

***KANSAS***  
***INTERNAL CONTROLS***  
***DRAFTKINGS DIGITAL***



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## 112-201-1Definitions

Each of the following words and terms, when used in this article of the commission’s regulations, shall have the meaning specified in this subsection unless the context indicates otherwise:

- a) “Affiliate” means an entity that provides goods or services to a Kansas-certified integrated sports wagering platform and required to be registered under K.A.R. 112-202-5, but not to be certified as an interactive sports wagering platform.
- b) “Age and identity verification” means a method, system, or device used by a lottery gaming facility manager or its interactive sports wagering platform provider to verify the validity of a patron’s age and the patron’s identity.
- c) “Canceled wager” means a wager that has been canceled by the lottery gaming facility manager or its interactive sports wagering platform provider through the interactive sports wagering platform due to an issue with an event that prevents the wager completion.
- d) “Cash equivalents” means instruments with a value equal to United States currency or coin, including certified checks, cashier’s checks, traveler’s checks, money orders, gaming tickets, winning sports wagering tickets, sports wagering vouchers, and coupons.
- e) “Communications Technology” means a process in which components are employed to facilitate the transmission of information including, but not limited to, transmission and reception systems based on wire, cable, radio, microwave, light, optics or computer data networks and the internet.
- f) “Dormant account” means a sports wagering account that has had no login for a period of three (3) years.

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- g) "Executive Director" means the executive director of the Kansas Racing and Gaming Commission and/or anyone within the agency he designates to carry out the duties on behalf of the agency.
- h) "Gaming Day", means the period that corresponds with the lottery gaming facility manager's gaming day that has been previously approved by the executive director.
- i) "Internet" means the international computer network of both federal and non-federal interoperable packet switched data networks.
- j) ""Interactive sports wagering platform provider" means a sports wagering supplier that contracts with a lottery gaming facility manager to provide an interactive sports wagering platform. If a lottery gaming facility manager develops its own interactive sports wagering platform, the lottery gaming facility manager is also considered an interactive sports wagering platform provider for the purposes of this article."
- k) "Market" means a wager type (e.g. money line, spread, over/under) on which opportunities are built for wagering on one or more events.
- l) "Marketing Plan" means a plan that must be submitted to the executive director for creation of sports wagering accounts.
- m) "Layoff wager" means a wager placed by an interactive sports wagering platform provider with another interactive sports wagering platform provider for the purpose of offsetting patron wagers.
- n) "Mobile application" means any application on a mobile device through which an individual is able to place a sports wager through an interactive sports wagering platform.
- o) "Payout" means the total payment due on a winning wager whether or not:
- 1) The patron collects the total payment due at one time.
  - 2) All or a portion of the payment due is made in the form of cash, chips or other form of payment; or
  - 3) All or portion of the payment due is used by the patron to place another wager.
- p) "Penetration Testing" means attempt to exploit vulnerabilities in the form of simulated

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attacks.

q) “Personally Identifiable Information (PII)” means any information or data used to confirm an individual’s identity. Personally identifiable information includes, but is not limited to, name, address, IP address, phone number, social security number, and driver’s license number. Any combination of those pieces of information either alone or in combination with the other pieces of data, would be considered PII.

r) “Prohibited sports wagering participant” means any involuntarily-excluded person, any voluntarily-excluded person, and all of the following:

- 1) Any person who is under the age of twenty-one (21);
- 2) Any person placing wagers while not within the State of Kansas;
- 3) A lottery gaming facility manager, and any director, officer, owner and employee of such manager, and any relative living in the same household as such persons, placing wagers with the manager at the manager’s location or through the manager’s interactive sports wagering platform;
- 4) An interactive sports wagering platform, any director, officer, owner and employee of such platform, and any relative living in the same household as such persons, placing wagers through such platform or at the manager’s location;
- 5) Any director, officer, owner and employee of the interactive sports wagering platform, and any relative living in the same household as such persons, placing wagers with the manager;
- 6) Athletes, coaches, referees, team owners, employees of a sports governing body or its member teams, and player and referee union personnel placing wagers on any sporting event overseen by such sports governing body;
- 7) Any person with access to nonpublic confidential information held by the lottery gaming facility manager from placing wagers with such manager;
- 8) Any person placing wagers as agents or proxies for other person; and
- 9) Any person placing wagers who has been convicted of any felony or misdemeanor offense involving sports wagering, including, but not limited to, the use of funds derived from illegal activity to make wagers, placing wagers to conceal money derived from illegal activity, the use of other individuals to place wagers as part of any wagering scheme to circumvent any provision of federal or state law and the use of false identification to facilitate the placement of any wager or the collection of any prize in violation of federal or state law, from placing wagers;

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- s) “Sports book” means a designated area in a lottery gaming facility offering sports wagering in accordance with established regulations.
- t) “Sports wagering account” means an account established through a lottery gaming facility manager or its interactive sports wagering platform provider for an individual patron to use for sports wagering.
- u) “Sports wagering kiosk” means an automated device that may be used for sports wagering ticket processing and other automated functions as approved by the executive director.
- v) “Sports wagering operation” means the Kansas Lottery business of accepting wagers pursuant to the Kansas Expanded Lottery Act, as amended, at a lottery gaming facility, through an interactive sports wagering platform or pursuant to a marketing agreement approved by the executive director of the Kansas Lottery.
- w) “Sports Wagering Manager” means a licensed sports book employee who is responsible for operating the interactive sports wagering platform and providing final approval of all odds established on an agreed upon wager.
- x) “Sports wagering registrant” means an individual or entity that is contracted to provide goods or services that the executive director determines affects the conduct of sports wagering but falls outside the scope of an interactive sports wagering platform certification or a vendor’s certification.
- y) “Sports wagering ticket” means a printed record issued or an electronic record maintained by the interactive sports wagering platform that evidences a sports wager.
- z) “Sports wagering voucher” means a printed record, or digital representation thereof, issued by an interactive sports wagering platform that may be used to fund a wager or may be redeemable for cash.
- aa) “Sports wagering promotional credit” means any cashable or non-cashable credit, free play, patron incentives, coupon or voucher redeemable by a patron and issued in accordance with a promotional program or activity approved by the Kansas Lottery.

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bb) “Strong authentication” means a method that has been demonstrated to the satisfaction of the executive director to effectively provide higher security than a username and password alone.

cc) “Ticket writer” means a cashier that handles sports wagering transactions

dd) “Voided wager” means a sports wager voided by an employee of the lottery gaming facility manager or interactive sports wagering platform operator and approved pursuant to the internal controls or house rules.

ee) “Wager” means any commitment of credits or money by the patron on the results of events.

ff) “Wagering Communication” means the transmission of a wager between a point of origin and a point of reception by aid of a communications technology.

gg) “Wagering Instructions” means the instructions given by a patron on the grounds of a sports book who maintains a sports wagering account to effect a wagering communication to an interactive sports wagering platform. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings acknowledges the above (a) through (gg) definitions.**

## **112-201-2 Accounting Controls for the Sports Book**

a) A ticket writer shall begin a shift with an imprest amount of sports wagering inventory, consisting of currency and coin. No funds shall be added to or removed from the sports wagering inventory during such shift except:

- 1) in collection of sports wagers;
- 2) in order to make change for a patron buying a sports wagering ticket;
- 3) in collection for the issuance of sports wagering vouchers;
- 4) in payment of winning or properly canceled or refunded sports wagering tickets;

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- 5) in payment of sports wagering vouchers; or
- 6) in exchanges with the ticket writer's cage, a satellite cage, or sports book vault supported by proper documentation, and which documentation shall be sufficient for accounting reconciliation purposes.

**112-201-2(a) is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable sports wagering inventory.**

b) A sports wagering count sheet shall be completed and signed by a supervisor, and the following information, at a minimum, shall be recorded thereon at the commencement of a shift:

- 1) The date, time, and shift of preparation.
- 2) The denomination of currency and coin in the sports wagering inventory issued to the ticket writer.
- 3) The total amount of each denomination of currency and coin in the sports wagering inventory issued to the ticket writer.
- 4) The sports wagering window number to which the ticket writer is assigned.
- 5) The signature of the sports wagering shift supervisor.

**112-201-2(b) is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable sports wagering count sheet.**

c) A ticket writer assigned to a ticket writer window shall count and verify the sports wagering inventory at the sports wagering vault, and shall agree to the count to the sports wagering count sheet. The ticket writer shall sign the count sheet attesting to the accuracy of the information recorded thereon. The sports wagering inventory shall be placed in a ticket writer's drawer and transported directly to the appropriate sports wagering lounge booth window by the ticket writer.

**112-201-2(c) is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable sports wagering inventory or count sheet.**

d) If the system generated sports wagering window net receipts for the shift do not agree with the sports wagering count sheet total plus the sports wagering inventory, the shift supervisor shall record any overage or shortage. If the count does not agree, the ticket writer and the shift supervisor shall attempt to determine the cause of the discrepancy in the count. Any discrepancy

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that cannot be resolved by the ticket writer and the shift supervisor shall be reported in writing to the department supervisor in charge at such time. Any discrepancy in excess of five hundred dollars (\$500) shall be reported to the commission. The report shall include the:

- 1) date on which the discrepancy occurred;
- 2) shift during which the discrepancy occurred;
- 3) name of the ticket writer;
- 4) name of the supervisor;
- 5) window number; and
- 6) amount of the discrepancy.

**112-201-2(d) is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable sports wagering count sheet.**

e) The sports book shift supervisor shall compare the ticket writer window net for the shift as generated by the terminal, and if it agrees with the sports wagering count sheet total plus the sports wagering inventory, shall agree the count to the sports wagering count sheet and sign the sports wagering count sheet attesting to the accuracy.

**112-201-2(e) is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable sports wagering count sheet.**

## **112-201-3 Reserve requirements**

All lottery gaming facility managers or their interactive sports wagering platforms providers shall maintain a reserve in the form of cash, cash equivalents, payment processor reserves, payment processor receivables, an irrevocable letter of credit, a bond, or a combination thereof, of not less than the greater of five hundred thousand dollars (\$500,000) or the amount necessary to ensure the ability to cover all unclaimed winnings the outstanding sports wagering liability. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings maintains a segregated bank account required to keep user's funds separate from all other operating accounts to ensure the security of funds held in the user's interactive gaming accounts. On banking days, DraftKings will review the user liability to be sure that it's funded appropriately and that the balance is greater than \$500,000 or equal to the sum of the daily**

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ending cashable balance of all User sports wagering accounts, pending wagers, and pending withdrawals. In the case of the bank account being under-funded, DraftKings will initiate a wire to make up for the difference. Account balances and liquidity are checked daily.

## 112-201-4 Issuance and sports wagering ticket control requirements

- a) Immediately upon accepting a wager, the interactive sports wagering platform shall create a sports wagering ticket on which the terms of the wager are written.
- b) Printed sports wagering tickets must bear the name and address of the sports book.
- c) An interactive sports wagering platform shall be capable of processing lost or destroyed sports wagering tickets.
- d) When a sports wager is voided or canceled, the lottery gaming facility manager or its interactive sports wagering platform provider shall clearly indicate that the sports wager is voided or canceled ensuring it is nonredeemable and log it into the interactive sports wagering platform indicating the void or cancellation and the identity of the cashier or automated process.

(Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**N/A - 112-201-4 (a)-(d) are retail requirements.**

## 112-201-5 General wagering requirements

- a) Lottery gaming facility managers or their interactive sports wagering platform providers may not accept anonymous wagers unless made with:
  - 1) Cash and cash equivalents;
  - 2) Electronic bank transfers of money, including transfers through third parties;
  - 3) Bank and wire transfers of money;
  - 4) Debit and credit cards;
  - 5) Online and mobile application payment systems that support online money transfers;
  - 6) Sports wagering promotional credits provided by a lottery gaming facility manager;and
  - 7) Any other payment method approved by the executive director.

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## Payment Method Opt-Out

DraftKings offers all users the option to disable specific payment methods from being used on their account. A patron will be able to personalize their preferences for all payment options in their “Financial Center”. When disabling, the selection will toggle from green to grey and require the patron to confirm their selection. Enabling a previously disabled method will require them to contact the DraftKings Customer Support team 24/7 for assistance. In addition, users can reach out to the DraftKings customer support team to have specific payment instruments that were used on their account banned from further use on the platform.

The screenshot shows the DraftKings Account interface on a desktop. The left sidebar contains navigation links: Personal Information, Login & Security, Financial Center (highlighted), Notifications, Player Limits, and Self-Exclusion & Cool-Off. The main content area is titled 'Financial Center' and includes a sub-header 'Deposit Methods'. Below this, there is a list of deposit methods with toggle switches: Credit, Debit & Gift Card (checked), PayPal (checked), Online Banking (unchecked), Venmo (checked), VIP Preferred (checked), Play+ (checked), Wire Transfer (checked), and Cash at Retail (checked). A 'Save' button is located at the bottom of the list.

Deposit Method	Status
Credit, Debit & Gift Card <small>*Includes Apple Pay</small>	Enabled
PayPal	Enabled
Online Banking	Disabled
Venmo	Enabled
VIP Preferred	Enabled
Play+	Enabled
Wire Transfer	Enabled
Cash at Retail	Enabled

## Deposit Methods

## Credit and Debit Cards

Card details and deposit amount are entered in the deposit section of the users’ DraftKings

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online gaming account. The transaction is sent to the payment processor and is forwarded to the card holder's financial institution. A response is sent back from the financial institution to the payment processor to DraftKings resulting in either an approval or a denial. If approved, the funds are instantly available to the user in his/her online gaming account. Declines will show an error message and might result in the user being presented with alternative deposit methods. Declines with negative information (such as reported lost, stolen, multiple attempts, information mismatch) are reviewed by the Fraud team and will result in the account being blocked and investigated. DraftKings has additional monitoring in place that will trigger if the user account name is different from the name entered on the credit card field. The Fraud team will monitor these on a daily basis and will take all necessary actions, including filing suspicious activity reports if applicable.

#### **Sightline Prepaid Cards**

Reloadable prepaid cards are provided by Sightline and are funded on Sightline's website. Sightline verifies the identity of the applicant and issues the card in the applicant's name, which would then match with the name on the online gaming account. Users can deposit and withdraw using this prepaid reloadable card on the DraftKings Platform.

#### **Online Banking**

(Mazooma & PayWithMyBank) – Enables patrons to deposit and withdraw directly from their bank account onto the DraftKings gaming platform by providing their information, including but not limited to bank account and routing number. Mazooma & PayWithMyBank confirms this information directly with the user's bank in real time and notifies DraftKings immediately of the availability of the funds before submitting the transaction through ACH clearing. Mazooma & PayWithMyBank has the ability to verify bank account ownership, balance, and account status in real time.

#### **Cash at Retail**

Users will be able to generate a barcode on their device through the DraftKings app or site. That barcode can then be scanned at retail locations (drug store, convenience store, supermarket, etc.) POS system. The system functionality is supported by a white label version of Incomm's Vanilla Direct prepaid card solution. Funds are run through InComm and DraftKings business rules to ensure any deposit is serviceable. If it is serviceable, the cash will be accepted, and funds will enter a user's DraftKings account. If it is not serviceable, cash will be returned to the user, funds will not be disbursed, and a reason for the failure will be communicated to the user via e-mail.

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### **VIP Preferred**

VIP Preferred allows users to link up to 4 bank accounts. This same VIP Preferred account and linked bank accounts can be leveraged across all gaming operators. It enables users to deposit funds to the DraftKings gaming platform by enrolling into the program and providing their bank account and routing number. VIP Preferred verifies the validity of the account prior to the deposit being made.

#### **I. Risk Vetting + Verification**

- A. Users must verify their identity with a legal ID in order to sign up. DraftKings shares information from our own verification process to complement screening. Users are also subject to a soft credit check to assess risk. VIP Preferred synthesizes risk indicators to approve or deny enrollment into the program, as well as to set responsible gaming limits within the VIP Preferred system.**

#### **II. Settlement**

- A. VIP Preferred runs on ACH processing rails**
- B. Chargebacks and financial impact are owned by VIP Preferred**

### **Gift Cards**

DraftKings gift cards will be available for users to purchase in retail locations and then deposited onto the DraftKings application. The cards act like a prepaid gift card that users can use on DraftKings offerings. Users will enter the prepaid card information onto the deposit option “Gift Card” and can select to deposit up to the amount of the value purchased. Any funds which are redeemed from the gift card will be made available for wagering immediately. This functionality is supported by our Incomm and BlackHawk Network payment providers, based on jurisdiction.

#### **1. Due diligence/fraud protections:**

- a. DraftKings will ensure adequate playthrough  $\geq 65\%$**
- b. DraftKings will restrict a gift card from being used on subsequent accounts after it has been deposited by a known user.**
- c. DraftKings shall perform the same level of due diligence reviews for fraud, risk, and money laundering as defined in these internal controls**

### **DraftKings Dual Wallet**

Users who have existing funds with DraftKings will be allowed to transfer those funds over to DK Sportsbook. DraftKings requires a 1x playthrough prior to DFS funds deposits becoming eligible for transfer.

