

Fantasy Sports Overview

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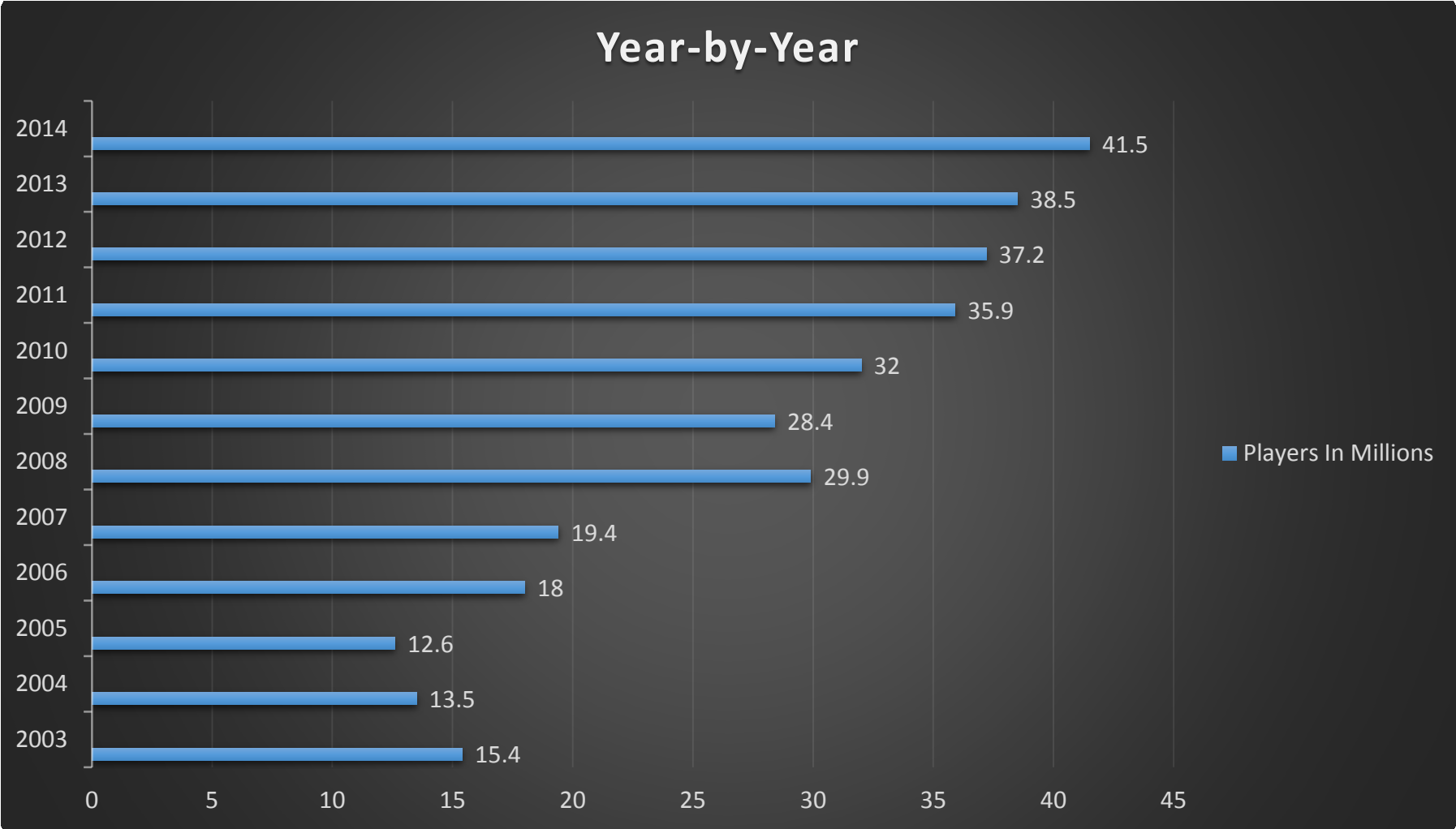


History of Fantasy Sports

- First iterations traced back to the 1960's
- First known fantasy football league started in 1969
- 1980: Big boom in fantasy Sports, start of Rotisserie Baseball
- In the 1990's, fantasy sports started to really grow amongst the masses
- In 2006 the Unlawful Internet Gambling Enforcement Act (UIGEA) was passed. Exception in UIGEA for fantasy sports exempting them from the prohibition on internet gambling.
- By 2009, Daily Fantasy Sports (DFS) had been introduced and began gaining popularity



Number of Fantasy Sports Players





Numbers Perspective

- 353,000,000 Inhabitants in US and Canada
- 41,500,000 or 12% play fantasy sports
- \$111 is the average spent by each fantasy player annually
- This equals a total market volume of \$4.6 Billion



