

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD**

IN RE THE DISCIPLINARY ACTION OF:

**Crown IL Gaming LLC
d/b/a DraftKings**

DC-S-20-001

Management Services Provider Applicant

COMPLAINT FOR DISCIPLINARY ACTION

The Illinois Gaming Board, for its Complaint against Crown IL Gaming LLC d/b/a DraftKings states as follows:

NATURE OF ACTION

1. The Illinois Gaming Board (the “Board” or “IGB”) brings this Disciplinary Action against sports wagering Management Services Provider license applicant Crown IL Gaming LLC d/b/a DraftKings (“DraftKings”) for failure to make a required disclosure to the Board in a timely manner in violation of Sports Wagering Rule 220(a)(4), 11 Ill. Adm. Code 1900.220(a)(4).
2. DraftKings’ conduct violates provisions of the Sports Wagering Act (the “SWA”), the Illinois Gambling Act (the “IGA”) and the Board’s Adopted Rules on Sports Wagering (the “Rules”) that prohibit Board licensees from engaging in any conduct that would discredit, or tend to discredit, or reflect adversely on the integrity of the Illinois sports wagering industry including, but not limited to, the failure to comply with the SWA, IGA, or the Rules.
3. The Board brings this action pursuant to SWA Sections 25-15(a), 25-15(b), 25-15(d), 25-20, and 25-107; IGA Sections 5(b)(2), 5(c)(5), 5(c)(11), and 5(c)(15); and Sections 1900.220, and 1900.310 of the Rules. 230 ILCS 45/25-15; 230 ILCS 45/25-20; 230 ILCS 45/25-107; 230 ILCS 10/5; 11 Ill. Adm. Code 1900.220 and 1900.310.
4. Through this Disciplinary Action, the Board seeks to fine DraftKings in the amount of \$15,000.00.

PARTIES

5. The Board is the Illinois regulatory agency charged with the responsibility of administering, regulating and enforcing legal sports wagering in Illinois. The Board’s jurisdiction extends to every person, association, corporation, partnership, and trust involved in Illinois sports wagering operations.

6. At all relevant times, DraftKings was an applicant for a Management Services Provider (“MSP”) license and a holder of a Sports Wagering Temporary Operating Permit. As an applicant for an MSP license and a Temporary Operating Permit holder, DraftKings is required to comply with the SWA and the Rules at all times.

RELEVANT ILLINOIS SPORTS WAGERING INDUSTRY BACKGROUND

7. Sports wagering became legal in Illinois for the first time on June 28, 2019, when Governor JB Pritzker signed the SWA into law. The Board, as the State agency responsible for regulating the Illinois sports wagering industry, promulgated Rules to implement and administer the SWA.
8. Among other things, the SWA authorized the conduct of sports wagering at licensed casinos and racetracks, over the Internet or through a mobile application, and within a five-block radius of no more than seven sports facilities that host sports events and hold a capacity greater than 17,000 persons.
9. The SWA also established certain licenses required for the conduct of sports wagering operations at casinos, racetracks and sports facilities. For example, a Management Services Provider (“MSP”) license under SWA section 25-55 allows an MSP licensee or Temporary Permit Holder to contract with a licensed entity, such as a casino or racetrack, to conduct sports wagering on behalf of the entity.
10. Additionally, SWA section 25-40 and Rule 755 allow the owner of a sports facility to enter into an agreement with an MSP licensee or Temporary Operating Permit holder to name that licensee or permit holder as its sports wagering designee. Being named as a facility’s designee allows the MSP licensee or Temporary Operating Permit holder to apply for a master sports wagering license on behalf of that sports facility and, if approved by the Board, to operate sports wagering on behalf of the sports facility.
11. Sports wagering applicants and licensees have ongoing obligations to disclose new agreements to the Board. Specifically, Rule 220 imposes an absolute duty to promptly report any information related to agreements with a sports facility owner relating to a sports wagering designee relationship as follows:

Licensees, key persons and applicants for licensure under this Act **must report promptly the following information to the Administrator or his or her designee as soon as is reasonably possible . . . [A]ny changes in or new agreements relating to designees pursuant to Section 25-40 of the Act, if those agreements or changes will go into effect in less than 30 days.**