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### **PayPal**

PayPal is an online payment wallet where users can link bank accounts and cards and transfer funds to one common wallet. Users can use PayPal to deposit funds or withdraw funds to and from their DraftKings gaming account.

1. After initiating a PayPal transaction, users will be redirected temporarily to the PayPal website in order to finish the transaction security. They will be required to login to PayPal and choose a verified funding option (bank account or debit/credit card).
2. After clicking on 'continue', the deposit/withdrawal is processed, and the patron is sent back to DraftKings for a confirmation.

### **Venmo**

Venmo is a digital wallet that works similar to PayPal, historically used to facilitate peer-to-peer transactions. Venmo allows users to deposit with both their Venmo balance and a linked bank account. Venmo will only be available to users who are on their mobile device where they will be directed over to the Venmo app in order to authorize DraftKings as a "Connected Business". Once they have authorized DraftKings as a Connected Business subsequent deposits will be processed with the stored Venmo account and we will only allow one Venmo account to be linked to one DraftKings account. Withdrawals will be processed to the linked Venmo account which will have to be previously used for deposit.

### **ApplePay**

ApplePay is a digital wallet that can hold multiple cards in order to streamline online purchases. Users will add their debit or credit card to their ApplePay wallet and be able to select the funding source prior to depositing on the DraftKings platform. ApplePay is only available to users on an iOS operating device (Mac or iPhone) and will be directed to the funding source selection page each time. After selecting the card, the transactions will be processed via standard card routes of Paysafe or Braintree. Users are required to enter a unique PIN or leverage biometrics (depending on the user-opt'd setting) in order to authorize the payment within the ApplePay user interface.

### **Bank Wire**

DraftKings users need to contact customer support stating their intention to initiate a bank wire deposit. Customer Support will request the user to provide us with the intended amount of the bank wire and in order to verify the ownership of the bank account from the which the wire will originate from, DraftKings will request a bank statement from the previous 90 days which shows a) Name, b) Address, c) Last 4 Digits of their Bank Account Number. Once DraftKings is in possession of the requested information, Customer Service will check the account for any user-

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imposed deposit limits, provide our banking information to the user and authorizing them to submit the wire. If a user has deposit limits set on the account, Customer Service will advise the user of such limits and shall inform the user with the amount they are able to wire without exceeding their deposit limits.

## **Withdrawal Methods**

### **OCT**

OCT (Original Credit Transactions) is a new payment method that enables direct transfer of funds to a user's debit card. This method will allow us to push funds back to a card that we have already stored after being used for deposit. Currently, this type of transaction is only offered for Mastercard and Visa cards and is subject to issuing bank enrollment of supporting OCT. We have created a BIN List Management Service which will allow us to consume information provided by Nuvei (our integrating partner) to let us know which banks support OCT so that we can intuitively enable or disable cards for selection by the user depending on their eligibility. OCT transactions will push funds back to the card within 30 minutes in most cases once it has been approved for processing by DK (subject to our normal fraud checks).

### **Venmo**

Venmo is a digital wallet that works similar to PayPal, historically used to facilitate peer-to-peer transactions. Venmo allows users to deposit with both their Venmo balance and a linked bank account. Venmo will only be available to users who are on their mobile device where they will be directed over to the Venmo app in order to authorize DraftKings as a "Connected Business". Once they have authorized DraftKings as a Connected Business subsequent deposits will be processed with the stored Venmo account and we will only allow one Venmo account to be linked to one DraftKings account. Withdrawals will be processed to the linked Venmo account which will have to be previously used for deposit.

### **ACH**

ACH (Mazooma & PayWithMyBank) – Enables users to withdraw directly from their bank account onto the DraftKings gaming platform by providing their information, including but not limited to bank account and routing number. Mazooma & PayWithMyBank confirms this information directly with the users bank in real time and notifies DraftKings immediately of the availability of the funds before submitting the transaction through ACH clearing. Mazooma & PayWithMyBank has the ability to verify bank account ownership, balance and account status in real time.

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### **VIP Preferred**

VIP Preferred allows users to link up to 4 bank accounts. This same VIP Preferred account and linked bank accounts can be leveraged across all gaming operators. It enables users to deposit funds to the DraftKings gaming platform by enrolling into the program and providing their bank account and routing number. VIP Preferred verifies the validity of the account prior to the deposit being made.

#### **I. Risk Vetting + Verification**

- A. Users must verify their identity with a legal ID in order to sign up. DraftKings shares information from our own verification process to complement screening. Users are also subject to a soft credit check to assess risk. VIP Preferred synthesizes risk indicators to approve or deny enrollment into the program, as well as to set responsible gaming limits within the VIP Preferred system.**

#### **II. Settlement**

- A. VIP Preferred runs on ACH processing rails**
- B. Chargebacks and financial impact are owned by VIP Preferred**

### **PayPal**

PayPal is an online payment wallet where users can link bank accounts and cards and transfer funds to one common wallet. Users can use PayPal to deposit funds or withdraw funds to and from their DraftKings gaming account.

- 1. After initiating a PayPal transaction, users will be redirected temporarily to the PayPal website in order to finish the transaction security. They will be required to login to PayPal and choose a verified funding option (bank account or debit/credit card).**
- 2. After clicking on 'continue', the deposit/withdrawal is processed, and the patron is sent back to DraftKings for a confirmation.**

### **Sightline Prepaid Cards**

Reloadable prepaid cards are provided by Sightline and are funded on Sightline's website.

Sightline verifies the identity of the applicant and issues the card in the applicant's name, which would then match with the name on the online gaming account. Users can deposit and withdraw using this prepaid reloadable card on the DraftKings Platform.

### **Bank Wire**

DraftKings user may request a bank wire withdrawal to Customer Experience team if they are withdrawing more than \$10,000. All withdrawals over \$50,000 will be completed via bank wire.

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Once receiving bank wire details from the user, DraftKings Finance Team will initiate the bank wire transfer in the DraftKings account holder's name. If the DraftKings account holders name differs from the name on the bank account provided, the wire will be rejected and the funds returned to DraftKings' bank account. At that time, Customer Experience will contact the user and have them confirm all details for the wire transfer.

### **Checks**

Users can withdraw their available funds by requesting a check withdrawal. These requests are compiled into a daily batch CSV file that is uploaded in CrossPay's secure backend on the follow business day by 1pm. Once the checks are uploaded, CrossPay will provide us with a transaction file that contains all the check numbers. The Finance team will record check numbers into our banks for processing and to eliminate the chance of fraud. Once this process is completed, CrossPay will print the checks and mail them out according to the users preference, between Fedex and USPS. Checks with amounts over \$2000 are sent via FedEx with a tracking number. Checks with amounts below \$2000 are sent via USPS.

- b) A lottery gaming facility manager or its interactive sports wagering platform provider shall accept wagers only on its licensed premises, and only at ticket writers or sports wagering kiosks approved by the executive director or through an interactive sports wagering platform that has been approved by the executive director.

**DraftKings acknowledges the above requirement.**

- c) A lottery gaming facility manager or its interactive sports wagering platform provider shall not knowingly accept money or its equivalent purportedly as a wager upon an event whose outcome has already been determined. A lottery gaming facility manager or its interactive sports wagering platform provider shall not accept a wager on an event unless the date and time at which the outcome of the event is determined or can be confirmed from reliable sources satisfactory to the executive director.

### **Procedures to prevent past posting of wagers:**

- For events where the feed provider has the exclusive rights, the starting time is updated automatically by the information received from the provider.
- The DraftKings content team also receives notifications of changes to the starting time on

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all events covered by the feed providers (e.g. Sportradar). The change has to be manually approved by the content team.

- Starting times of events not covered by a feed provider are monitored by an internal benchmarking system, and changes are being applied manually after comparing against official league/tournament pages, official team pages or trusted fixture/result sites.
- In alignment with our risk management strategy DraftKings also segments users that abuse any late bet or take advantage in a past posting situation. Our trading team can use this information real-time to identify and eliminate new past posting cases.

d) All accepted wagers shall be listed in the house rules as follows:

- 1) Lottery gaming facility managers or their interactive sports wagering platform providers may accept wagers that comply with the definition of “sports wagering” as defined in K.S.A. 46-2301 (ss) and have been approved by the executive director.
- 2) The lottery gaming facility manager or its interactive sports wagering platform provider shall ensure that any statistics/line data that is made available to the patron pertaining to an event uses a source allowed by the Kansas lottery. The source providing the statistics/line data shall be accurate and updated in a timely manner as directed by the KRGC.

**DraftKings has provided the KRGC and Lottery copies of the House Rules for approval. See appendix X for approved House Rules.**

e) No lottery gaming facility manager, interactive sports wagering platform provider, agent or employee of lottery gaming facility manager or an interactive sports wagering platform provider may accept a wager from a person who the lottery gaming facility manager, interactive sports wagering platform provider, agent or employee knows or reasonably should know is a messenger bettor or is placing the wager in violation of state or federal laws.

**DraftKings acknowledges the above.**

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f) No lottery gaming facility manager or its interactive sports wagering platform provider may hold a patron's money or its equivalent on the understanding that the lottery gaming facility manager or its interactive sports wagering platform provider will accept the money as a wager only upon the occurrence of a specified, future contingency, unless a sports wagering ticket documenting the wager and contingency is issued immediately when the lottery gaming facility manager or its interactive sports wagering platform provider receives the money or its equivalent.

**112-201-5(f) is not applicable to the digital product. Wagers are accepted in real time.**

g) A lottery gaming facility manager or its interactive sports wagering platform provider shall limit each patron to one (1) active and continuously used sports wagering account and username for each interactive sports wagering platform.

**See 112-201-5 (j) for a description of how the identity verification check is conducted. DraftKings only allows a user's SSN to be used once.**

h) A lottery gaming facility manager or its interactive sports wagering platform provider shall implement rules and publish procedures to suspend all, but one active account for any sports wagering patron that establishes, or seeks to establish, multiple active accounts in a single interactive sports wagering platform, whether directly or by use of another person as a proxy.

**See 112-201-23 (b)10 and the below.**

**Financial Fraud, Bonus Abuse, Multi-Accounting, Account Sharing, Underaged Gambling**

**DraftKings is committed to preventing fraud and the violation of its Terms of Use. DraftKings maintains guidelines, rules, and controls to prevent the occurrence of fraud through the DraftKings platform. Consistent with our commitment to prevent fraud and the violation of DraftKings' terms and conditions, this Policy provides that DraftKings:**

- **Does not allow Financial Fraud**
- **Does not allow Bonus Abuse**

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- Does not allow Multi-Accounting
- Does not allow Account Sharing
- Does not allow Gameplay by Minors

**Financial Fraud:** DraftKings does not allow activity resulting from Financial Fraud to take place on the DraftKings platform. The Fraud Team is equipped with controls and alerts that target behavior associated with financial fraud.

**If Financial Fraud is identified, the Fraud Team will:**

- Impose Restrictions on all linked accounts
- Conduct additional investigation and reach out to the user(s) involved and request documentation and proof of financials.
- The account(s) shall remain suspended until the Fraud team have collected sufficient information and decided on a course of action, such as but not limited to, blocking a financial instrument, or imposing a daily/weekly deposit limit. These cases will be tracked in the Daily Fraud Suspicious Activity report.
- If financial fraud is confirmed after the internal investigation, details will be shared with KRGC.

Periodically the Fraud team will review suspended accounts and determine whether they should be permanently closed or left in a suspended state. If an account is permanently closed, funds may be returned to the user and a notification of our course of action will be emailed to the user. In addition, the Fraud team might prepare a Suspicious Activity report and submit it to the relevant authorities. Funds will remain frozen in the account until otherwise instructed by the regulator of the applicable jurisdiction.

#### **Bonus Abuse**

The Fraud team will monitor linked accounts for the possibility of bonus abuse. Linked accounts are defined as DraftKings accounts with numerous shared characteristics which could imply multi-accounting is taking place. If bonus abuse is detected the Fraud team will:

- Impose Restrictions on all linked accounts
- Conduct additional investigation and reach out to the user(s) involved and request documentation and proof of financials.
- The account(s) shall remain suspended until the Fraud team have collected sufficient

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information and decided on a course of action, such as but not limited to, blocking a financial instrument, or imposing a daily/weekly deposit limit. These cases will be tracked in the Daily Fraud Suspicious Activity report.

Periodically the Fraud team will review suspended accounts and determine whether they should be permanently closed or left in a suspended state. If an account is permanently closed, funds may be returned to the user and a notification of our course of action will be emailed to the user. In addition, the Fraud team might prepare a Suspicious Activity report and submit it to the relevant authorities. Funds will remain frozen in the account until otherwise instructed by the regulator of the applicable jurisdiction.

#### **Underage Gambling**

DraftKings takes underage gambling very seriously and adopts a zero-tolerance policy. If the Fraud Team or the Customer Service team identifies that a minor has accessed a real money gaming account, the account will be immediately closed. A report will be compiled and sent to the regulator of the applicable jurisdiction. In most cases underage access is detected through contacts with our Customer Service, such as the account holder (usually a parent) notifying us that a minor has access to his or her account.

#### **Procedures for Sanctions & Politically Exposed Persons Screening**

Monthly the Fraud Team performs a batch OFAC & PEP screening of all first-time depositors through LexisNexis Bridger Insight. Investigating Sanctions & PEP Alerts. Additionally, on all identity verification checks, LexisNexis, Socure and IDology run names against the OFAC and PEP watchlists. If any record returns with a match, the account is restricted, and messaging is sent to the user requesting them to contact our Customer Experience department for assistance.

Alerts indicating potential matches between Users and Sanctioned-Persons or PEP will be investigated by a Fraud team analyst, who will attempt to determine whether the Alert indicates a “true hit” or a “match.” First, the analyst will retrieve the User information and determine the degree to which the name and address on the Admin Console matches the information on the Sanctioned Persons and PEP Lists. The analyst should take into account how much of the username and address matches. If just one name matches (first, middle, or last), it is not a true hit. However, names do not have to be exact matches. Sanctioned-Persons may use aliases or multiple spellings of their name. If the names are similar but there are discrepancies in spelling in more than one name, more information about the User and the Sanctioned-Person/PEP should be obtained. The analyst will perform any other necessary due diligence

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investigation to confirm whether the hit is a false positive or a valid match. If the match is determined to be a false positive, the alert will be marked as a “False Positive”. If the match is determined to be a true hit, the alert is escalated to the Director of Regulatory Operations and Compliance Team.

#### **Reporting a True Hit or Match**

If the Director of Regulatory Operations agrees that there is a true hit, he/she will follow all relevant reporting procedures for each of the governing bodies of the Sanctioned-Persons and PEP lists of the relevant jurisdiction. In the case of potential matches against individuals on the OFAC list, the AMLO may call the OFAC hotline at 1-800- 540-6322 with any questions about the potential match. The true hit and reported name must be reported by the CCO to the Compliance Committee within twenty-four hours. In the case of potential matches against individuals on the PEP list, the case shall be reviewed with the VP of Compliance. The user will then be banned from all account activity including login, and his/her device will be added to the Banned List. Upon a login attempt by the user, they would be prompted to contact our Customer Experience department for further assistance. DraftKings will notify the KRGC in the event of a true hit or match.

#### **OFAC screening:**

**Office of Foreign Assets Control (“OFAC”):** An office of the U.S. Department of Treasury which administers and enforces economic and trade Sanctions based on U.S. foreign policy and national security goals.

**Sanctions:** Measures which are intentionally restrictive or coercive in nature and which act as a tool of foreign policy to target individuals or countries. Sanctions can take a number of different forms and are used in a number of different contexts, including arms embargoes, travel bans, asset freezes, reduced diplomatic links, reductions/cessation of any military relationship, flight bans, suspensions from international organizations, withdrawal of aid, trade embargoes, restrictions on cultural /sporting links and others.

**Sanctioned-Person(s):** Individual(s) subject to Sanctions by governmental or international organizations, also known as “Specially Designated Nationals” in the United States. These individuals include known terrorists, drug traffickers and money launderers who may not be tied to any country under Sanctions restrictions.

**Sanctioned-Persons List:** lists of individuals who are subject to sanctions by relevant regulatory

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or governmental agencies. These may include the U.S. Office of Foreign Assets (OFAC) and U.K. Her Majesty's Treasury (HMT) lists.

**Politically Exposed Person (PEP): individuals who have been entrusted with a prominent public function. A PEP generally presents a higher risk for potential involvement in bribery and corruption by virtue of their position and the influence they may hold.**

- i) In the event a patron has a pending wager and then self-excludes, the wager shall settle, and the funds shall be remitted to the problem gambling grant fund established under K.S.A. 79-4805, and amendments thereto, if the wager settles as a win or push.

