricing

*Due to legal restrictions, players from the following states are not eligible to win prizes: Arizona, Iowa, Louisiana, Maryland, Montana, N. Dakota, Tennessee, Vermont, Washington. [Learn More](#)

Appendix E

<http://games.espn.go.com/ffl/resources/help/content?name=scoring-formats>

STANDARD SCORING FORMATS (Free and Prize-Eligible)

Both Free Standard and Prize-Eligible games have the same scoring format available during league creation: *Head-to-Head: Points*. This is the most commonly used scoring format in fantasy football. In a Head-to-Head points league, your team plays against another team each week, per the league's schedule. The team that accumulates the most fantasy points wins the game for that week. The results of each week's matchup will determine the regular season winning team. In non-playoff leagues, the team with the best winning percentage wins the league championship. In playoff leagues, the top teams have a playoff period after which a winner is determined.

CUSTOM LEAGUE SCORING FORMATS (ESPN Custom and LM Leagues)

Custom leagues are nonstandard scoring leagues, with a variable number of teams (4-20), which use customized rule settings. All customizable leagues use the head-to-head scoring system. In this system, each team in your league faces off against one other team every week of the season. However, your league might contain bye weeks. The winner of each of these matchups is the team that accumulates the most fantasy points determined by the weekly statistics of the players in each team's lineup and the scoring settings of your league. Weekly results are compiled into an overall record and displayed on the league's standings page.

Below is a comprehensive list of scoring categories available in ESPN Fantasy Football. Each category lists the standard game settings and all options available in the custom game. In the custom game the specific categories and their corresponding point values can be edited by the league manager to fit your league's custom scoring system. The numbers displayed in the brackets (i.e., 1, 5, 10), show the available buckets to be selected. Decimal values are allowed to the nearest tenth of a point (i.e., 1.4 or -6.3, NOT 2.34) for each category. If your league is already set up, view your League Settings page to see how your league scores each category.

NOTE: In LM Leagues only, scoring categories and their corresponding point values can be changed by the league manager anytime during the season. If either are changed after the season has begun, the system will automatically change all previous game results to match the changed settings.

PASSING	RUSHING	RECEIVING
<p>Standard scoring:</p> <ul style="list-style-type: none"> · TD Pass = 4pts · Every 25 passing yards = 1pts · 2pt Passing Conversion = 2pts · Interceptions Thrown = -2pts <p>Custom options:</p> <ul style="list-style-type: none"> · Every <1, 5, 10, 20, 25, 50, 100> passing yards · Every <1, 5, 10> completions · Every <1, 5, 10> incomplete passes · TD Pass · 40+ yard TD pass bonus · 50+ yard TD pass bonus 	<p>Standard scoring:</p> <ul style="list-style-type: none"> · TD Rush = 6pts · Every 10 rushing yards = 1pt · 2pt Rushing Conversion = 2pts <p>Custom options:</p> <ul style="list-style-type: none"> · Every <1, 5, 10, 20, 25, 50, 100> rushing yards · Every <1, 5, 10> rushing attempts · TD Rush · 40+ yard TD rush bonus · 50+ yard TD rush bonus · 2pt Rushing Conversion · 100-199 yard rushing game · 200+ yard rushing game 	<p>Standard scoring:</p> <ul style="list-style-type: none"> · TD Reception = 6pts · Every 10 receiving yards = 1pt · 2pt Receiving Conversion = 2pts <p>Custom options:</p> <ul style="list-style-type: none"> · Every <1, 5, 10, 20, 25, 50, 100> receiving yards · Every <1, 5, 10> receptions · TD Reception · 40+ yard TD rec bonus · 50+ yard TD rec bonus · 2pt Receiving Conversion · 100-199 yard receiving game

- Interceptions Thrown
- 2pt Passing Conversion
- 300-399 yard passing game
- 400+ yard passing game
- Each Pass Attempted
- Every Time Sacked

- 200+ yard receiving game
- Receiving Target

MISCELLANEOUS OFFENSE

Standard scoring:

