

**Minutes from Compliance Committee Call (5/19/2015)**

Paul started by noting that he is not part of the compliance committee but appreciated having the opportunity to sit in. He also said that at end of meeting, if any actions or recommendations were being made to the board, he would help take it from there.

It was agreed that the topic for the meeting was fantasy NASCAR and golf and to discuss whether single-event NASCAR and golf are legal and whether they are consistent with the FSTA charter.

Jason apologized for not addressing the issue more proactively. He had not understood that this would be an important issue, in part because golf had been previously operated by several providers and he did not think NASCAR would be very different. DraftKings launched its game in partnership in NASCAR.

Jason acknowledged that Golf and NASCAR do not comply with the letter of UIGEA, but argued that UIGEA was written when daily fantasy didn't exist. In his view, if it were written today with daily fantasy sports in the mix, it wouldn't exclude specific sports like golf or NASCAR. The presence of a large field, in his view, is similar to having multiple events. He also pointed out that UIGEA is an enforcement statute – not the “governing law.” He indicated that state law supersedes UIGEA. From his perspective, the only relevant question is whether you are in violation of state law.

Jason stated that he does not that operators should not need to operate consistently with UIGEA if they can operate lawfully under state law. Jason said that DraftKings has done extensive testing and can demonstrate that fantasy golf and NASCAR are games of skill and are therefore legal under state law.

Neal pointed out that we should look at it as 3 separate questions: (1) Is what Draftkings doing with NASCAR and Golf, lawful?; (2) Does it comply with UIGEA, and is that important for the FSTA? (3) Does it comply with the FSTA Paid Operator Charter?

We discussed that the UIGEA test for bets and wagers have parallels in state law too. For example, Maryland adopted a substantially similar fantasy test to UIGEA, so not meeting UIGEA affects the state law question in certain states. Also, it was discussed that the FSTA had been advocating that other states take a similar approach as Maryland to legalizing fantasy.

It was also discussed that pure skill operators who run non-fantasy contest (like king.com, worldwinner, etc) often exclude residents from 10-12 states, and without UIGEA, operators run the risk of being treated like any other skill game, and may have to exclude residents of more states.

There was then a discussion of whether UIGEA looks only to state law or also to other federal laws. We also discussed whether the Wire Act would be back in consideration if the UIGEA carveout was not met.

This was followed by a lengthy discussion of whether the key compliance committee question should be focused on the lawfulness of the games or whether offering the games increases the risks to other operators, and whether it violates the FSTA's self-imposed charter.

It was acknowledged that since DraftKings' golf and NASCAR games are not UIGEA compliant, DraftKings is currently in breach of the FSTA Paid Operator Charter

Jason indicated that DraftKings would be proposing a change to the paid operator charter. It was also discussed that if the change doesn't pass, then there will have to be a decision of what to do next since DraftKings will be out of compliance with it. A further discussion was had over whether offering these games endangers existing fantasy operations and brings unwanted scrutiny to the industry.

There was a discussion of a recent panel where the panelists, including a federal prosecutor, were hostile to daily fantasy already and leaving the UIGEA safe harbor could bring more unwanted scrutiny.

It was discussed that if someone is operating in a way that is inconsistent with the charter and doesn't repair it, they should have to leave the association, like Tradesports, unless the Association votes to change the charter. This is what has been done in the past, and the FSTA could consider a vote to do this again.

The group further discussed the eligibility of members of the Board to vote on the issue of the Charter change, and any action to be taken against an operator who does not comply with the Charter. It was suggested that various Board Members had a conflict of interest on the issue. It was also discussed that a majority of Board had some interest in the issue either because they either choose to operate or not operate these contests, or because they have invested in, partnered with, or work with operators of daily fantasy, all of whom have an interest in the issue. There was further discussion of whether full disclosure of any potential conflict of interest was sufficient, or whether certain people should be disqualified from voting.

The meeting ended with the understanding that Jason would be proposing a change to the Charter that would remove the requirement that operators offer games that are consistent with the UIGEA carveout. Further discussion of what would happen if the charter change was not adopted was tabled.

The meeting adjourned after approximately 1 hour.