**DraftKings has alerts in place that are reviewed daily for self-excluded users with an open wager. Upon review, DraftKings will let these wager stand if still pending and remit funds in the event of a win or push to the problem gambling grant fund.**

- j) A full age and identity verification must be undertaken before a patron is allowed to place a wager on an interactive sports wagering platform as follows:

- 1) Only patrons twenty-one (21) years of age and older may deposit funds or participate in wagering. The lottery gaming facility manager and interactive sports wagering platform provider must deny the ability to deposit funds or participate in wagering to any person that submits a birth date that indicates the person is under twenty-one (21) years of age.

- 2) Age and identity verification must use commercially reasonable standards to confirm that the patron is not a prohibited sports wagering participant.

- 3) Details of age and identity verification must be kept in a secure manner.

- 4) Third-party service providers may be used for age and identity verification of patrons.

- 5) The lottery gaming facility manager and interactive sports wagering platform provider must have a documented policy for the handling of patrons discovered to be using a sports wagering account in a fraudulent manner, including, but not limited to:

- A) The maintenance of information about any patron's activity, such that if fraudulent activity is detected, the regulatory body has all of the necessary information to take appropriate action;

- B) The suspension of any patron account discovered to be providing access to fraudulent patrons; and

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C) The treatment of deposits, wagers, and wins associated with a fraudulent patron's sports wagering account.(Authorized by and implementing K.S.A. 74-8772, as amended by L.2022, ch.91; effective T- \_\_\_\_\_.)

**DraftKings advanced and adaptive identity verification solutions are designed to meet and exceed industry standards when it comes to securely identifying our users. Our technology is highly scalable and custom tailored to meet a wide range of regulatory use cases regardless of the demanding pace of change in the industry's commercial and legal landscape. Our practices have been independently tested, licensed, and approved by several regulatory bodies and auditors.**

**In order to establish a DraftKings Sportsbook account, all users are required to verify their identity. When verifying a user's identity, DraftKings conducts an identity verification check on the following demographic information:**

- **First Name**
- **Last Name**
- **Physical Address (PO Boxes & Commercial properties are never accepted)**
- **Date of Birth (MM/DD/YYYY)**
- **Combination of Last 4 SSN & full 9 SSN**

**User information is validated using LexisNexis, IDology, Socure, or Aristotle, who are trusted solutions for identity verification utilized across a diverse set of industries. Those industries include government agencies, educational institutions, financial institutions, gaming entities, and more. Our identity providers check citizens or national database information, credit header file information, electoral rolls, property records, utility data and marketing sources. Both identity verification providers check against national watchlists such as Office of Foreign Asset Control (OFAC), Politically Exposed Persons (PEP), Children's Online Privacy Protection Act (COPPA) and more.**

**If a user fails the automated KYC verification two times, the user will be prompted to scan the front and back of their driver's license or passport to be processed through our automated document verification flow. If the account can still not be verified the user will be prompted to explore the DraftKings app while the fraud team reviews the driver's license that was used during the automated document verification flow.**

**After verification, all users will be required to accept the various user agreements to participate**

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on the platform. Acceptance of all user-agreements are recorded internally.

To uphold the integrity of our platform and protect against the risk of any underage persons attempting to register, DraftKings leverages a unique set of risk indicators from our providers. These unique fraud risk indicators were designed by analytical fraud experts to detect different fraud schemes. These capabilities help our systems and risk management team to quickly determine the type of potential identity fraud risk that is associated with the input identity information. Then, our analysts can use these results to take the appropriate fraud prevention and investigation measures. Controls put in place on the DraftKings platform apply automatic account restrictions to any account that attempts to verify a date of birth placing the user below the minimum age of eligibility. These users are subject to review by the risk management team to determine whether the individuals are eligible to participate on the platform.

#### **Stolen Identity Index**

The index indicates the risk that the transaction is in connection with a real identity that has been compromised. For example, the identity is applying with a new address that is not likely associated with the true owner of the identity.

#### **Synthetic Identity Index**

The index indicates the risk that the input identity is a synthetic identity. For example, this identity is only reported by credit bureaus or is missing characteristics of normal identities.

#### **Manipulated Identity Index**

The index indicates the risk that the identity is being intentionally manipulated. For example, there is a suspicious amount of variation of PII (personally identifiable information) associated with this identity.

#### **Vulnerable Victim Index**

The index indicates the identity profile is at risk for being a victim of identity fraud. For example, a high-occupancy location or minors.

#### **Friendly Fraud Index**

The index indicates the identity profile is at risk for being a victim of identity fraud perpetrated by a close associate. For example, the individual has high-risk relatives and close associates.

#### **Suspicious Activity Index**

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The index indicates the level of suspicious and high-risk activity that was previously observed for the input elements. For example, the input elements are tied to records that were previously deemed to be suspicious or high risk.

## 112-201-6 Cash transactions over \$10,000

- a) A lottery gaming facility manager shall file a currency transaction report (CTR) of each transaction, involving either cash in or cash out, of more than \$10,000.
- b) Before concluding any transaction with respect to which report is required under §1010.311, §1010.313, §1020.315, §1021.311, or §1021.313 of this chapter, a casino and card club shall verify and record the name and address of the individual presenting a transaction, as well as record the identity, account number, and the social security or taxpayer identification number, if any, of any person or entity on whose behalf such transaction is to be effected. Verification of the identity of an individual who indicates that he or she is an alien or is not a resident of the United States must be made by a passport, alien identification card, or other official document evidencing nationality or residence.
- c) Each lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system shall include internal controls to meet the requirements of 31 C.F.R. Chapter X, dated March 1, 2011, for the reporting of certain currency transactions. The internal controls shall be submitted to and approved by the commission.
- d) The lottery gaming facility manager or its interactive sports wagering platform provider shall file with the commission a copy of any currency transaction report (CTR) that the facility manager is required to file under 31 C.F.R. Chapter X §1021.311, and amendments thereto. Each CTR shall be filed with the commission concurrently with the federal filing. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-6(a) through (d) is not applicable to the digital product. Sports wagering on the digital platform is non-anonymous. A patron's identity and SSN is verified during account registration. Also, there are no anonymous cash transaction on the platform.**

## 112-201-7 Multiple wagers

- a) A Lottery gaming facility manager and its employees shall not knowingly allow, and each interactive sports wagering platform provider shall take reasonable steps to prevent, the

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circumvention of K.A.R. 112-201-6 by multiple cash wagers within its designated gaming day with a patron or by the use of a series of cash wagers that are designed to accomplish indirectly that which could not be accomplished directly. As part of a lottery gaming facility manager's or its interactive sports wagering platform provider's efforts to prevent such circumventions relative to K.A.R. 112-201-6, a lottery gaming facility manager or its interactive sports wagering platform provider shall establish and implement wagering multiple transaction logs.

b) Each lottery gaming facility manager or its interactive sports wagering platform provider shall record in the wagering multiple transaction log, all cash wagers of \$3000 or more and properly complete a currency transaction report (CTR) for all single cash transactions and for a series of multiple cash transactions in excess of \$10,000.

c) Each log entry in a wagering multiple transaction log shall be made by the employee accepting or approving the cash wager.

d) When aggregated cash wagers exceed \$10,000, the lottery gaming facility manager or its interactive sports wagering platform provider shall complete the recordkeeping and reporting requirements of K.A.R. 112-201-6. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-7(a) through (d) are not applicable to the digital product. Sports wagering on the digital platform is non-anonymous. A patron's identity and SSN is verified during account registration.**

## 112-201-8 Structured wagers

a) A Lottery gaming facility manager or its interactive sports wagering platform provider shall not encourage or instruct the patron to structure or attempt to structure wagers (31 C.F.R. Chapter X § 1021.314). This subsection does not prohibit a lottery gaming facility manager or its interactive sports wagering platform provider from informing a patron of the regulatory requirements imposed upon the sports book, including the definition of structured wagers.

b) A lottery gaming facility manager or its interactive sports wagering platform provider shall not knowingly assist a patron in structuring or attempting to structure wagers.

c) As used in this section, "structure wagers" or "structuring wagers", means to willfully conduct or attempt to conduct a series of wagers in any amount on one or more days in any manner as to willfully evade or circumvent CTR reporting requirements. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

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**112-201-7(a) through (d) are not applicable to the digital product. Sports wagering on the digital platform is non-anonymous. A patron's identity and SSN is verified during account registration.**

## **112-201-9 Recordkeeping and reporting requirements**

a) The lottery gaming facility manager and its interactive sports wagering platform provider shall maintain compliance with the identification, recordkeeping and reporting requirements of K.A.R. 112-201-6 and 112-201-7.

**DraftKings acknowledges the above.**

b) The lottery gaming facility manager and its interactive sports wagering platform provider shall comply with all requirements of K.A.R. 112-104-6.

**DraftKings acknowledges the above.**

c) The lottery gaming facility manager and its interactive sports wagering platform provider shall also comply with all Federal Anti-Money Laundering and all other recordkeeping and reporting requirements.

**DraftKings acknowledges the above.**

d) The lottery gaming facility manager or its interactive sports wagering platform provider shall maintain records of:

- 1) All wagers placed, including personally identifiable information of the person placing the wager;
- 2) the amount and type of wager;
- 3) the time the wager was placed;
- 4) the location of the wager, including the IP address, if applicable;
- 5) the outcome of the wager;
- 6) any records of abnormal wagering activity; and
- 7) video camera recordings, in the case of in-person wagers.

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**DraftKings acknowledges the above.**

### **Records Retention Policy & Schedule**

**The purpose of this Records Retention Policy and Schedule (“Retention Policy”) is to provide instruction for the management of DraftKings Information and Records.**

**DraftKings Personnel are required to comply with this Retention Policy. The Corporate IT, Legal and Compliance teams will be responsible for, among other things, overseeing the classification, identification, storage & retrieval, protection, and destruction or retention of Records and other DraftKings Information as described herein.**

**DraftKings Personnel are required to:**

- 1. Review, understand and comply with this Retention Policy.**
- 2. Manage DraftKings Information and Records in accordance with this Retention Policy and the below retention schedule.**
- 3. Retain DraftKings Information and Records that are subject to a legal or litigation hold issued by DraftKings’ Legal Department (if applicable, such legal or litigation hold would be provided directly to you).**
- 4. Protect DraftKings Information and Records containing Confidential Information and Internal**

**Use Information pursuant to, among other things, DraftKings’ Information Sensitivity Policy, Acceptable Use Policy, Acceptable Encryption Policy, Email & Messaging System Use Policy, and Third-Party Vendor Data Protection Policy.**

**Properly dispose of DraftKings Information and Records when they (a) are eligible for destruction under the below retention schedule, (b) are not subject to a legal or litigation hold, court order, statutory and/or regulatory record retention requirement (as provided by DFS, sportsbook and iGaming laws and regulations), or other legal retention requirement, and (c) have no continuing business value.**

- e) Any interactive sports wagering platform used by a lottery gaming facility manager shall allow any individual placing a sports wager through such platform to elect to not have such individual’s personally identifiable information collected by such platform or by such lottery gaming facility manager for any purpose other than recording the placing of the sports wager,**

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payment of any prize, or as authorized by the Kansas Racing and Gaming Commission.

1) Lottery gaming facility managers shall maintain personally identifiable information (PII) of persons placing a sports wager. Use of PII shall be limited to purposes that facilitate placing of a sports wager or payment of any prize as well as for compliance with any federal or state law.

**DraftKings acknowledges the above.**

2) "PII, including the IP address from which a sports wager is placed, will be used by sports wagering platforms to allow placement of sports wagers on an approved mobile app. Permissible uses of PII include, but are not limited to, age verification; voluntary exclusions; geolocation; detection of location anonymizers such as proxy servers, VPNs, and TOR exit nodes; re-geolocation; fraud detection and investigation; and FinCen reporting"

**DraftKings acknowledges the above.**

3) A patron may elect to prohibit collection of PII by a sports wagering platform or gaming facility manager if that election does not interfere with the ability of a platform to initiate a sports wager or facilitate payment of a prize.

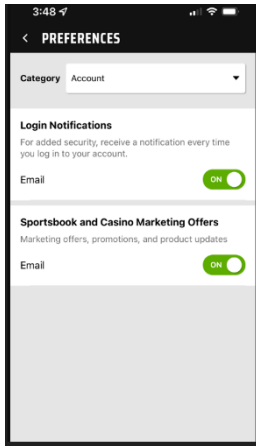
**DraftKings maintains several methods to allow individuals using the sports wagering platform to elect to prevent their PII from being processed for purposes other than the permissible uses outlined in the above-referenced regulation.**

4) Sports wagering platforms and gaming facility managers shall not use for marketing purposes any person's PII who has elected to not have their PII collected for any purpose other than placing a sports wager or receiving payment of a prize. The person's election to prohibit collection of PII shall be maintained by the sports wagering platform and facility manager until the person affirmatively, through the platform or by other written means, cancels such election.

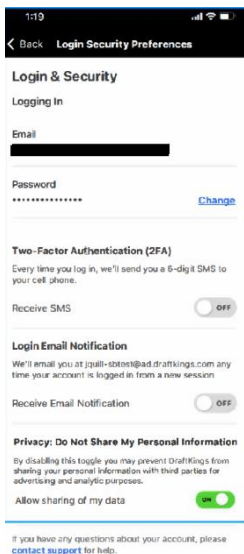
**First, patrons may opt-out of receiving promotional communications by selecting the "Notification Preferences" option within their account Profile page and switching the "Sportsbook & Casino Marketing Offers" toggle to "Off". (See screenshot below.)**

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Next, patrons may opt-out of having their app data shared with third parties for advertising and analytics purposes by selecting the “Login Security Preferences” option within their account Profile page and switching the “Privacy: Do Not Share My Personal Information” toggle to “Off”. (See screenshot below.)

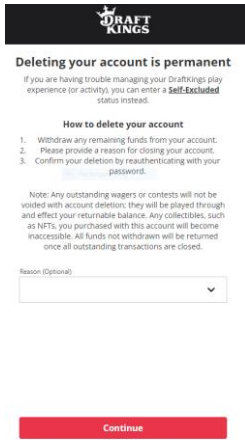


Finally, should patrons wish for their account information not to be utilized for purposes other than the permissible uses outlined in the above-referenced regulations, they may select the “Account Deletion” option within the “Login Security Preferences” of their account Profile page and confirm that they wish to delete their account. (See screenshot below.)

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**DRAFT KINGS**

**Deleting your account is permanent**

If you are having trouble managing your DraftKings play experience (or activity), you can enter a **self-excluded** status instead.

**How to delete your account**

1. Withdraw any remaining funds from your account.
2. Please provide a reason for closing your account.
3. Confirm your deletion by reauthenticating with your password.

Note: Any outstanding wagers or contests will not be voided with account deletion; they will be played through and effect your returnable balance. Any collectibles, such as NFTs, you purchased with this account will become inaccessible. All funds not withdrawn will be returned once all outstanding transactions are closed.

Reason (Optional)

**Continue**

**Cancel**

f) The records described in subsections (d)(1) through (d)(6) and any other reports deemed necessary by the executive director shall be maintained for at least two years after the sporting event occurs. Video recordings described in subsection (d)(7) shall be maintained for at least 30 days after the sporting event occurs. A lottery gaming facility manager and its interactive sports wagering platform provider shall make such records available for inspection upon request by the Kansas Lottery or the Kansas Racing and Gaming Commission or as required by court order. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

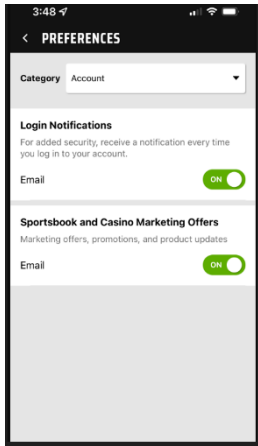
**DraftKings acknowledges the above.**

**DraftKings maintains several methods to allow individuals using the sports wagering platform to elect to prevent their PII from being processed for purposes other than the permissible uses outlined in the above-referenced regulation.**

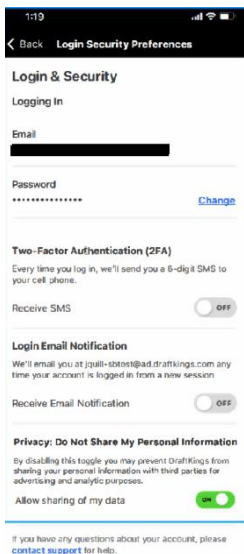
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3. Confirm your deletion by reauthenticating with your password.

Note: Any outstanding wagers or contests will not be voided with account deletion; they will be played through and effect your returnable balance. Any collectibles, such as NFTs, you purchased with this account will become inaccessible. All funds not withdrawn will be returned once all outstanding transactions are closed.