- Kickoff Return TD = 6pts
- Punt Return TD = 6pts
- Fumble Recovered for TD = 6pts
- Each Fumble Lost = -2

Custom options:

- Every <1, 10, 25> kickoff return yds
- Every <1, 10, 25> punt return yards
- Kickoff Return TD
- Punt Return TD
- Fumble Recovered for TD
- Each Fumble
- Each Fumble Lost

KICKING

Standard scoring:

- FG Made (50+ yards) = 5pts
- FG Made (40-49 yards) = 4pts
- FG Made (0-39 yards) = 3pts
- Each PAT Made = 1pt
- FG Missed (any distance) = -1

Custom options:

- Each PAT Made
- Each PAT Attempted
- Each PAT Missed
- Total FG Made
- Total FG Attempted
- Total FG Missed
- FG Made (0-39 yards)
- FG Made (40-49 yards)
- FG Made (50+ yards)
- FG Attempted (0-39 yards)
- FG Attempted (40-49 yards)
- FG Attempted (50+ yards)
- FG Missed (0-39 yards)
- FG Missed (40-49 yards)
- FG Missed (50+ yards)

PUNTING

Standard scoring:

Punters not used in Standard game

Custom options:

- Every Punt
- Every 1 punting yards
- Punts Inside the 10
- Punts Inside the 20
- Blocked Punts
- Punts Returned
- Every Return Yard Allowed
- Touchbacks
- Fair Catches
- Punt Average 44.0+
- Punt Average 42.0-43.9
- Punt Average 40.0-41.9
- Punt Average 38.0-39.9
- Punt Average 36.0-37.9
- Punt Average 34.0-35.9
- Punt Average 33.9 or less

INDIVIDUAL DEFENSIVE PLAYERS

Standard scoring:

IDPs not used in Standard game

Custom options:

- Every <0.5, 1> sacks
- Every <1, 3, 5> total tackles
- Interception Return TD
- Fumble Return TD
- Blocked Punt or FG return for TD
- Blocked Punt, PAT or FG
- Each Interception
- Each Fumble Recovered
- Each Fumble Forced
- Each Safety
- Every Assisted Tackle
- Every Solo Tackle
- Each Tackle for Loss
- Passes Defensed

TEAM DEFENSE / SPECIAL TEAMS (D/ST)

Standard scoring:

- Kickoff Return TD = 6pts
- Punt Return TD = 6pts
- Interception Return TD = 6pts
- Fumble Return TD = 6pts
- Blocked Punt or FG return for TD = 6pts
- Each Interception = 2pts
- Each Fumble Recovered = 2pts
- Blocked Punt, PAT or FG = 2pts
- Each Safety = 2pts
- Each Sack = 1pts
- 0 points allowed = 5pts
- 1-6 points allowed = 4pts
- 7-13 points allowed = 3pts
- 14-17 points allowed = 1pts
- 18-27 points allowed = 0pts
- 28-34 points allowed = -1pts
- 35-45 points allowed = -3pts
- 46+ points allowed = -5pts

HEAD COACH

Standard scoring:

Head Coaches not used in Standard game

Custom options:

- Team Win
- Team Loss
- Team Tie
- Every Point Scored
- 25+ point Win Margin
- 20-24 point Win Margin
- 15-19 point Win Margin
- 10-14 point Win Margin
- 5-9 point Win Margin
- 1-4 point Win Margin
- 1-4 point Loss Margin
- 5-9 point Loss Margin
- 10-14 point Loss Margin
- 15-19 point Loss Margin
- 20-24 point Loss Margin
- 25+ point

Custom options:

- Every kickoff return yds
- Every punt return yards
- Every sacks
- Every total tackles
- Interception Return TD
- Fumble Return TD
- Kickoff Return TD
- Punt Return TD
- Blocked Punt or FG return for TD
- Blocked Punt, PAT or FG
- Each Interception
- Each Fumble Recovered
- Each Fumble Forced
- Each Safety
- Each Tackle for Loss
- Passes Defensed
- Every Point Allowed
- 0 points allowed
- 2-6 points allowed
- 7-13 points allowed
- 14-17 points allowed
- 18-21 points allowed
- 22-27 points allowed
- 28-34 points allowed
- 35-45 points allowed
- 46+ points allowed
- Every Yard Allowed
- Less than 100 total yards allowed
- 100-199 total yards allowed
- 200-299 total yards allowed
- 300-349 total yards allowed
- 350-399 total yards allowed
- 400-449 total yards allowed
- 450-499 total yards allowed
- 500-549 total yards allowed
- 550+ total yards allowed

Appendix F

<https://www.draftkings.com/help/how-to-play>

PICK YOUR CONTEST!

- DraftKings offers a variety of contest types to suit the preferences of our different users.
- Some of the contests are free to enter, while others charge a buy-in fee to enter the contest.
- If a contest is Guaranteed, the contest payout will be that Guaranteed prize total even if the contest is not filled when it begins.
- If a contest is not Guaranteed, the contest will be cancelled if it is not filled when it begins, but the buy-in amount will be refunded.
- Once you decide which contest you'd like to enter, click on the "Draft Team" button to enter that contest and draft a team.

DRAFT YOUR TEAM!

- In each contest, participants will be assigned a fixed salary cap of \$50,000 that they can use to draft their entire roster.
- The Player Pool will consist of all players participating in the current day's games, their positions, and their salary.
- Player salaries are determined by their performance, and are not related to the player's actual compensation.
- Once all the position slots in the roster have been filled, and the team salary is less than or equal to the salary cap, the participant can submit his roster for the contest.
- After the participant submits a roster, the participant can modify the roster until the contest begins.

FOLLOW YOUR TEAM AND WATCH AS YOU MOVE ON THE LEADERBOARD!

- To view all of the contests that you have entered, click on the "My Contests" tab near the top of the webpage.
- The "Live Contests" area shows the contests you have entered that are currently in progress.
- When viewing a live contest, each participant can see how the team they drafted stacks up against the competition.

WIN CASH!

- If you place into a paid position in the contest you entered, you win the amount determined by the prize structure for that contest!

The cash you win will automatically be credited to your account so you can use it to enter more contests!

Appendix G

<https://www.draftkings.com/help/nfl>

DraftKings' NFL weekly fantasy sports contests are held each day of the NFL regular season and into the playoffs, assuming there are at least 2 NFL games taking place.

CONTEST FORMAT: SALARY CAP

CONTEST RULES

- In each contest, participants will be assigned a fixed salary cap of \$50,000 that they can use to draft their entire 9-player roster.
- The Player Pool will consist of all players competing in NFL games eligible for a given DraftKings contest. Any missing players will not be added to the pool once DraftKings starts offering contests for that day. Player salaries will also not change once DraftKings starts offering contests for that day.
- Contest results and winners will be based on the total points scored across each customer's 9 player roster.
- Participation in each Contest must be made only as specified in the Terms of Use. Failure to comply with these Terms of Use will result in disqualification and, if applicable, prize forfeiture. [Terms of Use](#)

TEAM ROSTERS

- Rosters will consist of 9 players and must include players from at least 2 different NFL teams, and representing at least 2 different football games.
- The 9 roster positions are: QB, RB1, RB2, WR1, WR2, WR3, TE, FLEX (RB/WR/TE), and DST.

POINT SCORING

- Offensive players will accumulate points as follows:
 - Passing TD = +4PTs
 - 25 Passing Yards = +1PT (+0.04PT/ per yard is awarded)
 - 300+ Yard Passing Game = +3PTs
 - Interception = -1PT
 - 10 Rushing Yards = +1PT (+0.1PT per yard is awarded)
 - Rushing TD = +6PTs
 - 100+ Yard Rushing Game = +3PTs
 - 10 Receiving Yards = +1PT (+0.1PT per yard is awarded)
 - Reception = +1PT
 - Receiving TD = +6PTs
 - 100+ Yard Receiving Game = +3PTs
 - Punt/Kickoff Return for TD = +6PTs
 - Fumble Lost = -1PT
 - 2 Point Conversion (Pass, Run, or Catch) = +2PTs
 - Offensive Fumble Recovery TD = +6PTs
- Defense/Special Teams will accumulate points as follows:

- Sack = +1PT
- Interception = +2PTs
- Fumble Recovery = +2PTs
- Kickoff Return TD = +6PTs
- Punt Return TD = +6PTs
- Interception Return TD = +6PTs
- Fumble Recovery TD = +6PTs
- Blocked Punt or FG Return TD = +6PTs
- Safety = +2PTs
- Blocked Kick = +2PTs
- 0 Points Allowed = +10PTs
- 1-6 Points Allowed = +7PTs
- 7-13 Points Allowed = +4PTs
- 14-20 Points Allowed = +1PT
- 21-27 Points Allowed = 0PTs
- 28-34 Points Allowed = -1PT
- 35+ Points Allowed = -4PTs

The following scoring plays will result in Points Allowed (PA) by your Defense/Special Teams (DST):

- Rushing TDs, Passing TDs, Punt Return TDs, Kick Return TDs and Blocked Punt TDs
- 2pt conversions
- Extra-points
- Field-goals

*Note: Points Allowed (PA) only includes points surrendered while DST is on the field - doesn't include points given up by team's offense (i.e. points off offensive turnovers).

Appendix H

<https://www.draftkings.com/help/faq>

What Types of Contests Do you Offer?

- **GPP (Guaranteed Prize Pool) Contests** – GPP's are contests that payout the entire prize pool, regardless if the contest fills or not. These contests are labeled in orange text in the contest lobby.
- **Leagues**- League contests will close automatically if they do not fill to capacity. Entry fees will automatically be refunded if contests are cancelled. These contests are labeled white text in the contest lobby.
- **Head-to-Head**- Winner takes all in these one-on-one contests.
- **50/50's** – Teams finishing in the top-half of the field win cash no matter the number of entries.
- **Qualifier Contests** – Win tickets that can be used for free entry into a higher stakes contest.
- **Multipliers**- Great way for a bankroll boost! Win 3x TO 10x your entry fee in these contests.
- **Steps**- Advance at each step by winning a ticket to the next level. Jump in at Step 1 for just \$2.00 and work your way to Step 4 to win cash!
- **Beginner**- Play against other beginners in up to 50 contests for each sport. Once you reach that limit, per sport, these contests will no longer be available to enter.
- **Multi-Match Head-to-Head**- Contest enters you into 20 unique Head-to-Head matchups, under one entry, where you win cash with each win. The prize structure mimics the payout you would receive if you played each person in a single Head-to-head contest. 20 people will win cash in this 21 person tournament.
- **Freeroll Contests** – These contests are free to enter and any winnings will be paid with Entry Tickets or DraftKings Dollars

Appendix I

<http://www.legalsportsreport.com/dfs-investment-and-acquisition-tracker/>

Daily Fantasy Sports Investment & Acquisition Tracker

Last updated: September 11, 2015.

Our investment and acquisition tracker for the one-day fantasy sports industry provides a handy snapshot of the **major funding rounds** for top-tier DFS sites as well as an abridged history of **acquisitions** in the industry.

Total raised to date by daily fantasy sports companies*

\$862.7 mm

Site	Amount	Type	Date	Notable backers	More info
AlphaDraft	\$5mm	Seed	May, 2015	Metamorphic Ventures, Former NBA Commissioner David Stern	More info.
Draft	\$2.1mm	Seed	December, 2014		More info.
Draft	\$3.5mm	Series A	March, 2015	Upfront Ventures	More info.
Draft Ops	\$7mm	Friends and family	June, 2015		More info.
DraftKings	\$49.6 mm	Undisclosed	Unknown		More info.
DraftKings	\$7mm	Series A	May, 2013	Atlas Ventures	More info.
DraftKings	\$1.4mm	Seed	July, 2012	Atlas Ventures	More info.