Season Long Fantasy Sports

- Draft players before the start of the season
- League setting applied before season starts
- Compete in a league of other participants, usually 8-16
- Real-life players accumulate points based on their actual statistics
- Numerous formats to set up leagues
- Winner crowned at the end of the season





How to play Daily Fantasy Sports (DFS)

- As the name suggests games are one day or one week (NFL)
- Scoring format similar to season long fantasy sports
- Real life player assigned a DFS salary
- Players selected with a salary cap, usually \$50,000
- DFS rosters made-up similar to that of season long fantasy
- Depending on league type, owner with most points for that day/week wins predetermined amount
- Numerous leagues in DFS, head to head, low dollar, high dollar, certain number of participants, etc... (Free to thousands of dollars)



DFS Site Affiliations

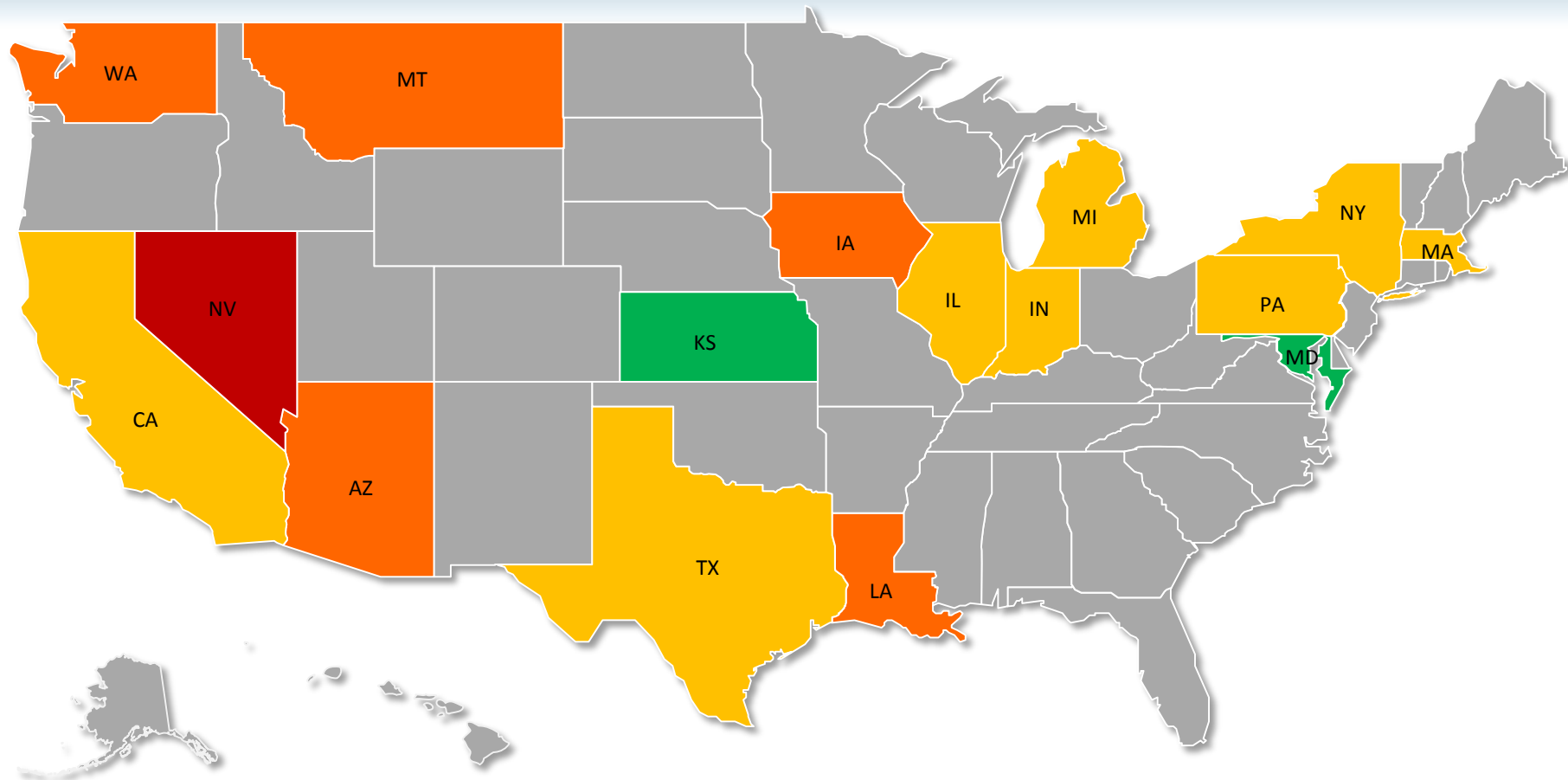
- DFS sites have received millions of dollars from notable investors
- Current investors include: National Basketball Association (NBA), Comcast, NBC Sports, Time Warner, Fox Sports, Major League Baseball (MLB), National Hockey League (NHL), and Kraft Group
- DFS sites also have sponsorship agreements with most professional sports teams: 28 NFL teams, 28 MLB teams, and 23 NBA teams.
- Also have sponsorship deals with other sports leagues