Reason (Optional):

**Continue**

Cancel

## 112-201-10 Payment of winning wagers

a) Except as otherwise provided in this subsection, lottery gaming facility manager or their interactive sports wagering platform providers shall make a payment on a winning anonymous wager to the patron who presents the patron’s original sports wagering ticket representing the wager. A lottery gaming facility manager or its interactive sports wagering platform provider shall not make payment to a patron who the interactive sports wagering platform knows or reasonably should know is collecting the payment on behalf of another monetary consideration or in violation of federal law. A lottery gaming facility manager or its interactive sports wagering platform provider may withhold payment of a winning wager if a patron refuses to supply identification or any other documentation required by state or federal law.

b) The lottery gaming facility manager or its interactive sports wagering platform provider shall honor winning sports wagering tickets for 180 days after the ticket has been settled unless a longer period is approved by the executive director. The lottery gaming facility manager or its interactive sports wagering platform provider shall state the redemption period on each sports wagering ticket on the house rules and on notices conspicuously placed about the licensed premises. Interactive sports wagering platforms shall maintain the information and documentation presented for a period of two years.

c) Any patron unclaimed winnings shall meet all requirements of K.A.R. 112-104-32.(Authorized by and implementing K.S.A. 74-8772, as amended by L.2022, ch. 91; effective T-\_\_\_\_\_.)

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112-201-10(a) through (c) are not applicable to the digital product. A patron is unable to place wagers anonymously. All sports wagering activity is conducted through the patron's interactive sports wagering account. Winning wagers are automatically credited to a patron's account balance once settlement is determined.

## 112-201-11 Wager Cancellations

Lottery gaming facility managers or their interactive sports wagering platform providers shall provide internal controls pertaining to wagering transactions that can be voided or cancelled.

- a) A lottery gaming facility manager or its interactive sports wagering platform provider may, in its discretion, void or cancel an accepted wagering transaction for an obvious error. An obvious error must be defined in the internal controls.
- b) Except as otherwise provided in this article, a lottery gaming facility manager or its interactive sports wagering platform provider shall not unilaterally void or cancel any wager without the prior approval of the executive director. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings may cancel wagers before, during or after an event has taken place for the following reasons:**

**Prohibited Users**– DraftKings will cancel a wager if it detects that the wager has been placed by a user who is prohibited from wagering according to the applicable sports wagering regulations.

**Technical Problems** – Bets placed while the website was encountering technical problems that would otherwise not have been accepted.

**Influence Betting** – "Influence Betting" is an act, prohibited by DraftKings, where an Authorized Account Holder, or parties acting in association with an Authorized Account Holder, can influence the outcome of a match or an event

- directly or indirectly.

**Syndicate Betting** – "Syndicate Betting" is an act, prohibited by DraftKings where Authorized Account Holders act together to place a series of bets on the same event or competition.

**Criminal Action** – A result has been affected by illegal activity – directly or indirectly.

**Public Announcement** – A public announcement has occurred in relation to the bet which alters significantly the odds, such announcement occurring after the posting of the affected betting

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market and bets being placed on the affected event in a manner that would tend to show that the announcement affected the way that end users chose to bet.

**Customer Experience** – DraftKings will, at its own discretion, cancel user bets at their request to ensure a good user experience.

**Obvious Error** - See below.

As per DraftKings' House Rules, obvious errors include but are not limited to:

1. Bets accepted during technical problems that would otherwise not have been accepted;
2. Bets placed on events/offers that have already been decided;
3. Bets on odds containing incorrect participants;
4. Bets placed at odds that are materially different from those available in the general market at the time the bet was placed;
5. Bets offered at odds which reflect an incorrect score situation; or else,
6. Odds being clearly incorrect given the chance of the event occurring at the time the bet was placed.

## **112-201-12 Reporting of suspicious activity**

a) As used in this section, “suspicious transaction” means a transaction which a lottery gaming facility manager or its interactive sports wagering platform provider knows or, in the judgment of its employees, has reason to suspect:

- 1) Is, or would be if completed, in violation, or is part of a plan to violate or evade, any federal, state, or local law or regulation;
- 2) Is, or would be if completed, wagering by, or on behalf of, a coach or participant in a sporting event or other event on such event;
- 3) Is, or would be if completed, a structure wager as defined in KAR 112-201-8; or
- 4) Has no business or apparent lawful purpose or is not the sort of transaction the patron would normally be expected to perform, and the lottery gaming facility manager knows of no reasonable explanation for the transaction after examining the available facts, including the background of the transaction.

**DraftKings acknowledges the above “suspicious transaction” definition.**

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b) A lottery gaming facility manager shall utilize an independent integrity monitoring provider to identify non-normal irregularities in volume or odds swings that could signal suspicious activity and further investigation.

1) Internal Controls shall state details for how integrity monitoring efforts and notifications pertaining to them will be handled.

2) In situations involving immediate attention, such as large odd swings or irregularities in volume, the lottery gaming facility manager shall immediately notify the on-site Kansas Racing and Gaming Commission agent in addition to timely filing of a report as determined by the Kansas Racing and Gaming Commission.

### **Information sharing with independent integrity monitoring providers**

**DraftKings shares information with other operators, league governing bodies, and regulatory bodies through its partnership with US Integrity (Formerly SWIMA) in the US, and with IBIA (International Betting Integrity Association) overseas. If DraftKings originates a potential integrity case, the trading team will seek feedback from the customer analysis team, who will then analyze the specifics of the user account(s) and raise the alert to integrity organizations if warranted. If an alert is raised by one of our integrity partners, the customer analysis team is responsible for responding within an hour to each alert. If further investigation is needed, DraftKings may work directly with integrity bodies, as well as regulatory and league governing bodies to provide information and expertise.**

### **Review**

**DraftKings trading, compliance, and regulatory teams meet bi-weekly to review all recent alerts and agree on appropriate mitigating actions.**

**See below from section 112-201-23 b(10) for additional DraftKings integrity monitoring efforts and procedures for reporting irregularities to the lottery gaming facility manager and the KRGC.**

### **Fraud and Suspicious Conduct – Integrity Monitoring**

**DraftKings has extensive controls in place to prevent, deter, identify, and report suspicious betting behavior.**

### **Preventative measures**

**DraftKings will not offer events that are deemed to be a significant integrity concern. Having compiled an enormous amount of historical information from DraftKings as an operator, its B2B**

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partners in the US and overseas, information shared by integrity providers, and various news sources, DraftKings maintains a database of leagues, teams, and players that are blocked from its offering. DraftKings continuously updates this database as new integrity events come to light.

DraftKings also takes proactive risk management measures when offering leagues that it considers to have attributes that increase the risk of fixing, or where there is limited information or betting on the event. For example, if the league is a particularly low level, or the players are not well paid, certain prop bets will not be offered, market limits will be lowered and/or market vig increased, so that it is much less appetizing to try to fix the game, and much more difficult.

### **Bet Monitoring**

DraftKings traders and trading user analysts monitor incoming bets, liabilities, and price movements, 24/7. Traders are split into groups of 6-8 according to sport expertise with a team leader for each group and a trading manager always on shift as well. Leveraging sports specific knowledge and expertise in individual user behaviors, DraftKings is able to effectively manage integrity events.

If liability is built very quickly in an unusual fashion, the trader suspends the event and lets the trading manager know to investigate the exact user(s) involved in the issue. Similar logic applies if there is a large, unexplainable movement in the prevailing market odds of a game. The trading team will only resume offering the event if they are satisfied that an integrity event has not occurred.

DraftKings will also tag specific customers if there is some suspicion that they have been involved in an integrity event to monitor their behavior and help identify future suspicious bets.

### **News monitoring**

Traders are monitoring and ready to respond to breaking news 24/7 whether that be via event suspensions and/or investigations, odds movements, or changes to risk management settings.

Relevant news sources include:

- Twitter/Instagram/Facebook
- Player accounts
- Agents
- Beat writers
- Media individuals (ESPN reporters etc.)
- Gambling personalities

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- Handicapping sites
- Media
- News aggregation sites (e.g. profootballtalk.com)
- Fantasy news sites (e.g. Fantasy Guru, FantasyLabs)
- Television
- NFL Network
- ESPN

### **Non-wagering fraud controls**

**DraftKings has also developed substantial infrastructure to prevent, detect, and report fraudulent account behavior that does not specifically involve the placing of wagers.**

**The following procedures apply for all sports, irrespective of the jurisdiction:**

- **The bet trading teams for the relevant sports monitor the liabilities on events in real time. If DraftKings has a liability being built very quickly into a non-normal (non-tier 1) event, the trader or the team leader suspends the event and lets the customer analysis team know to investigate the exact users(s) involved into this event.**
- **Similar logic applies if DraftKings notices a drastic drop (more than 50%) on the initial match prices of a game.**

**On a 24/7/365 basis the bet traders on shift must report any potential case to the customer analysis team. The customer analysis team, after conducting an internal investigation, can then share the case with our relevant integrity partners. In each possible case, the director of trading, head of risk management and the compliance team are kept informed.**

**If suspicious wagering is confirmed to be an integrity concern, DraftKings will notify the KGRC and Lottery.**

- c) The lottery gaming facility manager or its interactive sports wagering platform provider shall file with the commission a copy of any suspicious activity report (SAR) the facility manager is required to file under 31 C.F.R. §1021.320. Each SAR shall be filed with the commission concurrently with the federal filing.

**In the event DraftKings Digital identifies suspicious activity warranting a SAR escalation, DraftKings staff will work directly with the property to provide relevant case details. SAR filing**

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**will be facilitated through the property with applicable case details and supporting documentation provided by DraftKings**

- d) A lottery gaming facility manager, interactive sports wagering platform provider, director, officer, employee, or agent who reports a suspicious activity shall not notify any person involved in the suspicious activity that the suspicious activity has been reported.

**DraftKings acknowledges the above.**

- e) The lottery gaming facility manager or its interactive sports wagering platform provider shall maintain a copy of any report filed and the original of business record equivalent of any supporting documentation for a period of five years from the date of the filing the report. Supporting documentation shall be identified and maintained by the lottery gaming facility manager or its interactive sports wagering platform provider as such and shall be deemed to have been filed with the report. The lottery gaming facility manager or its interactive sports wagering platform provider shall make all supporting documentation available to the board and any appropriate law enforcement/regulatory agencies upon request of the executive director.

**DraftKings acknowledges the above. See section 112-201-9 above. DraftKings shall maintain a copy of any report filed and the original of business record equivalent of any supporting documentation for a period of five years.**

- f) Nothing in this regulation shall be construed as relieving a lottery gaming facility manager or its interactive sports wagering platform provider from meeting any obligation to prepare or maintain any book, record, or document required by any other federal, state, or local governmental body, authority, or agency. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings acknowledges the above.**

## **112-201-13 Wagers, terms and conditions**

- a) The terms and conditions of this subsection do not prohibit the granting of the following by

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an interactive sports wagering platform provider or a licensed lottery gaming facility manager where the sports book is located or an affiliate of one or more of those entities that holds a gaming license:

- 1) Room, food, and beverage, that are available to the public from other sources, including spa services, movies, bowling and entertainment admissions; or
  - 2) Limousine or other car service transportation to and from the gaming establishment where the sports book is located.
  - 3) Merchandise or other non-cash equivalents not exceeding \$600 per patron per week with the value of such \$600 determined by the interactive sports wagering platform provider or the lottery gaming facility manager cost.
- b) A lottery gaming facility manager or its interactive sports wagering platform provider, including all marketing entities that have contracted with the lottery gaming facility manager or its interactive sports wagering platform provider to provide sports wagering, may award loyalty program points based on wagers placed by a patron; however, such points may only be redeemed in accordance with the rules of the program, or for items or services that do not fall under one of the exceptions listed under subsection (a). The lottery gaming facility manager shall include a description and controls for player loyalty programs related to sports wagering in their internal controls.
- c) Complimentaries issued by a sports wagering operation will follow the requirements of KAR 112-104-9.
- d) A lottery gaming facility manager or its interactive sports wagering platform provider shall not, in an attempt to provide a benefit to the patron in violation of subsection (a), offer a wagering proposition, or set or move its wagering odds, lines or limits, or do anything that would violate their house rules.
- e) Other than as part of an approved promotional mechanism, an interactive sports wagering platform provider shall not set lines or odds, or offer wagering propositions, designed for the purposes of ensuring that a patron will win a wager or series of wagers. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-13(a) and (c) through (e) are not applicable to the digital product. Further the \$600 cap came out of the latest KRGC regulations.**

**112-201-13(b)**

**DraftKings Loyalty Program does not require enrollment/opt in, as is the case with traditional land based programs. Users earn Crowns (points) for gameplay across DraftKings Products.**

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Crowns are redeemable for DK\$, Free Credits, Free bets, and various additional rewards within our Rewards Store. As users earn more crowns, they also progress through status tiers that earn them additional perks/benefits. We also offer frequent and varied promotional programs that reward users with bonuses upon completion of qualifying actions required under the terms and conditions of the offer (opt in, place qualifying wagers, engage with content, etc.).

## **112-201-14 Wagering communications, establishing patron wagering for sporting events.**

a) A lottery gaming facility manager or its interactive sports wagering platform provider shall only accept sport wagering initiated from within the State of Kansas. Each lottery gaming facility manager or its interactive sports wagering platform provider shall conspicuously display signs to that effect on its premises.

**“Physically present in KS” is conspicuously displayed on footer of the interactive sports wagering platform provider website and application and listed in the User Agreements section of the Kansas Terms of Use. Prior to registration, a user must acknowledge that all wagers are to be facilitated in the state of Kansas.**

b) A lottery gaming facility manager or its interactive sports wagering platform provider shall not accept wagering instructions for sport wagers unless the transmission of the wagering instructions is initiated from within the State of Kansas.

**A patron must access their account from within the State of Kansas to place a sports wager. Additionally, DraftKings geolocation controls can be found in section 112-203-6.**

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c) Each lottery gaming facility manager or its interactive sports wagering platform provider that accepts wagering communications shall establish and implement a system of internal controls for such transactions and comply with both its system of internal controls and all other applicable Kansas Administrative Regulations.

**DraftKings acknowledges the above requirement.**

d) Each lottery gaming facility manager or its interactive sports wagering platform provider shall prepare a written description of its house rules and procedures for wagering communications and shall make a copy available to all patrons upon request.

**DraftKings House Rules are available on the website and app for the digital product. See appendix X for the approved House Rules.**

e) Before each lottery gaming facility manager or its interactive sports wagering platform provider accepts a wagering communication on any sports wager or any other event wager over the internet, the following must occur:

1) A lottery gaming facility manager or its interactive sports wagering platform provider shall register patrons and create sports wagering accounts”, either remotely or in person, as follows:

A) Identity verification shall be undertaken before a patron is allowed to place a wager. To confirm a player’s identity, the patron shall provide the following registration information:

- i) The patron’s full legal name;
- ii) The patron’s date of birth;
- iii) The patron’s permanent residential address (other than P.O. Box);
- iv) The patron’s Social Security number, or the last four (4) digits of the Social Security number, or an equivalent identification number for a noncitizen patron, such as a passport or taxpayer identification number; and
- v) Any other information collected from the patron used to verify his or her identity and to prove the patron is at least twenty-one (21) years of age.

**DraftKings advanced and adaptive identity verification solutions are designed to meet and exceed industry standards when it comes to securely identifying our users. Our technology is highly scalable and custom tailored to meet a wide range of regulatory use cases regardless of**

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the demanding pace of change in the industry's commercial and legal landscape. Our practices have been independently tested, licensed, and approved by several regulatory bodies and auditors.

In order to establish a DraftKings Sportsbook account, all users are required to verify their identity. When verifying a user's identity, DraftKings conducts an identity verification check on the following demographic information:

- First Name
- Last Name
- Physical Address (PO Boxes & Commercial properties are never accepted)
- Date of Birth (MM/DD/YYYY)
- Combination of Last 4 SSN & full 9 SSN

User information is validated using LexisNexis, IDology, Socure, or Aristotle, who are trusted solutions for identity verification utilized across a diverse set of industries. Those industries include government agencies, educational institutions, financial institutions, sports betting entities, and more. Our identity providers check citizens or national database information, credit header file information, electoral rolls, property records, utility data and marketing sources. Both identity verification providers check against national watchlists such as Office of Foreign Asset Control (OFAC), Politically Exposed Persons (PEP), Children's Online Privacy Protection Act (COPPA) and more.

If a user fails the automated KYC verification two times, the user will be prompted to scan the front and back of their driver's license or passport to be processed through our automated document verification flow. If the account can still not be verified the player will be prompted to explore the DraftKings app while the fraud team reviews the driver's license that was used during the automated document verification flow.

After verification, all users will be required to accept the various user agreements to participate on the platform. Acceptance of all user-agreements are recorded internally.