Site	Amount	Type	Date	Notable backers	More info
DraftKings	\$41mm	Series C	August, 2014	Raine Group, Redpoint Ventures, GGV Capital, Atlas Venture	More info.
DraftKings	\$24mm	Series B	November, 2013	Redpoint Ventures, GGV Capital, BDS Ventures, Atlas Ventures.	More info.
DraftKings	\$3mm	Undisclosed	Unknown		More info.
DraftKings	\$300mm	Series D	July, 2015	Major League Baseball, National Hockey League, Madison Square Garden Company, Kraft Group, Raine Group	More info.
DraftPot	\$2.2mm	Seed	September, 2015		More info.
DraftStreet (later bought by DraftKings)	\$3.7mm	Series A	May, 2013	InteractiveCorp	More info.
FanDuel	\$11mm	Series C	January, 2013	Comcast Ventures	More info.
FanDuel	\$70mm	Series D	September, 2014	Shamrock Capital, KKR, NBC Sports Ventures	More info.
FanDuel	\$4mm	Series B	September, 2011	Piton Capital	More info.
FanDuel	\$275mm	Series E	July, 2015	KKR, Google Capital, Time Warner, NBC Sports Ventures, Comcast Ventures, Shamrock Capital	More info.
FanDuel	\$1.3mm	Bridge	April, 2012	Piton Capital	More info.

Site	Amount	Type	Date	Notable backers	More info
FanDuel	\$1.2mm	Series A	July, 2009	Scottish Investment Bank	More info.
FantasyFeud	\$1mm	Seed	April, 2012		More info.
Fantazzle	\$.35mm		2009-2010		More info.
SportsLock	\$5mm	Series A	June, 2015	Wicklow Capital	More info.
Star Fantasy Leagues	\$2mm		September, 2014	International Investment and Underwriting	More info.
Topline (parent of DailyMVP)	\$25mm		June, 2013	Cantor Ventures	More info.
Victiv	\$2.1mm	Seed	August, 2014		More info.
Victiv	\$2.5mm	Seed	July, 2015		More info.
Victiv	\$.7mm	Seed	April, 2014		More info.
Vulcun	\$12mm	Series A	April, 2015	Sequoia Capital, Universal Music Group	More info.

Appendix J

It should be noted that the draft legislation below is intended as a discussion draft for the Commissioners as they consider what recommendations they may make to the legislature about fantasy sports. As the Commissioners discuss fantasy sports further, they may recommend an approach different than what is outlined below.

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AN ACT Relating to fantasy sports; and amending RCW _____: adding a new section to chapter _____RCW; and creating a new section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. Sec. 1. The legislature intends to authorize the play of lawful fantasy sports contests, as defined in this chapter, and expressly prohibit any betting, gambling, or wagering scheme based, directly or indirectly, on one or more competitive games in which amateur or professional athletes participate, or are intended to participate, or on one or more performances of such athletes in such games. The legislature finds that in the course of play of lawful fantasy sports, skill or judgment dominates over chance, and such games are games of skill.

NEW SECTION. A new section is added to chapter 9.46 RCW to read as follows:

“9.46.XXX Fantasy Sports”.

(1) "Fantasy Sports," as used in this chapter, means a game played more for amusement or entertainment than profit in which:

- (a) players compete against each other as the owners or managers of imaginary teams of athletes in imaginary or simulated games;
- (b) players use the statistics accumulated by the athletes in actual sporting events to determine the scores of the imaginary or simulated games;
- (c) players compete for a predetermined prize;
- (d) players pay a fee to the operator providing the game in order to participate;
- (e) the game meets all of the conditions of the 31 USC 5362(1)(E)(ix), the Unlawful Gambling Enforcement Act of 2006, as the conditions existed at the time of passage of

this section; for purposes of clarity, individual contests based on a single competition such as a single golf tournament or single NASCAR race, do not constitute multiple events and thus do not meet the requirements of the above provision.

(f) the outcome of the game is not in the control of the operator; and

(g) a substantial degree of knowledge and skill is required in a game or contest.