11 Ill. Adm. Code 1900.220(a)(4) (Emphasis added.)

FACTS

12. Wrigley Field Holdings, LLC (“WFH”) is the owner of Wrigley Field in Chicago, Illinois. Wrigley Field, a sports facility with a capacity greater than 17,000 persons, is home of the Chicago Cubs professional baseball team. Northside Entertainment Holdings, LLC (“NEH”) is the parent company of WFH. WFH and NEH are collectively referred to herein as the “Chicago Cubs.”
13. On or about August 28, 2020, DraftKings and NEH executed multiple agreements related to the establishment of a sports wagering designee relationship under the SWA (collectively, the “Binding Letter Agreement”).
14. Upon information and belief, DraftKings and the Chicago Cubs began discussing and negotiating what became the Binding Letter Agreement at some time before August 28, 2020.
15. By its express terms, the Binding Letter Agreement became effective immediately upon execution on August 28, 2020.
16. DraftKings did not report the Binding Letter Agreement, or its discussions with the Chicago Cubs, to the Board at any time on or before August 28, 2020.
17. On September 2, 2020 at approximately 4:08 p.m. Central Time, DraftKings emailed the Board that DraftKings “entered into a multi-year deal with the Chicago Cubs to provide sportsbetting services.” The email also contained a draft press release that DraftKings advised would become public the next morning before the NASDAQ open.
18. On September 3, 2020 at approximately 6:30 a.m. Central Time, DraftKings and the Chicago Cubs issued a press release announcing that they “joined forces to make DraftKings the Official Sports Betting and Daily Fantasy Partner of the Cubs.” According to the press release, “[t]he multi-year deal includes a plan to pursue a first-of-its-kind sportsbook at the iconic Wrigley Field, with online access available in the surrounding Wrigleyville area.”
19. Also on the early morning of September 3, 2020, various news outlets began reporting the sports wagering agreement between DraftKings and the Chicago Cubs.
20. On September 3, 2020, the Board asked DraftKings for a copy of the new sports wagering agreement it entered with the Chicago Cubs.
21. DraftKings did not provide the Binding Letter Agreement to the Board until the afternoon of September 5, 2020.

22. On various occasions between July 14, 2020 and August 24, 2020, Board staff discussed with DraftKings the importance of compliance with Board Rules, including the continuing duty to disclose any agreements relating to DraftKings' MSP license application.
23. On August 24, 2020, the Board issued a warning letter to DraftKings' CEO, emphasizing the IGB's expectation that all licensees and applicants comply with all Board Rules and comport themselves with professionalism in relation to the Illinois gaming industry. (A true and correct copy of the August 24, 2020 letter is attached hereto at Exhibit A.)

COUNT I

DraftKings Failed to Disclose a New Sports Wagering Designee Agreement in Violation of 11 Ill. Adm. Code 1900.220(a)(4)

24. The Board re-alleges and incorporates Paragraphs 1 through 23 above as if fully alleged herein.
25. Board Rule 220(a)(4) requires an applicant for licensure under the SWA to report to the Board **promptly** and **“as soon as reasonably possible . . . [a]ny changes in or new agreements relating to designees pursuant to Section 25-40 of the [SWA], if those agreements will go into effect in less than 30 days.”** 11 Ill. Adm. Code 1900.220(a)(4) (Emphasis added.)
26. DraftKings, as a Board applicant and Temporary Operating Permit holder, is subject to discipline under Rule 310(a)(1) for any act or failure to act by itself, its agents, its employees, or any other contracted third party that would discredit or tend to discredit the Illinois sports wagering industry or the State of Illinois, including but not limited to failing to comply with the SWA or Rules. 11 Ill. Adm. Code 1900.310(a)(1).
27. The August 28, 2020 Binding Letter Agreement between DraftKings and the Chicago Cubs constitutes a new agreement relating to designees pursuant to Section 25-40 of the SWA.
28. The Binding Letter Agreement became effective immediately on August 28, 2020 and within less than 30 days of its execution.
29. No employee or agent of DraftKings notified the Board about the existence of the Binding Letter Agreement until September 2, 2020 –five days after the contracts were entered and shortly before the Agreement was publicized in news reports and a press release.
30. No employee or agent of DraftKings provided a copy of the Binding Letter Agreement to the Board until September 5, 2020 – eight days after the contracts were entered and two days after Board staff affirmatively requested a copy.

31. By failing to promptly disclose the Binding Letter Agreement in compliance with its obligations under Rule 220(a)(4), DraftKings is subject to discipline pursuant to 11 Ill. Adm. Code 1900.310(a)(1).