To uphold the integrity of our platform and protect against the risk of any underage persons attempting to register, DraftKings leverages a unique set of risk indicators from our providers. These unique fraud risk indicators were designed by analytical fraud experts to detect different fraud schemes. These capabilities help our systems and risk management team to quickly determine the type of potential identity fraud risk that is associated with the input identity

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information. Then, our analysts can use these results to take the appropriate fraud prevention and investigation measures. Controls put in place on the DraftKings platform apply automatic account restrictions to any account that attempts to verify a date of birth placing the user below the minimum age of eligibility. These users are subject to review by the risk management team to determine whether the individuals are eligible to participate on the platform.

#### **Stolen Identity Index**

The index indicates the risk that the transaction is in connection with a real identity that has been compromised. For example, the identity is applying with a new address that is not likely associated with the true owner of the identity.

#### **Synthetic Identity Index**

The index indicates the risk that the input identity is a synthetic identity. For example, this identity is only reported by credit bureaus or is missing characteristics of normal identities.

#### **Manipulated Identity Index**

The index indicates the risk that the identity is being intentionally manipulated. For example, there is a suspicious amount of variation of PII (personally identifiable information) associated with this identity.

#### **Vulnerable Victim Index**

The index indicates the identity profile is at risk for being a victim of identity fraud. For example, a high-occupancy location or minors.

#### **Friendly Fraud Index**

The index indicates the identity profile is at risk for being a victim of identity fraud perpetrated by a close associate. For example, the individual has high-risk relatives and close associates.

#### **Suspicious Activity Index**

The index indicates the level of suspicious and high-risk activity that was previously observed for the input elements. For example, the input elements are tied to records that were previously deemed to be suspicious or high risk.

B) A lottery gaming facility manager or its interactive sports wagering platform provider may register and create sports wagering accounts for patrons, including inspecting a patron's registration information provided in (A) to confirm their identity, as required by filing a

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request with the executive director for permission to have its employees register and create sports wagering accounts for patrons. The request must include a comprehensive marketing plan setting out, at a minimum, the types of locations and types of potential patrons which a lottery gaming facility manager or its interactive sports wagering platform provider intends to send its employees for the purposes of registering and creating sports wagering accounts for patrons. A lottery gaming facility manager or its interactive sports wagering platform provider may not act under its marketing plan prior to the executive director approving the request. The executive director may impose limitations and conditions on any approved request. The executive director may rescind approval of a request of a lottery gaming facility manager or its interactive sports wagering platform provider to have its employees register and create accounts outside the premises of the sports book upon written notice to the lottery gaming facility manager or its interactive sports wagering platform provider.

**112-201-14 (e)B is not applicable to the digital product. Further, DraftKings does not allow retail employees to create accounts for users. DraftKings KYC controls for account registration by users can be found in the section above.**

2) Before registering a patron for a sports wagering account, the lottery gaming facility manager or its interactive sports wagering platform provider shall have the patron affirm that the patron has been informed and acknowledges that patrons are prohibited by law from placing sports wagers and other event wagers while physically located outside of Kansas, and that the interactive sports wagering platform is prohibited from accepting such wagers.

**After the KYC process has been completed, users are required to agree to various user-agreements to finalize their registration, including but not limited to, “I hereby acknowledge that all wagers must be placed while physically located in Kansas.”**

f) A lottery gaming facility manager or interactive sports wagering platform provider may place a layoff wager with another sports wagering licensee located in the state of Kansas for the purpose of offsetting patron wagers provided that:

1) The lottery gaming facility manager or interactive sports wagering platform provider placing the layoff wager discloses the identity to the licensee receiving the layoff wager; and

2) The receiving licensee agrees to accept the layoff wager after notification of the identity of the sports wagering licensee placing the layoff wager is provided. The lottery gaming facility manager’s or its interactive sports wagering provider’s employee must record:

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A) The authorized employee for the other lottery gaming facility manager's or its interactive sports wagering platform provider's name, permanent business address (other than a P.O. Box), and business telephone number;

B) The documents used to verify the other lottery gaming facility manager or its interactive sports wagering platform provider is a lottery gaming facility manager or its interactive sports wagering platform provider and that the authorized employee is an employee of the other lottery gaming facility manager or its interactive sports wagering platform provider, and is authorized to open this sports wagering account;

C) The amount of the authorized employee of the other lottery gaming facility manager's or its interactive sports wagering platform providers's initial sports wagering account or front money deposit;

D) The authorized employee of the other lottery gaming facility manager's or its interactive sports wagering platform provider's account number with the interactive sports wagering platform; and

E) The date the authorized employee of the other lottery gaming facility manager's or its interactive sports wagering platform provider's account with the sports book is opened.

3) The authorized employee of the other lottery gaming facility manager or its interactive sports wagering platform provider must sign, in the presence of a supervising employee of the lottery gaming facility manager or its interactive sports wagering platform provider, statements attesting that the authorized employee of the lottery gaming facility manager or its interactive sports wagering platform provider:

A) Confirms the accuracy of the information recorded;

B) Has received a copy, or has had a copy made available to them, of the interactive sports wagering platform's house rules and procedures for sports wagering communications;

C) Has been informed and understands that authorized employees of other lottery gaming facility manager or its interactive sports wagering platforms providers that establish a sports wagering account pursuant to this subsection are prohibited by law from placing wagering communications from outside the state of Kansas and that the lottery gaming facility manager or its interactive sports wagering platform provider is prohibited by law from accepting them; and

D) Consents to the monitoring and recording by the executive director and the lottery gaming facility manager or its interactive sports wagering platform provider of any wagering communication.

4) The employee who verifies the authorized employee of the other lottery gaming

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facility manager's or its interactive sports wagering platform provider's information and who obtains and records the information on behalf of the lottery gaming facility manager's or its interactive sports wagering platform provider and the supervising employee described in subparagraph (c), must each sign statements that they witnessed the authorized employee's signature and confirmed the authorized employee of the other lottery gaming facility manager's or its interactive sports wagering platform provider's identity and residence.

**DraftKings does not allow the placement of layoff wagers.**

g) In addition to the posting of the wager in the interactive sports wagering platform, all wagering communications shall be electronically recorded and retained for a period of two years. The method of recording the wager must be approved by the executive director. Such recordings shall be made immediately available to any enforcement agent upon request.

**Wagering communication, such as bet placement info is stored within DraftKings internal databases for a period not less than two years. Bet placement info can be made available upon request.**

h) All sports wagering account applications or amendments thereto for active accounts shall be retained by the lottery gaming facility manager or its interactive sports wagering platform provider. All sports wagering account applications or amendments thereto for rejected applications shall be retained by the lottery gaming facility manager or its interactive sports wagering platform provider for no less than two years following the rejection of the related application. All sports wagering account applications or amendments thereto for closed accounts shall be retained by the lottery gaming facility manager or its interactive sports wagering platform provider for no less than two years following the closure of the related sports wagering account.

**All sports wagering account applications and amendments, including patron account status (dormant or closed) shall be retained for no less than two years.**

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i) A lottery gaming facility manager or its interactive sports wagering platform provider shall not allow the use of a sports wagering account established pursuant to this section for forms of gaming other than sports wagering or other event wagering unless administrative approval has been granted by the executive director. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings acknowledges the above requirement.**

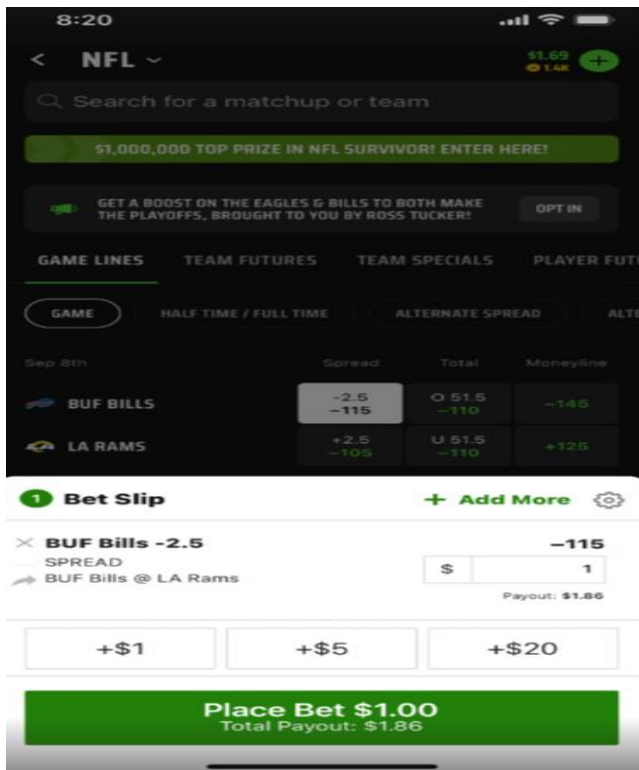
## **112-201-15 Lottery gaming facility manager or interactive sports wagering platform provider duties.**

a) A lottery gaming facility manager or its interactive sports wagering platform provider shall provide for the patron's review and confirmation of all wagering information before the wagering communication is accepted by the interactive sports wagering platform. The interactive sports wagering platform shall create a record of the confirmation. This record of the communication of the wager shall be deemed an actual transaction of records, regardless of whether or not that wager was recorded by the interactive sports wagering platform;

**When a user selects a wagering market in the digital sportsbook, they are required to view and confirm their selection in their betslip before any wagering communication is accepted. Please find the user-flow in the below screenshot.**

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b) A lottery gaming facility manager or its interactive sports wagering platform provider shall prohibit wagers from being changed after the patron has reviewed and confirmed the wagering information, and the specific wagering communication transaction has been completed.

**A wager cannot be changed after the user has reviewed and confirmed the wagering information and the transaction has been completed.**

c) A lottery gaming facility manager or its interactive sports wagering platform provider shall prohibit the acceptance of wagers after post time.

**See 112-201-5 (c) for procedures prohibiting past posting.**

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d) A lottery gaming facility manager or its interactive sports wagering platform provider shall prohibit an interactive sports wagering platform from accepting an account wager, or a series of account wagers, in an amount in excess of the available balance of the wagering account;

**A patron must have a sufficient available account balance present in their account before a bet is accepted.**

e) A lottery gaming facility manager or its interactive sports wagering platform provider shall prohibit an interactive sports wagering platform from accepting out-of-state sports wagers.

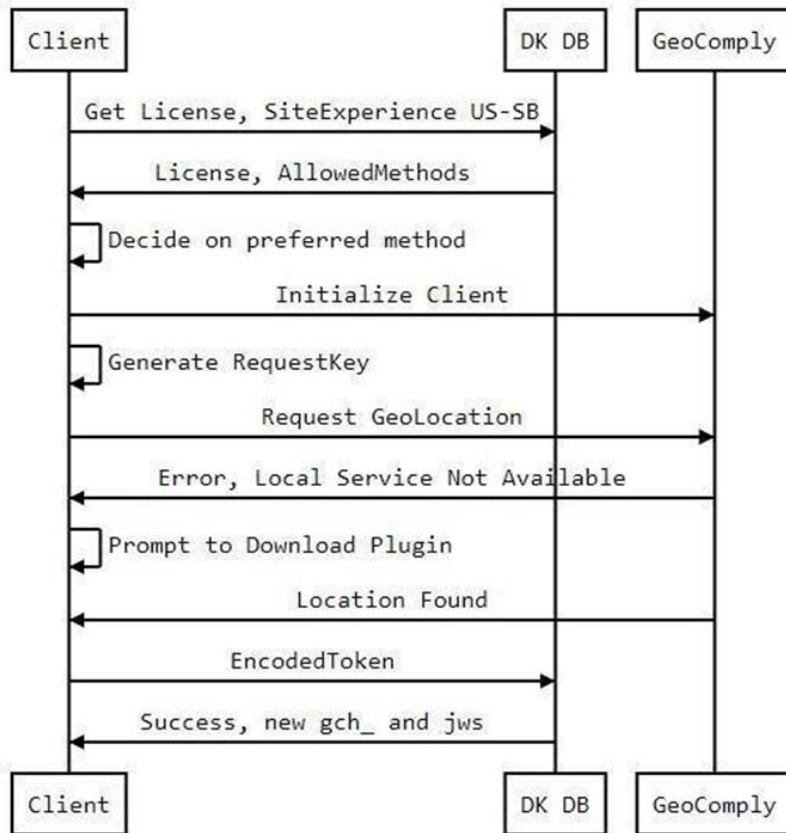
**A patron must access their account from within the State of Kansas to place a sports wager. Additionally, DraftKings geolocation controls can be found in section 112-203-6.**

**DraftKings uses Geocomply to verify location services for players wanting to wager real money in a legal jurisdiction. GeoComply's download solution is designed to meet and exceed the most stringent compliance requirements for regulated markets. It is considered the gold-standard for withstanding the demands of US federal or state level sports wagering legislation and is constantly tested by regulatory agencies across the US to ensure its continued performance for location compliance. Enhanced geolocation tools utilize both device-based browser geolocation and network connection analysis. This allows levels of accuracy of +/- 25 meters, pinpointing users to a house level, and comprehensively stopping spoofing via 350+ checks per transaction. Multiple databases and failover systems maximize pass rates to achieve 98% or more.**

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## Sequence Diagram



**DraftKings requests the location of the device being used by a user whenever they:**

- Attempt to enter a wager
- Register for an account
- Log into our internet sports betting platform

Using GeoComply’s proprietary “Plug-in” technology, users will be requested to download the plug-in to verify their location. GeoComply combines & encrypts multiple location data sources for accurate location results, rather than relying on a single source of data for verification. GeoComply collects Wifi, GPS, GSM, and IP location data from a user’s device to deliver highly accurate location results.

GeoComply’s technology is capable of proxy, VPN, malware, and enhanced remote desktop detection to thwart spoofing attempts and high-risk transactions. GeoComply’s geolocation process occurs every 20 minutes or 5 minutes within 1 mile of the border when on a static connection. When operating a mobile device, the geolocation check occurs, between 20 minutes

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**and 30 seconds, depending on proximity to the border, at a velocity check of 70 miles/hour.**

**Users located outside a permitted boundary will be rejected from placing a wager and receive appropriate error messaging.**

- f) A lottery gaming facility manager or its interactive sports wagering platform provider shall post payment on winning account wagers as a credit to the patron's wagering account based on approved house rules.

**Accounts are automatically credited winning funds after the settlement of the wagered market. No action is required by the user for funds to be deposited into their account.**

- g) A lottery gaming facility manager or its interactive sports wagering platform provider shall maintain complete records of every deposit, withdrawal, wager, winning payoff and other debit or credit for each account;

**DraftKings maintains complete records of deposits, withdrawals, wagers, winnings, and all debit or credits for each player account. Account statements are available on-demand to the user by accessing their account summary page.**

- h) A lottery gaming facility manager or its interactive sports wagering platform provider shall not permit a patron to transfer funds from a sports wagering account to another sports wagering account.

**DraftKings users are not permitted to transfer funds from a sports wagering account to another sports wagering account.**

- i) Lottery gaming facility managers or their interactive sports wagering platform providers shall provide an account statement with account details to a patron on demand, which shall include detailed account activity for at least six (6) months. In addition, a lottery gaming facility manager or its interactive sports wagering platform provider shall, upon request, be capable of providing a summary statement of all patron activity during the past two (2) years.

**DraftKings provides users the ability to view their account statement via their "My Account"**

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**section of the app and website. The page includes detailed information of all transactions for at least the previous six months. In addition, users can contact DraftKings directly to receive an account history statement of their activity during the past two (2) years.**

j) A lottery gaming facility manager or its interactive sports wagering platform provider shall periodically re-verify a patron's identification upon reasonable suspicion that the patron's identification has been compromised.

**A patron may be required to provide identification, proof of financials, and other types of documentation while under review for fraud or a violation of DraftKings's terms and conditions.**

**Also, see the DraftKings fraud controls, including requiring a user to re-verify their account upon suspicious activity in section 112-201-23.**

k) The utilization of funds to place a wager under this regulation shall be initiated only by a patron using an access control, such as a password. Access controls shall require the use of a unique access code for each patron. The access code shall be selected by and available to only the patron.

**Before any account activity may take place, users are required to successfully login using their DraftKings username and password. Users have the option to enable strong authentication (multi-factor authentication MFA) for added account security. You may opt-in for "strong authentication" by logging in and navigating to the preferences page under your account information. DraftKings currently supports 2FA authentication by text message or email. With strong authentication enabled, each time you wish to log in to your account, you will receive a text message or email containing a temporary six-digit code. You must enter that code during account login to access your account.**

l) A patron's sports wagering account may be funded using approved methods which shall produce a sufficient audit trail for verification of the source of the deposits. Approved methods include:

- 1) Cash and cash equivalents;
- 2) Electronic bank transfers of money, including transfers through third parties;
- 3) Bank and wire transfers of money;
- 4) Debit and credit cards;

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- 5) online and mobile application payment systems that support online money transfers;
- 6) Sports wagering promotional credits provided by a lottery gaming facility manager or an interactive sports wagering platform provider; and
- 7) Any other payment method approved by the executive director.