Current Fantasy Sports News

- (9/27/2015) DraftKings employee wins \$350,000 at FanDuel
- (10/2015) New York Attorney General investigating “insider trading” at DFS sites
- (10/8/2015) Class action lawsuit filed against DraftKings and FanDuel
- (10/2015) US Department of Justice and FBI investigating whether the business model of DFS violates Federal Law
- (10/2015) Nevada told DFS operators that they could not longer operate in State unless they became licensed
- (11/2015) New York Attorney General issues cease and desist letters to FanDuel and DraftKings. Declaring DFS gambling in NY

Map of Fantasy Sports



- States where major fantasy sports operators do not operate but Legislative bills authorizing Fantasy Sports have been introduced
- States where Fantasy Sports are authorized by statute
- States where legislative bills authorizing Fantasy Sports have been introduced
- States where Fantasy Sports operators were ordered to cease and desist until licensed



State-By-State Overview

- 44 states where major fantasy sports operators are operating fantasy sports
- 6 states where major fantasy sports operators are NOT operating:
 - Arizona, Iowa, Louisiana, Montana, Nevada, Washington
- 2 states where fantasy sports have been authorized in statute:
 - Kansas, Maryland
- 13 states with legislative action attempting to legalize fantasy sports.
 - Washington, Montana, California, Arizona, Texas, Iowa, Louisiana, Illinois, Indiana, Michigan, Pennsylvania, Massachusetts, and New York.
- 3 states have bills in draft form or plans to draft a bill to authorize fantasy sports
 - New Jersey, Minnesota, and Florida



States Authorizing Fantasy Sports

- Kansas
 - HB 2155 was introduced in January 2015.
 - Put fantasy sports on list of exceptions to the definition of what constitutes an illegal bet.
 - The Bill passed and was effective July 1, 2015.
 - Kansas AG issued opinion in April 2015 determining fantasy sports as defined in UIGEA and HB 2155 is more so a game of skill and advised legislature can exempt fantasy sports from their definition of a bet.
 - Minimum age appears to be 21.
- Maryland
 - In 2012, HB7 passed amending its criminal laws to exempt fantasy sports competitions from their gaming prohibitions against betting, wagering, and gambling.
 - Defined fantasy competition in a similar manner as UIGEA.
 - Minimum age appears to be 21



Washington

- Washington State Constitution prohibits all forms of gambling unless specifically authorized by statute.
- Fantasy Sports has not been authorized by the Legislature and remains illegal.
 - Illegal based upon the definition of a contest of chance and the prohibition of transmitting gambling information over phone or internet
- Washington State Gambling Commission produced a Sports Wagering brochure citing fantasy sports as illegal.
- HB 1301 and SB 5284 were introduced in January 2015
 - Would have declared fantasy competitions as games of skill and exempted from any classification as gambling
 - Bills died in the 2015 legislative session, but remain alive in the 2016 legislative session



Nearby States

- Oregon/Idaho
 - Major fantasy sports operators appear to be operating in Oregon and Idaho.
 - Both states appear silent on fantasy sports.
- Montana
 - Montana Gambling Control Division states on their website fantasy sports are “legal” because they are games between players who are not betting against the “house”.
 - Montana Code Annotated 2015 section 23-5-802 states “fantasy sports are lawful under a pari-mutuel system of wagering”, but it is “unlawful to wager on a fantasy sports league by telephone or internet.”
- California
 - SB 1437 introduced February 2015 would require fantasy sports operators to be regulated
 - Defines what games licensed daily fantasy sports operators can offer
 - Requirements resemble UIGEA exemption
 - Minimum age would be 21
- Nevada
 - Instructed all fantasy sports operators to cease operations in Nevada (October 2015)
 - Now requires fantasy sports operators to be licensed.



Moving Forward with Fantasy Sports

ISSUES TO CONSIDER:

- Skill vs. Chance
- Gambling/Something other than gambling
- Season Long Fantasy Vs. Daily Fantasy Sports
- Social vs. Commercial
- Wagering thresholds

Questions, Comments.....

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