(2) "Internet Fantasy Sports," as used in this chapter, means a Fantasy Sports game played on or an internet web site.

NEW SECTION. A new section is added to chapter 9.46 RCW to read as follows:

"9.46.XXXX Fantasy Sports Authorized."

The legislature hereby authorizes any person, association, or organization to conduct or operate Fantasy Sports games when operated pursuant to the provisions of this chapter and rules and regulations adopted by the Commission at such locations as the Commission may authorize, except as limited below.

NEW SECTION. A new section is added to chapter 9.46 RCW to read as follows:

"9.46.XXX Internet Fantasy Sports Authorized."

A person, association, organization, business, or other entity may operate an Internet Fantasy Sports game only if the following conditions are met:

(1) Player Protection

(a) The operator shall maintain a file for each player, which shall include:

- (i) The verification of the identity of the player;
- (ii) All transactions with the player; and
- (iii) A method for securely issuing, modifying, and resetting a player's account password, Personal Identification Number (PIN), or other security features.

(b) The operator shall demonstrate to the satisfaction of the commission that the identity verification method effectively provides higher security than a user name and password alone.

(c) The operator shall ensure the security of each player's account.

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(d) The operator's software used for Internet Fantasy Sports contests shall not contain unauthorized data collection, file extraction, malware, or any other feature that compromises the integrity of the player's computer (or other device used to play) or the data contained therein.

(e) The operator shall prohibit all persons under the age of 18 from playing.

(f) The operator shall maintain procedures to the satisfaction of the commission for resolving player disputes and complaints.

(g) In order to assist those persons who may have a gambling problem, an operator shall cause the words "If you or someone you know has a gambling problem and wants help, call 1-800 GAMBLER," or some comparable language approved by the commission, to appear on the player's computer screen or any other device a player may use to play.

(h) The operator shall provide a mechanism by which a player may:¹

(i) limit the amount of money deposited within a specified period of time and the length of time the player will be unable to participate if the player reaches the established deposit limit; and

(ii) temporarily suspend play through the account for any number of hours or days.

(2) Operator Requirements

(a) The operator shall maintain an office in the State of Washington;

(b) The operator shall maintain complete, accurate and legible records of all transactions pertaining to revenues and costs.

(c) The operator shall maintain records regarding the ownership, control, management, minutes of meetings, wages and salaries, distributions, and other information as the commission may require, and shall provide immediate access to such records in accordance with RCW 9.46.130.

(d) The operator shall provide audited financial statements to the commission annually.

(e) The operator shall submit to the commission its system of internal controls that shall include its organizational structure. Each operator shall be permitted to tailor its

¹ Drafting note: Requiring the operator to use geolocation to determine the player's location could be added here.

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organizational structure to meet its own needs, policies or management philosophy. The proposed organizational structure of each licensee may be implemented upon the filing of the system of internal controls and shall comply with the criteria listed below, which criteria are designed to maintain the integrity of all internet fantasy sports operations. Each licensee's organizational structure shall provide for:

(i) A system of personnel and chain of command which permits management and supervisory personnel to be held accountable for actions or omissions within their areas of responsibility;

(ii) The segregation of incompatible functions so that no employee is in a position both to commit an error or to perpetrate a fraud and to conceal the error or fraud in the normal course of his or her duties;

(iii) Primary and secondary supervisory positions which permit the authorization or supervision of necessary transactions at all relevant times; and

(iv) Areas of responsibility which are not so extensive as to be impractical for one person to monitor.

(f) The operator's system of internal controls shall include detailed procedures for system security, operations, accounting, and reporting of problem gamblers.

(g) No software, computer or other Internet Fantasy Sports contest equipment shall be used to conduct Internet Fantasy Sports unless it has been tested by the Commission. The Commission may, in its discretion, and for the purpose of expediting the approval process, refer testing to an independent testing laboratory, or accept the test results of another State that licenses and tests Internet Fantasy Sports contest equipment.