**All deposits into Kansas patron accounts are fully auditable and recorded in DraftKings internal databases. Additionally, user financial transactions can be viewed in the DraftKings back-office, PitBoss.**

#### **Payment Method Opt-Out**

**DraftKings offers all users the option to disable individual payment methods that are linked to their account. For a user to successfully link a payment instrument to their account it must be used as a deposit source. This enables DraftKings to properly capture the payment instrument information. Once a payment instrument is linked to an account it can be banned from any further use on the platform including all deposits and withdrawal activity. Users can reach out to the DraftKings customer support team 24/7 to have payment instruments banned from further use on the platform.**

#### **Deposit Methods**

##### **Credit and Debit Cards**

**Card details and deposit amount are entered in the deposit section of the user's DraftKings online Sports wagering account. The transaction is sent to the payment processor and is forwarded to the card holder's financial institution. A response is sent back from the financial institution to the payment processor to DraftKings resulting in either an approval or a denial. If approved, the funds are instantly available to the user in his/her online sports wagering account. Declines will show an error message and might result in the user being presented with alternative deposit methods. Declines with negative information (such as reported lost, stolen, multiple attempts, information mismatch) are reviewed by the Fraud team and will result in the account being blocked and investigated. DraftKings has additional monitoring in place that will trigger if the user account name is different from the name entered on the credit card field. The Fraud team will monitor these on a daily basis and will take all necessary actions, including filing suspicious activity reports if applicable.**

##### **Sightline Prepaid Cards**

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Reloadable prepaid cards are provided by Sightline and are funded on Sightline's website. Sightline verifies the identity of the applicant and issues the card in the applicant's name, which would then match with the name on the online sports wagering account. Users can deposit and withdraw using this prepaid reloadable card on the DraftKings Platform.

#### **Online Banking**

**(Mazooma & PayWithMyBank)** – Enables patrons to deposit and withdraw directly from their bank account onto the DraftKings sports wagering platform by providing their information, including but not limited to bank account and routing number. Mazooma & PayWithMyBank confirms this information directly with the user's bank in real time and notifies DraftKings immediately of the availability of the funds before submitting the transaction through ACH clearing. Mazooma & PayWithMyBank has the ability to verify bank account ownership, balance, and account status in real time.

#### **Cash at Retail**

Users will be able to generate a barcode on their device through the DraftKings app or site. That barcode can then be scanned at retail locations (drug store, convenience store, supermarket, etc.) POS system. The system functionality is supported by a white label version of Incomm's Vanilla Direct prepaid card solution. Funds are run through InComm and DraftKings business rules to ensure any deposit is serviceable. If it is serviceable, the cash will be accepted, and funds will enter a user's DraftKings account. If it is not serviceable, cash will be returned to the user, funds will not be disbursed, and a reason for the failure will be communicated to the user via e-mail.

#### **VIP Preferred**

VIP Preferred allows users to link up to 4 bank accounts. This same VIP Preferred account and linked bank accounts can be leveraged across all sports wagering operators. It enables users to deposit funds to the DraftKings sports wagering platform by enrolling into the program and providing their bank account and routing number. VIP Preferred verifies the validity of the account prior to the deposit being made.

#### **III. Risk Vetting + Verification**

- A. Users must verify their identity with a legal ID in order to sign up. DraftKings shares information from our own verification process to complement screening. Users are also subject to a soft credit check to assess risk. VIP Preferred synthesizes risk indicators to approve or deny enrollment into the program, as well as to set responsible gaming limits within the VIP Preferred system.**

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#### **IV. Settlement**

- A. VIP Preferred runs on ACH processing rails**
- B. Chargebacks and financial impact are owned by VIP Preferred**

#### **Gift Cards**

**DraftKings gift cards will be available for users to purchase in retail locations and then deposited onto the DraftKings application. The cards act like a prepaid gift card that users can use on DraftKings offerings. Users will enter the prepaid card information onto the deposit option “Gift Card” and can select to deposit up to the amount of the value purchased. Any funds which are redeemed from the gift card will be made available for wagering immediately. This functionality is supported by our Incomm and BlackHawk Network payment providers, based on jurisdiction.**

##### **2. Due diligence/fraud protections:**

- a. DraftKings will ensure adequate playthrough  $\geq 65\%$**
- b. DraftKings will restrict a gift card from being used on subsequent accounts after it has been deposited by a known user.**
- c. DraftKings shall perform the same level of due diligence reviews for fraud, risk, and money laundering as defined in these internal controls**

#### **DraftKings Dual Wallet**

**Users who have existing funds with DraftKings will be allowed to transfer those funds over to DK Sportsbook. DraftKings requires a 1x playthrough prior to DFS funds deposits becoming eligible for transfer.**

#### **PayPal**

**PayPal is an online payment wallet where users can link bank accounts and cards and transfer funds to one common wallet. Users can use PayPal to deposit funds or withdraw funds to and from their DraftKings gaming account.**

- 3. After initiating a PayPal transaction, users will be redirected temporarily to the PayPal website in order to finish the transaction security. They will be required to login to PayPal and choose a verified funding option (bank account or debit/credit card).**
- 4. After clicking on ‘continue’, the deposit/withdrawal is processed, and the patron is sent back to DraftKings for a confirmation.**

#### **Venmo**

**Venmo is a digital wallet that works similar to PayPal, historically used to facilitate peer-to-peer transactions. Venmo allows users to deposit with both their Venmo balance and a linked bank**

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account. Venmo will only be available to users who are on their mobile device where they will be directed over to the Venmo app in order to authorize DraftKings as a “Connected Business”. Once they have authorized DraftKings as a Connected Business subsequent deposits will be processed with the stored Venmo account and we will only allow one Venmo account to be linked to one DraftKings account. Withdrawals will be processed to the linked Venmo account which will have to be previously used for deposit.

### **ApplePay**

ApplePay is a digital wallet that can hold multiple cards in order to streamline online purchases. Users will add their debit or credit card to their ApplePay wallet and be able to select the funding source prior to depositing on the DraftKings platform. ApplePay is only available to users on an iOS operating device (Mac or iPhone) and will be directed to the funding source selection page each time. After selecting the card, the transactions will be processed via standard card routes of Paysafe or Braintree. Users are required to enter a unique PIN or leverage biometrics (depending on the user-opt'd setting) in order to authorize the payment within the ApplePay user interface.

### **Bank Wire**

DraftKings user need to contact customer support stating their intention to initiate a bank wire deposit. Customer Support will request the user to provide us with the intended amount of the bank wire and in order to verify the ownership of the bank account from the which the wire will originate from, DraftKings will request a bank statement from the previous 90 days which shows a) Name, b) Address, c) Last 4 Digits of their Bank Account Number. Once DraftKings is in possession of the requested information, Customer Service will check the account for any user-imposed deposit limits, provide our banking information to the user and authorizing them to submit the wire. If a user has deposit limits set on the account, Customer Service will advise the user of such limits and shall inform the user with the amount they are able to wire without exceeding their deposit limits.

### **Withdrawal Methods**

#### **OCT**

OCT (Original Credit Transactions) is a new payment method that enables direct transfer of funds to a user’s debit card. This method will allow us to push funds back to a card that we have already stored after being used for deposit. Currently, this type of transaction is only offered for Mastercard and Visa cards and is subject to issuing bank enrollment of supporting OCT. We have created a BIN List Management Service which will allow us to consume information provided by

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Nuvei (our integrating partner) to let us know which banks support OCT so that we can intuitively enable or disable cards for selection by the user depending on their eligibility. OCT transactions will push funds back to the card within 30 minutes in most cases once it has been approved for processing by DK (subject to our normal fraud checks).

#### **Venmo**

Venmo is a digital wallet that works similar to PayPal, historically used to facilitate peer-to-peer transactions. Venmo allows users to deposit with both their Venmo balance and a linked bank account. Venmo will only be available to users who are on their mobile device where they will be directed over to the Venmo app in order to authorize DraftKings as a “Connected Business”. Once they have authorized DraftKings as a Connected Business subsequent deposits will be processed with the stored Venmo account and we will only allow one Venmo account to be linked to one DraftKings account. Withdrawals will be processed to the linked Venmo account which will have to be previously used for deposit.

#### **ACH**

ACH (Mazooma & PayWithMyBank) – Enables users to withdraw directly from their bank account onto the DraftKings sports wagering platform by providing their information, including but not limited to bank account and routing number. Mazooma & PayWithMyBank confirms this information directly with the player’s bank in real time and notifies DraftKings immediately of the availability of the funds before submitting the transaction through ACH clearing. Mazooma & PayWithMyBank has the ability to verify bank account ownership, balance and account status in real time.

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- 1. After initiating a PayPal transaction, users will be redirected temporarily to the PayPal website in order to finish the transaction security. They will be required to login to PayPal and choose a verified funding option (bank account or debit/credit card).**
- 2. After clicking on 'continue', the deposit/withdrawal is processed, and the user is sent back to DraftKings for a confirmation.**

#### **Sightline Prepaid Cards**

**Reloadable prepaid cards are provided by Sightline and are funded on Sightline's website.**

**Sightline verifies the identity of the applicant and issues the card in the applicant's name, which would then match with the name on the online gaming account. Users can deposit and withdraw using this prepaid reloadable card on the DraftKings Platform.**

#### **Bank Wire**

**DraftKings users may request a bank wire withdrawal to Customer Experience team if they are withdrawing more than \$10,000. All withdrawals over \$50,000 will be completed via bank wire. Once receiving bank wire details from the user, DraftKings Finance Team will initiate the bank wire transfer in the DraftKings account holder's name. If the DraftKings account holders name differs from the name on the bank account provided, the wire will be rejected and the funds**

**returned to DraftKings' bank account. At that time, Customer Experience will contact the user and have them confirm all details for the wire transfer.**

#### **Checks**

**Users can withdraw their available funds by requesting a check withdrawal. These requests are compiled into a daily batch CSV file that is uploaded in CrossPay's secure backend on the follow business day by 1pm. Once the checks are uploaded, CrossPay will provide us with a transaction file that contains all the check numbers. The Finance team will record check numbers into our banks for processing and to eliminate the chance of fraud. Once this process is completed,**

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**CrossPay will print the checks and mail them out according the users preference, between Fedex and USPS. Checks with amounts over \$2000 are sent via FedEx with a tracking number. Checks with amounts below \$2000 are sent via USPS.**

m) Lottery gaming facility managers or their interactive sports wagering platform providers shall provide a conspicuous and readily accessible method for a patron to close the patron's account through the account management or similar page or through the lottery gaming facility manager's or interactive sports wagering platform provider's customer support team. Any withdrawable balance remaining in a patron's sports wagering account closed by a patron shall be returned to the patron under the lottery gaming facility manager's or its interactive sports wagering platform provider's internal controls.

**DraftKings users can close their account by contacting our Customer Experience team and requesting an account closure. Instructions for closing an account can be found throughout the Responsible Gaming page of the app and website. Should a user elect to close their account, all remaining funds will be disbursed back to the user upon account closure.**

n) A patron must be allowed to withdraw the funds maintained in the patron's open sports wagering account. Internal controls should state the process for the patron to receive funds from an account that has been closed.

**Withdrawal methods offered can be found above. Users can withdraw any withdrawable funds in a closed account by contacting our customer support team directly.**

o) A lottery gaming facility manager or interactive sports wagering platform provider must honor such patron request to withdraw funds within five (5) business days of the request, unless the conditions set forth in subsection (p) are met.

**Withdrawals are processed by DraftKings and sent to the applicable payment processor within 5 business days. Withdrawal requests that are flagged for suspicious activity or under review will remain pending until the investigation is completed and next steps are determined.**

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p) The lottery gaming facility manager or interactive sports wagering platform provider may decline to honor a patron request to withdraw funds only if the lottery gaming facility manager or its interactive sports wagering platform provider believes in good faith that the patron engaged in either fraudulent conduct or other conduct that would put the lottery gaming facility manager or interactive sports wagering platform provider in violation of the law. In such cases, the lottery gaming facility manager or interactive sports wagering platform provider shall conduct its investigation in a reasonable and expedient fashion, providing the patron additional written notice of the status of the investigation every tenth business day starting from the day of the patron request.

**DraftKings acknowledges the above.**

q) For purposes of this provision, a request for withdrawal will be considered honored if it is processed by the lottery gaming facility manager or its interactive sports wagering platform provider notwithstanding a delay by a payment processor, credit card issuer, or the custodian of a financial account.

**DraftKings acknowledges the above.**

r) A lottery gaming facility manager or its interactive sports wagering platform provider shall consider a patron account to be dormant if the patron has not logged into the account for at least three (3) years.

1) The lottery gaming facility manager or its interactive sports wagering platform provider shall provide notice to the patron prior to closing a dormant account. The notice shall provide options to reactivate the account prior to closure. Funds of patrons that remain in a dormant patron account shall be presumed abandoned.

2) The lottery gaming facility manager or is interactive sports wagering platform provider shall report and deliver all funds of patrons that are presumed abandoned as required under the Kansas Expanded Lottery Act and applicable regulations. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**See section below from 112-201-23 (b)21 - Instituting a process to close out dormant accounts.**

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DraftKings has a process to identify, report and action unclaimed funds from dormant user accounts. User accounts are considered dormant when they remain inactive (no sign-in) for a period of 3 years or longer. For users with a last known address in Kansas, DraftKings will attempt to contact the account owner to make the user aware that his/her funds will be remitted at the end of 36 months. If no response is received from the account owner, DraftKings will report and remit all the unclaimed property to comply with the Kansas unclaimed property laws. DraftKings does not charge administration or maintenance fees on any user accounts. Unclaimed winnings are not applicable to DraftKings digital platform as winning wagers are immediately credited to the users DraftKings account upon bet settlement. Once the funds are present in the user account, these funds would be subject to DraftKings Kansas unclaimed funds and dormancy policy, as defined above. DraftKings accounts meeting the three-year dormancy threshold will be closed by DraftKings personnel.

## **112-201-16 House rules requirements**

a) House rules shall be approved by the Kansas Lottery and approved house rules must be submitted to the executive director..

b) House rules shall establish operational procedures on how to deal with the following anomalies:

- 1) Wager adjustments;
- 2) Event cancellations;
- 3) Schedule changes;
- 4) Rain delays/Game rainouts;
- 5) Rejected wagers;
- 6) Canceled wagers;
- 7) Overtime/end of regulation;
- 8) Handling of wagers with multiple events such as parlays when (1) or more legs are canceled.
- 9) Injuries; and
- 10) Any situation that can potentially affect the terms of the wager. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings acknowledges the minimum contents of the House Rules. Further, DraftKings has**

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received approved of the House Rules from the KRGC and Lottery.

## **112-201-17 Assign regulatory staff.**

The executive director at any time may require a lottery gaming facility manager or its interactive sports wagering platform provider to allow Kansas racing and gaming commission staff to be permanently present on the sport book's premises, and to require the costs and expenses for such Kansas racing and gaming commission staff to be borne by the lottery gaming facility manager or its interactive sports wagering platform provider in a manner deemed reasonable by the executive director. Kansas racing and gaming commission staff shall have full and complete access to all books, records, emails, and any telephone conversations originating from or received at the licensed premises. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings acknowledges the above requirement.**

## **112-201-18 Records and forms.**

Lottery gaming facility managers or their interactive sports wagering platform providers shall create and maintain the records and reports required by this article in such manner by using forms that the executive director requires. All forms shall be approved by the executive director. The lottery gaming facility manager or its interactive sports wagering platform provider shall maintain all records required in KAR 112-201-9. The executive director may also require the lottery gaming facility manager or interactive sports wagering platform provider to create and maintain such other records and reports as are necessary or convenient for operation of interactive sports wagering platforms. The commission and the Kansas lottery may at any time examine and copy records of any lottery gaming facility manager or interactive sports wagering platform provider. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**See 112-201-23 (a)4 for the DraftKings record retention policy.**

## **112-201-19 Sports wagering requirements**

- a) The sports book, professional sports team, or auto racetrack facility shall utilize ticket

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writers or sports wagering kiosks for wagering transactions in a location approved by the executive director. Sports wagering kiosks shall be subject to the approvals and other requirements of the Kansas Racing and Gaming Commission. This does not preclude the use of a remote wagering devices throughout the lottery gaming facility, or at a professional sports team or auto racetrack facility.

b) Each lottery gaming facility manager shall file with the commission a schedule setting forth the specific times at which the canisters will be brought to or removed from the sports wagering kiosks. The sports wagering kiosk drop shall be monitored and recorded by surveillance. The sports wagering kiosk drop schedule and drop route shall be approved by the executive director. All sports wagering kiosk drop procedures shall be incorporated in the internal controls.