WHEREFORE, based on the foregoing, DraftKings should be fined in the amount of \$15,000.00.

Respectfully submitted,



Marcus D. Fruchter
Administrator
Illinois Gaming Board

Dated: October 15, 2020

NOTIFICATION OF PROPOSED DISCIPLINARY ACTION

Pursuant to Rule 915 [11 Ill. Adm. Code 1900.915] the Administrator finds facts sufficient to authorize the issuance of a Disciplinary Complaint against Crown IL Gaming LLC d/b/a DraftKings and to propose the following discipline:

Crown IL Gaming LLC d/b/a DraftKings shall be fined **\$15,000.00** for violation of the Sports Wagering Act and the Adopted Rules, as set forth in Disciplinary Complaint No. DC-S-20-001 unless it files an answer to the Disciplinary Complaint within 21 days from the date of service of the complaint.

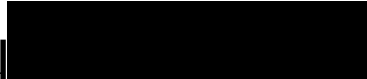
If you choose to file an Answer, it will not be accepted unless it complies with every requirement listed in Section 920 of the Rules [11 Ill. Adm. Code 1900.920]. If you file an Answer that complies with all requirements under Rule 920, a hearing officer will be appointed to conduct a hearing. Failure to file an Answer within 21 days of receiving this Complaint will result in the proposed disciplinary action becoming effective and final. The Answer may be electronically or physically mailed to:

igb.legal@igb.illinois.gov

OR

Illinois Gaming Board
Attn: Legal Department
160 N. LaSalle St., Suite 300
Chicago, IL 60601

Dated: October 15, 2020



Marcus D. Fruchter
Administrator
Illinois Gaming Board

EXHIBIT A



ILLINOIS GAMING BOARD

JB Pritzker • Governor Charles Schmadeke • Chairman Marcus D. Fruchter • Administrator

160 North LaSalle ♠ Suite 300 ♣ Chicago, Illinois 60601 ♥ Tel: 312/814-4700 ♦ Fax: 312/814-4602

August 24, 2020

Via Electronic Mail

Mr. Jason Robins
Chief Executive Officer
DraftKings, Inc.
222 Berkeley St, 5th Floor
Boston, Massachusetts 02116

RE: Professionalism in the Illinois Sports Wagering Industry

Dear Mr. Robins:

As a key person of an applicant for a management services provider license under the Illinois Sports Wagering Act (the “Act”), you are subject to the provisions of the Act and the Illinois Gaming Board’s (the “Board”) Adopted Rules (the “Rules”). *See*, 11 Ill. Adm. Code 1900.310(a).

The Board is tasked with the statutory responsibility to maintain public trust and confidence in the credibility and integrity of Illinois gaming and the State’s regulatory process. Among other obligations, the Rules impose ongoing duties on all licensees and applicants to conduct themselves in a professional manner when communicating with licensees, the public, and the Board, as well as to conduct the sports wagering operation in a manner that does not discredit or tend to discredit the Illinois gaming industry or the State of Illinois. 11 Ill. Adm. Code 1900.210(c), (f). Accordingly, the Board expects all applicants, licensees, and key persons to comport themselves with professionalism in relation to the Illinois gaming industry.

We understand that on about 6:57 AM Central on August 24, 2020, you posted the following tweet:

Feels so good to be taking mobile registrations in Illinois. Especially after the corrupt idiots at Rush Street Gaming tried to block us in the state. Over the long run, good policy always wins. I commend @JBPritzker for doing what’s right for the citizens of Illinois!

The public name-calling and vague accusations of illegality contained in your tweet are not acceptable behavior by any participants in the Illinois gaming industry. Please refrain from such conduct going forward. If you have evidence of illegal activity, please reach out to Board staff directly.

The Board recognizes that the sports wagering industry in Illinois is both young and competitive. And the Board understands and expects that industry participants will engage in advertising, marketing, fair competition, and legitimate lobbying behavior. However, all participants are expected to maintain a level of professionalism while doing so.

Please feel free to contact me should you have any questions or wish to discuss this matter.

Sincerely,

/s/ Jared L. Smith

Jared L. Smith
Director of Sports Wagering

cc: Edward R. Winkofsky
Marcus D. Fruchter, Administrator
Agostino Lorenzini, General Counsel
Robert J. Burke, Deputy Administrator for Licensing