(h) An operator shall comply with all federal requirements including, but not limited to, suspicious activity reporting and income tax reporting.²

(3) Licensing

(a) The operator shall be licensed by the Commission. No operator shall operate an Internet Fantasy Sports contest unless all necessary licenses and approvals have been obtained in accordance with law.

² Drafting note: State taxation of Internet Fantasy Sports could be addressed here.

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(b) The operator shall pay an initial license fee, a responsible fantasy sports fee, and renewal fees as appropriate.

(c) No operator license shall be issued unless the applicant shall first have paid in full an Initial License Fee of not less than \$_____ and a Responsible Fantasy Sports Fee of \$_____. No Fantasy Sports license shall be renewed unless the licensee shall first have paid a renewal fee of not less than \$_____ and an annual Responsible Internet Gaming Fee of \$_____.³

(d) Each operator applying for a license shall produce such information, documentation and assurances concerning financial background and resources as may be required to establish by clear and convincing evidence the financial stability, integrity and responsibility of the applicant. In addition, each applicant shall, in writing, authorize the examination of all accounts and records as may be deemed necessary by the Commission. Financial stability, integrity and responsibility shall include, but are not limited to, the following standards:

(i) The maintenance of funds sufficient to pay winning prizes to players when due.

(ii) The ability to meet ongoing operating expenses which are essential to the maintenance of continuous and stable operations.

(iii) The ability to pay, as and when due, all local, state and federal taxes, and any fees imposed by this Chapter or regulations promulgated pursuant thereto;

(e) Each applicant, licensee, or permit holder shall be required to pay for the efforts of the Commission on matters directly related to the applicant, licensee, or permit holder at hourly rates to be set by the Commission, and to reimburse any unusual costs or out-of-pocket expenses incurred by the Commission in regard to such matters.

(f) All Internet Fantasy Sports operators and any person employed by an Internet Fantasy Sports operator in an ownership, managerial or supervisory position, shall meet the standards established by the commission in order to be licensed. The commission may deny an application, or suspend or revoke any license issued by it, for any reason or reasons, it deems to be in the public interest. These reasons shall include, but not be limited to, those set forth in RCW 9.46.075.

³ Drafting Note: May want to consider a sliding scale fee based on percentage of revenues to allow for smaller companies to enter the Washington market if the flat fees are at such a level that only the big companies will want to enter.]

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(g) An Internet Fantasy Sports license shall be issued with subsequent renewals annually.

(h) In order to recover the cost of the investigation and consideration of license applications by enterprises engaged in these industries the initial license application and issuance fee for an Internet Fantasy Sports license shall be assessed according to an initial investigation fee and the costs of the actual expenses to investigate the particular application.

(4) Violations

(a) The commission may assess a civil penalty against a licensed operator that violates this section according to a schedule set forth by the commission.

(b) The commission shall have the same investigatory, hearing, and subpoena powers as those set forth in RCW 9.46.140.

(c) The commission shall have such law enforcement powers as set forth in RCW 9.46.210.

(d) Any person who conducts any activity for which a license is required by this chapter, or by rule of the commission, without the required license issued by the commission shall be guilty of a class B felony. If any corporation conducts any activity for which a license is required by this chapter, or by rule of the commission, without the required license issued by the commission, it may be punished by forfeiture of its corporate charter, in addition to the other penalties set forth in this section.

(e) Any person who knowingly causes, aids, abets, or conspires with another to cause any person to violate any provision of this chapter shall be guilty of a class B felony subject to the penalty in RCW 9A.20.021.

(f) Any person who knowingly tampers with software, computers or other equipment used to conduct Internet Fantasy Sports contests to alter the outcome, affect the integrity of the contest, or the payout of a contest or disables the contest from operating according to the rules of the contest as promulgated by the commission is guilty of a Class B Felony; and in the case of a person other than a natural person, to a fine of not more than \$_____. An employee who violates this section shall have his or her license revoked and shall be subject to such further penalty as the Commission deems appropriate. An operator that violates this section shall have its license to conduct Internet Fantasy Sports contests revoked and shall be subject to such further penalty as the commission deems appropriate.