1) The bill validator and bill validator canisters must meet the requirements of K.A.R. 112-104-17.

2) The issuance, receipt, and reconciliation of imprest funds used by sports wagering kiosks shall be completed in accordance with KAR 112-201-2(f).

c) Whenever a point-of-sale is opened/closed for wagering or turned over to a new ticket writer, the ticket writer signs on/off and the interactive sports wagering platform creates a point-of-sale session record indicating the ticket writer's identity, the date and time, the point-of-sale number, and the fact that the point-of-sale was opened/closed. A point-of-sale session shall timeout within an appropriate time after the last input. When the timeout occurs must be based upon at least, but not limited to, the amount of security provided by lottery gaming facility manager personnel near the Point-of-Sale, the physical barriers that limit access to the Point-of-Sale, and the frequency of sports wagers being made at the Point-of-Sale. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T\_\_\_\_\_.)

**112-201-19 (a) through (c) are not applicable to the digital product. Wagers are placed electronically through patron's sports wagering account. There are no Kiosks used for the digital product.**

## **112-201-20 Sports Wagering requirements**

a) Payment by sports wagering voucher as a method of credit redemption is only

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permissible when the interactive sports wagering platform supports this functionality.

b) A sports wagering voucher shall contain the following information:

1) Sports book name/site identification (for a printed paper voucher, it is permissible for the information to be contained on the ticket stock itself);

2) Ticket writer or sports wagering kiosk which issued the voucher;

3) Date and time the sports wagering voucher was issued;

4) Numeric value of the sports wagering voucher in dollars and cents;

5) Validation number (and which for a printed paper voucher, must appear on the leading edge of the sports wagering);

6) Bar code or any machine readable code representing the validation number;

7) Indication if the sports wagering voucher is a “duplicate”;

8) Type of transaction or other method of differentiating sports wagering voucher types;

9) Responsible gambling information (for a printed paper voucher, it is permissible for the information to be contained on the ticket stock itself); and

10) Indication of an expiration date which is 180 days from the date of issue (for a printed paper voucher, this must be printed on the sports wagering voucher).

c) The sports wagering voucher record on the interactive sports wagering platform shall contain the following sports wagering voucher information:

1) Voucher number

2) Date and time the sports wagering voucher was issued;

3) Type of transaction or other method of differentiating sports wagering voucher types;

4) Numeric value of the sports wagering voucher in dollars and cents;

5) Status of sports wagering voucher (i.e. valid, unredeemed, pending, void, invalid, redemption in progress, redeemed, etc);

6) Date and time the sports wagering voucher will expire;

7) Ticket writer or sports wagering kiosk which issued the sports wagering voucher; and

8) Date and time the sports wagering voucher was redeemed, voided, or expired.

d) Before redeeming a sports wagering voucher, the complete validation number of the unredeemed sports wagering voucher shall be available only to the platform when accessed by users with supervisor or higher authority.

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e) Sports wagering vouchers can be redeemed at a sports wagering kiosk, point-of-sale, ticket writer booths or other kiosks as approved by the executive director, and provided they support sports wagering voucher validation with a interactive sports wagering platform.

f) Upon presentation of a sports wagering voucher for redemption, the interactive sports wagering platform shall be used to verify the validity of the serial number and value of the voucher, and if valid, the platform shall immediately update the sports wagering voucher status and permit the redemption of the voucher for the value indicated thereon.

g) The interactive sports wagering platform shall have the ability to identify these occurrences and notify the cashier or ticket writer that one of the following conditions exists:

- 1) Sports wagering voucher cannot be found (beyond expiration date, forgery, etc);
- 2) Sports wagering voucher has already been paid; or
- 3) Amount of sports wagering voucher for confirmation by a cashier or ticket writer during the redemption process. (Authorized and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**112-201-20 (a) through (g) are not applicable to the digital product. Wagers are placed electronically through patron's sports wagering account.**

## **112-201-21 Patron Disputes**

(a) Patron disputes or complaints concerning the payment of alleged winnings will be addressed in accordance with KAR 112-104-33 Disputes.

**DraftKings customer support team is responsible for handling any incoming customer inquiries. Users can reach us directly via email, chat, or request a call-back from one of our support reps. Should a user file a formal complaint directly with the KRGC, DraftKings will work with the KRGC to provide any relevant information and documentation pertaining to the user's complaint. DraftKings will direct unsatisfied users to the patron protection page on the website/app where users will be able to find instructions on how to contact the KRGC directly.**

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(b) A lottery gaming facility manager and interactive sports wagering platform providers must include on its interactive sports wagering platform a notice or link to advise patrons of their right to make a complaint against the lottery gaming facility manager or interactive sports wagering platform provider, including information explaining how complaints may be filed, how complaints are resolved, and how the patron may submit a complaint to the Kansas Racing & Gaming Commission. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings Patron Protection page includes information for users to file a formal complaint with the KRGC.**

## **112-201-22 Sports Wagering Transactions**

To offer sports wagering on behalf of the Kansas lottery at the lottery gaming facility, a lottery gaming facility manager with an approved sports wagering management contract shall submit internal controls along with a floor plan and corresponding surveillance floor plan to the Kansas Racing & Gaming Commission.

(a) The floor plan shall be approved by the executive director.

**112-201-22 (a) is not applicable to the digital product. Wagers are placed electronically through patron's sports wagering account.**

(b) The Internal Controls shall be approved by the Kansas Racing & Gaming Commission.

**DraftKings will submit the Internal Controls to the Kansas Racing & Gaming Commission (KRGC) prior to offering sports wagering.**

(c) Sports wagering transactions shall be conducted from:

- 1) A counter or window located in the sports book or other cage cashier window locations as approved by the executive director;
- 2) Sports wagering kiosks in locations as approved by the executive director; or
- 3) A mobile application installed on a mobile device or accessed over the internet through a website within the geographical boundaries of Kansas. (Authorized by and

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implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings acknowledges the above requirements, 112-201-22 (c) (1) through (3).**

## **112-201-23 Internal controls**

(a) Each applicant for a lottery gaming facility manager or its interactive sports wagering platform provider certificate shall submit to the commission and the Kansas lottery a written plan of the applicant's initial system of administrative and accounting procedures, including its internal controls and audit protocols prior to the deadline set by the executive director to begin sports wagering operations. This plan shall be called the internal control system. The lottery gaming facility manager shall be responsible for and shall submit all the internal controls for sports wagering. The internal controls shall specify the functions that the interactive sports wagering platforms will perform to meet regulatory obligations. The internal controls shall include the following:

- 1) An organization chart and job descriptions that outline appropriate segregation of duties.

**112-201-23 (a)1 is not applicable to the digital product as per guidance received from the KRGC.**

- 2) a description of the duties and responsibilities of each licensed or permitted position shown on the organization charts and the lines of authority;

**112-201-23 (a)2 is not applicable to the digital product as per guidance received from the KRGC.**

- 3) a detailed narrative description of the administrative and accounting procedures designed to satisfy the requirements of this article;

**See 5(a) and 5(b) below.**

- 4) a record retention policy in accordance with K.A.R. 112-104-8;

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See below from section 112-201-9 above.

## **Records Retention Policy & Schedule**

The purpose of this Records Retention Policy and Schedule (“Retention Policy”) is to provide instruction for the management of DraftKings Information and Records.

DraftKings Personnel are required to comply with this Retention Policy. The Corporate IT, Legal and Compliance teams will be responsible for, among other things, overseeing the classification, identification, storage & retrieval, protection, and destruction or retention of Records and other DraftKings Information as described herein.

DraftKings Personnel are required to:

1. Review, understand and comply with this Retention Policy.
2. Manage DraftKings Information and Records in accordance with this Retention Policy and the below retention schedule.
3. Retain DraftKings Information and Records that are subject to a legal or litigation hold issued by DraftKings’ Legal Department (if applicable, such legal or litigation hold would be provided directly to you).
4. Protect DraftKings Information and Records containing Confidential Information and Internal Use Information pursuant to, among other things, DraftKings’ Information Sensitivity Policy, Acceptable Use Policy, Acceptable Encryption Policy, Email & Messaging System Use Policy, and Third-Party Vendor Data Protection Policy.

Properly dispose of DraftKings Information and Records when they (a) are eligible for destruction under the below retention schedule, (b) are not subject to a legal or litigation hold, court order, statutory and/or regulatory record retention requirement (as provided by DFS, sportsbook and iGaming laws and regulations), or other legal retention requirement, and (c) have no continuing business value.

5) the following controls and procedures:

(A) Administrative controls that include the procedures and records that relate to the decision making processes leading to management's authorization of transactions;

**112-201-23 (a)5A is not applicable to the digital product.**

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(B) accounting controls that have as their primary objectives the safeguarding of assets and revenues and the reliability of financial records. The accounting controls shall be designed to provide reasonable assurance that all of the following conditions are met:

(i) The transactions or financial events that occur in the operation of sports wagering are executed in accordance with management's general and specific authorization;

(ii) the transactions or financial events that occur in the operation of sports wagering are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, the act, and this article;

(iii) the transactions or financial events that occur in the operation of sports wagering are recorded in a manner that provides reliable records, accounts and reports, including the recording of cash and evidence of indebtedness, for use in the preparation of reports to the commission related to sports wagering;

(iv) access to assets is permitted only in accordance with management's general and specific authorization; and

(v) the recorded accountability for assets is compared with existing physical assets at reasonable intervals, and appropriate action is taken with respect to any discrepancies;

**See section 112-201-3 Reserve requirements as well as the below.**

**i. DraftKings confirms that the transactions or financial events that occur in the operation of sports wagering are executed in accordance with management's general and specific authorization.**

**ii. DraftKings confirms the transactions of the sports wagering platform are performed in accordance with the statute and regulations. Additionally, DraftKings will be certified to these standards by an independent third-party with results documented and shared with the KRGC.**

**iii. DraftKings' annual financial audit is conducted by BDO. BDO adopts substantive audit procedures where statistical samples are thoroughly audited. Such a sample would include recalculating a user's balance based on the amount of liability, where all financial transactions are traced and reviewed such as deposits, wagers and withdrawals to ensure that the liability reported is a true representation of the users' wallet.**

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**iv. N/A Retail Requirement**

**v. DraftKings ensures all functions, duties, and responsibilities are properly segregated so that no employee is able to perpetrate and conceal errors or irregularities in the normal course of the employee's duties. Employee role and title directly correlate to their access to databases and tooling, ensuring employees are only granted the access required to perform their job duties and nothing further. In addition to segregating employee access, DraftKings monitors employee account activity through an automated alerting process, quarterly role-based access audits, key stroke logging and audit trails.**

**vi. N/A Retail Requirement**

(C) procedures and controls for ensuring that all functions, duties, and responsibilities are segregated and performed in accordance with legitimate financial practices by trained personnel;

**DraftKings ensures all functions, duties, and responsibilities are properly segregated so that no employee can perpetrate and conceal errors or irregularities in the normal course of the employee's duties. Employee role and title directly correlate to their access to databases and tooling, ensuring employees are only granted the access required to perform their job duties and nothing further. In addition to segregating employee access, DraftKings monitors employee account activity through an automated alerting process, quarterly role-based access audits, keystroke logging and audit trails. Occasionally DraftKings will use services provided by third-party providers. All third parties providing services to DraftKings must have a formal, documented process for granting and revoking access to all systems that process or store DraftKings Confidential Information and/or Internal Use Information. Third parties are granted the minimum access required to fulfill their contractual obligations.**

(D) procedures and controls for ensuring all applicable sports wagering technical standards are followed;

**At this time, DraftKings has not been provided with any technical standards.**

6) a completed internal control checklist;

**DraftKings to provide a complete internal control checklist upon submission of these Internal**

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**Controls to the KRGC.**

- 7) Problem gambling program procedures as required by KAR 112-112-3.

**DraftKings has provided the problem gambling plan as required by KAR 112-112-3 separately to the KRGC.**

- 8) Any other internal control deemed necessary by the executive director.

**DraftKings has not been provided with any additional internal controls from the executive director.**

(b) The internal controls shall address the following items regarding sports wagering, at a minimum:

- 1) An overview of the interactive sports wagering platform design;

**All wagers placed with the DraftKings platform are placed via our proprietary in-house sports trading platform. The entire technology stack, from the user registration funnel, deposit/withdrawal flow, wallet, odds compilation, bet placement and settlement is proprietary technology owned by DraftKings. Third parties are used to assist in certain functions such as user verification, geofencing, payment processing and, on the sports platform, for odds compilation or data feeds to power our in-house trading models.**

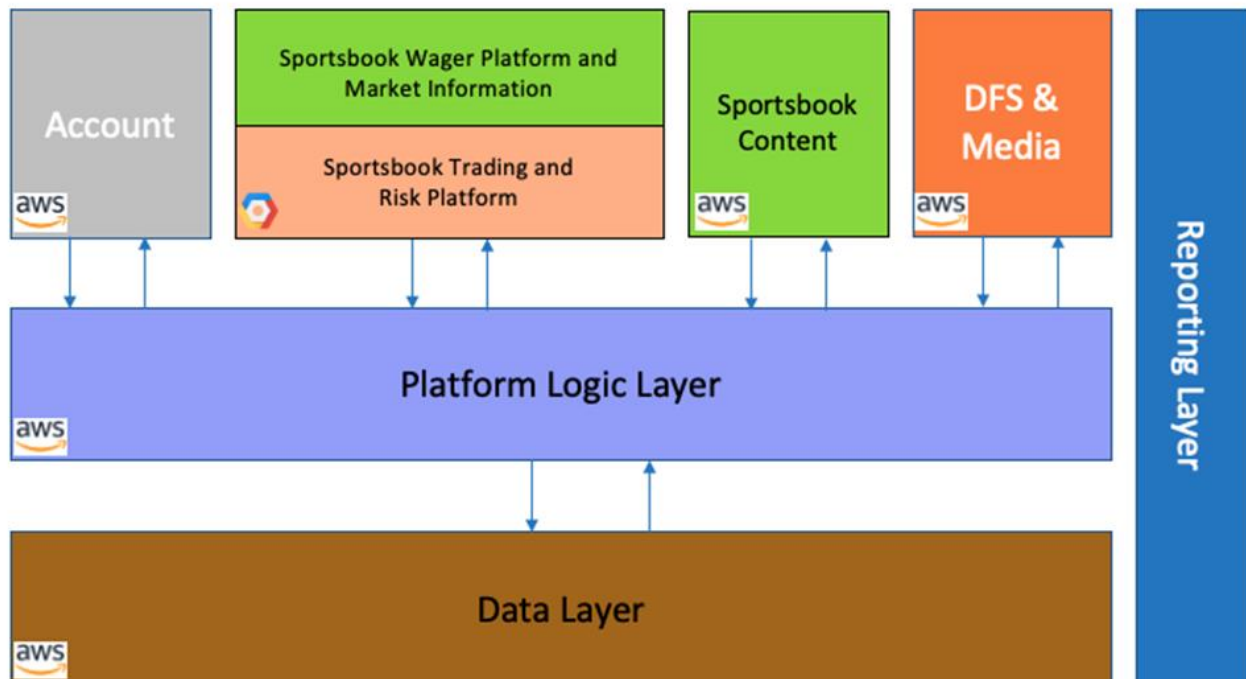
**With a fully integrated technology stack that includes the mobile sportsbook, user account management and sportsbook platform, DraftKings can maintain a very clear audit trail and record of all transactional and wagering activity. This begins at deposits, flows through bet placement and settlement, and finally user withdrawals. As such we can provide clear information to users on their individual wagering activity as well as the needed reports to any state regulator.**

**The DraftKings Platform is built entirely on in-house, proprietary software which drives content, trading, user accounts, and the user experience. Ownership of an end-to-end proprietary platform gives us total control over the user experience and feature set. At a high level, the platform consists of the following:**

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- a wagering and market content platform, paired with a trading and risk management platform
- a player account management (PAM) platform, including both identity and financial platforms
- a data and reporting platform
- a marketing and CRM platform



### Wager and Content Platform

The wager and content platform delivers betting opportunities to the user's device and handles the placement and settlement of wagers.

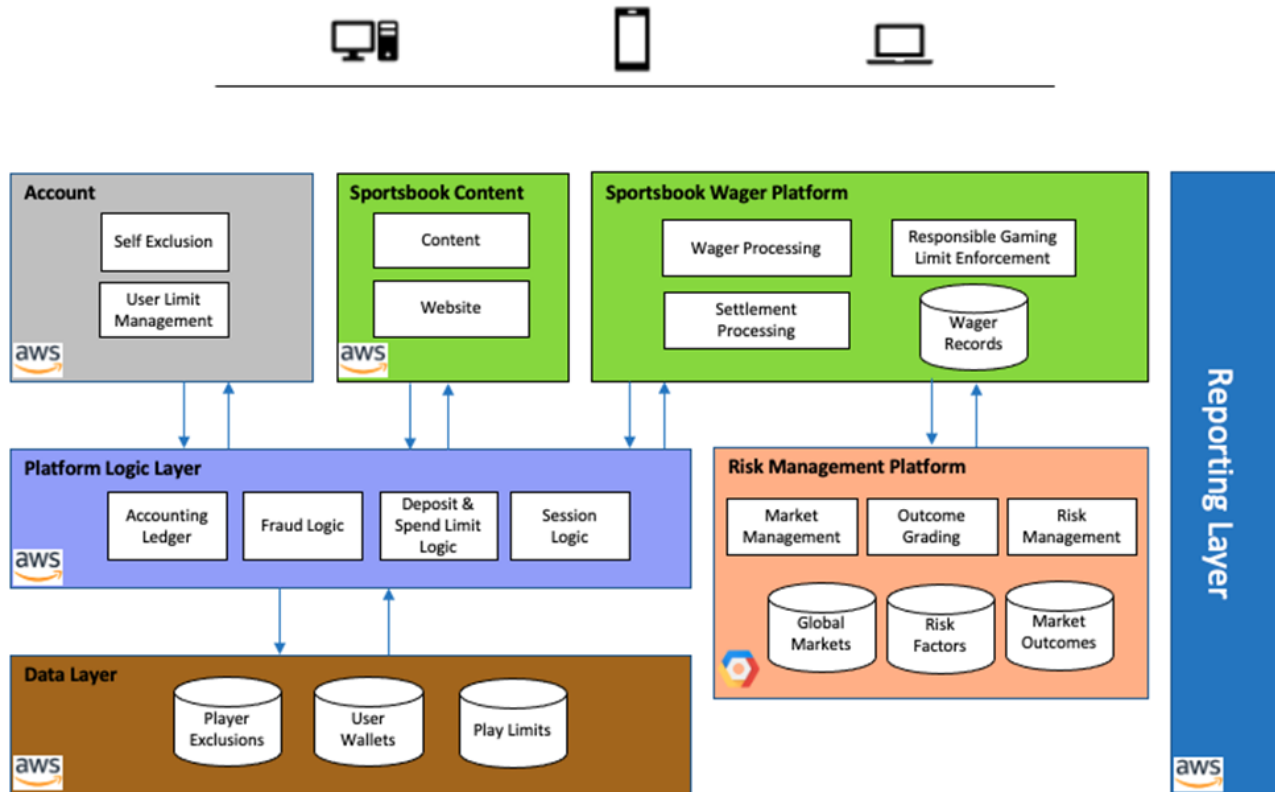
The wager platform is hosted on our in-state servers and takes requests from the user to place a bet. During the placement of the bet, the wager platform communicates with the users account management platform to verify the validity of the user's session and the availability of the user's funds in their account. These systems pull from our shared data platform in order to verify platform-level data such as the user's responsible gaming limits, flags on the user's account indicating potential fraud, and fund availability across all DraftKings products.

The wager system also coordinates with the risk management platform to assess the risk

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involved with acceptance of the bet. If the wager is acceptable to all of these platform services, the wagers are recorded on our in-state database. Similarly, when the wager outcomes are determined by the risk management platform, the wager system receives indications of these settlements, records the outcome of the user's bet, and processes credits to the user's wallet.

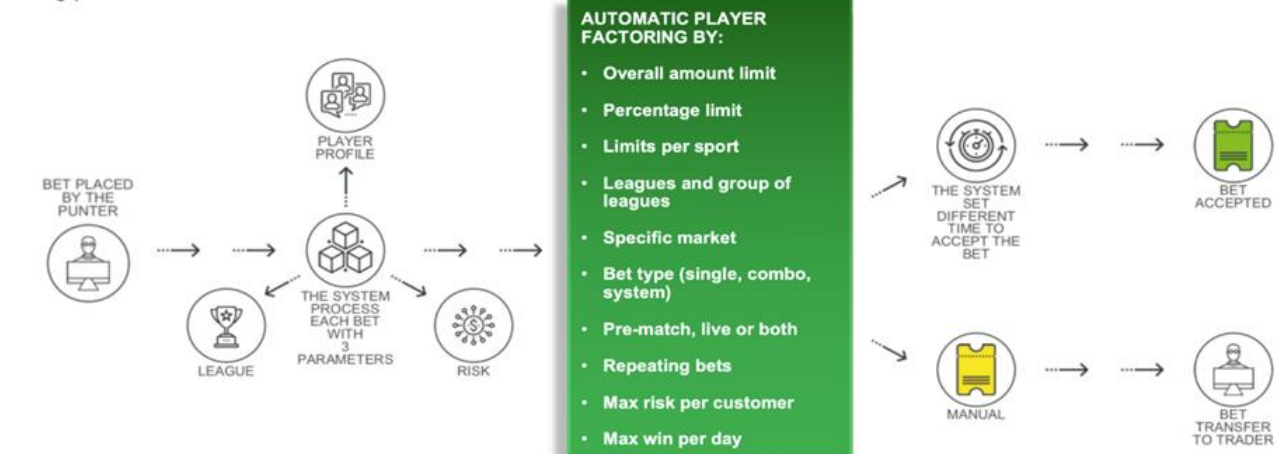


The risk management system informs the wagering system as to whether the bet parameters are acceptable. Acceptability of the bet calculated by the Risk Management Platform based on the user profile, the league or sport factor, and the overall risk of the bet. The details of these components are listed below. The risk management platform can advise the wager system to accept the bet, reject the bet, or it can inform the wager system that the bet request has been forwarded to traders for manual review.

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Betting placement flow



## User Account Management Platform

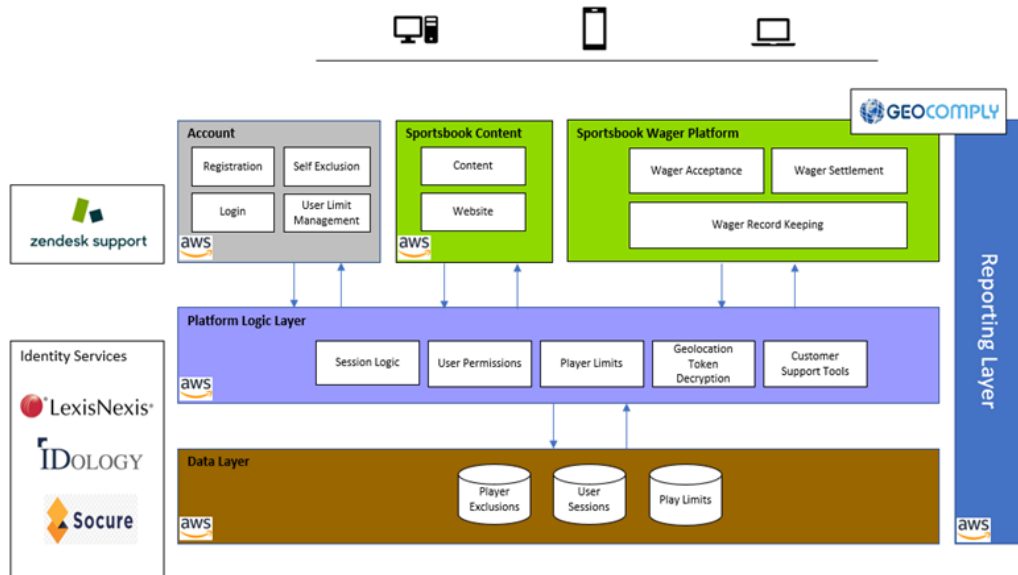
The userAccount Management (PAM) Platform supports all functionality related to the users account such as KYC, responsible gaming, geolocation, deposit/withdrawal, permissions, fraud, and session timers. The DraftKings PAM is a proprietary platform developed in-house and shared across all of the DraftKings products, including Casino, Daily Fantasy, and other product verticals. The shared platform is advantageous for the user because their experience between our products is seamless. As a current user who has used funds on another DraftKings product can typically use those funds to play other DraftKings products. Similarly, registration, KYC, responsible gaming limits, and payment methods carry to the Sportsbook product if the user is already a DraftKings user.

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## Identity Management

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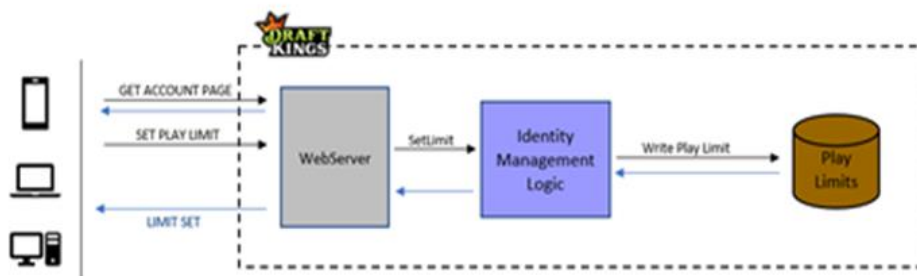
Additional architecture diagrams for Player Limits, Login and Authentication, Deposit and Withdrawal can be found below.

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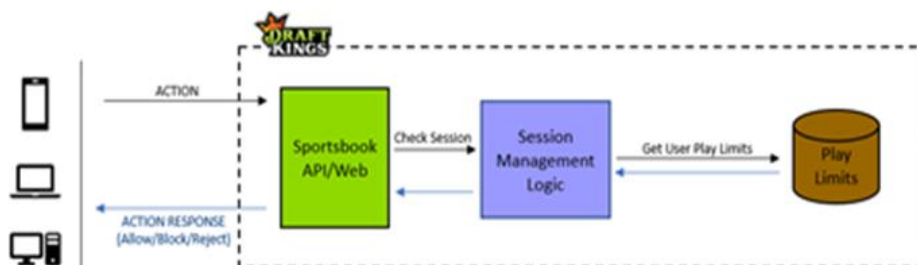
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## Player Limits

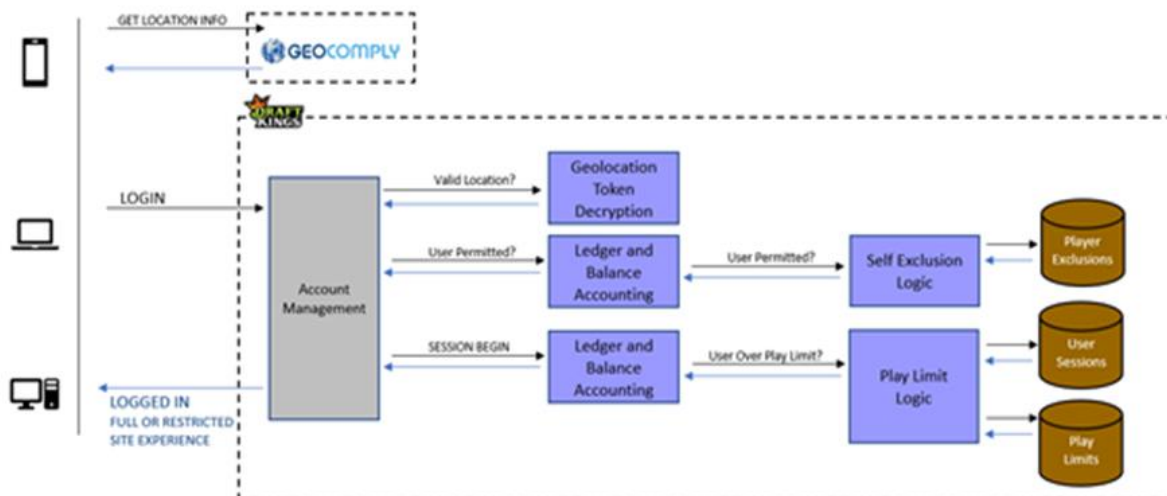
Setting Limits through account management



Applying player limits to sportsbook actions



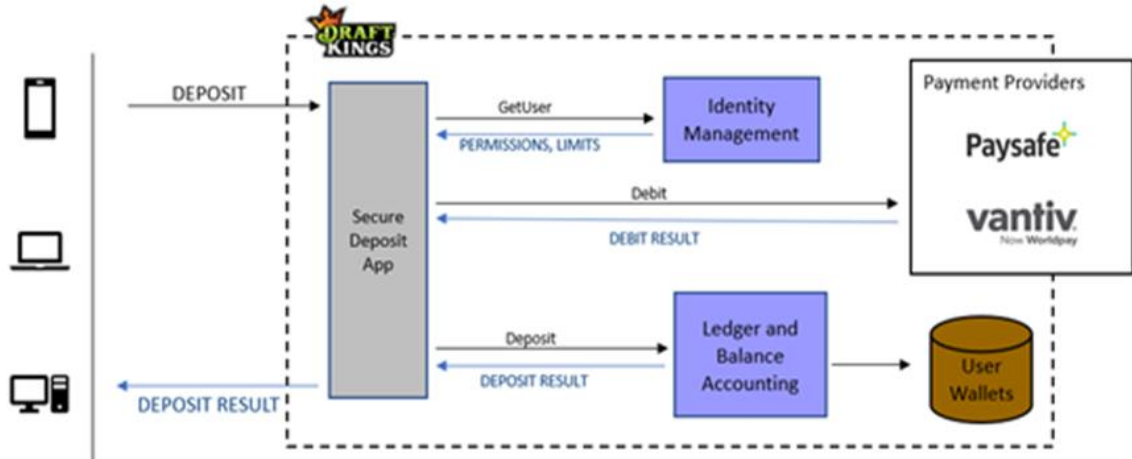
## Login and Auth



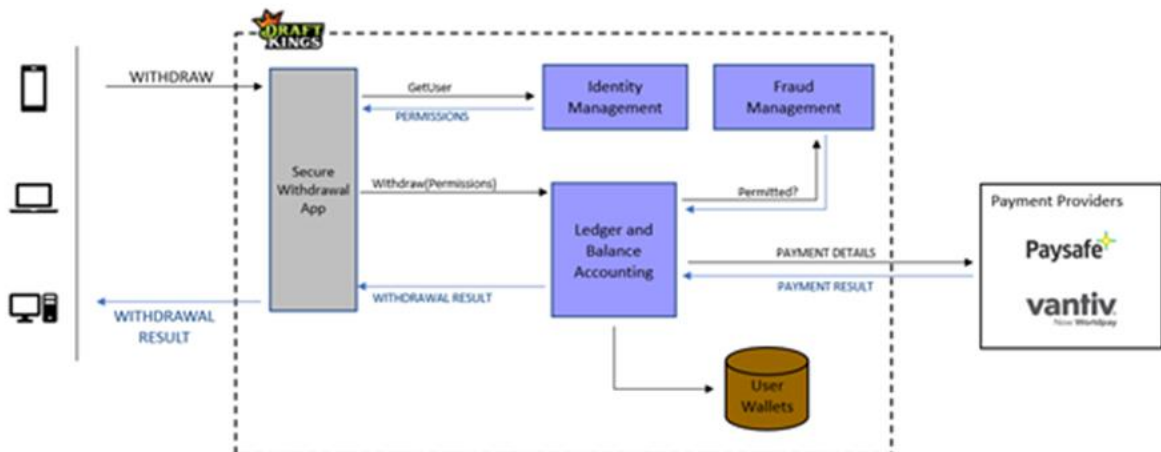
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## Deposit



## Withdrawal



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2) Detail the location of the sports wagering servers, including any third-party remote location servers, and what controls will be in place to ensure security of the interactive sports wagering platform servers;

**Physical access controls include:**

- **All DK Colos have full physical access controls in Colos that PCI, SSAE16 and SOC2 compliant**
- **Server racks have our own physical card access controls (Rack Armor) on them managed only by DK personnel**
- **Remote access to servers can only be done through our secure Jump hosts in our AWS environment. Both the Jump hosts and the AWS environment require 2FA authentications**
- **These jump hosts employ ObservIT and ReFog keystroke and screen capture logging for forensic purposes.**
- **Observit sends an alert to the Security team anytime someone remotely accesses instate servers.**
- **All customer web traffic is first opened and filtered through Akamai's CDN, WAF, DDOS & Kona Site Defender systems to ensure only valid traffic goes through.**
- **In-state Firewalls are configured to only allow inbound traffic from Akamai IPs so no other public endpoint can even connect to instate systems.**

**All DraftKings Kansas servers are located at 11200 Lakeview Ave , Lenexa, 66219 Kansas US.**

- **Geolocation - GeoComply uses AWS cloud hosting located in Ashburn VA**
- **AWS - Cloud is utilized in us-east-1 (Virginia), eu-west-1 (Ireland)**
- **KYC Vendors**
  - **Aristotle - Reston, VA**
  - **IDology- Atlanta, GA**
  - **LexisNexis-Alpharetta, GA & Boca Raton, FL**
  - **Onfido- AWS servers are located in Dublin, Ireland.**
  - **Socure- uses AWS cloud hosting located in Ashburn, VA**

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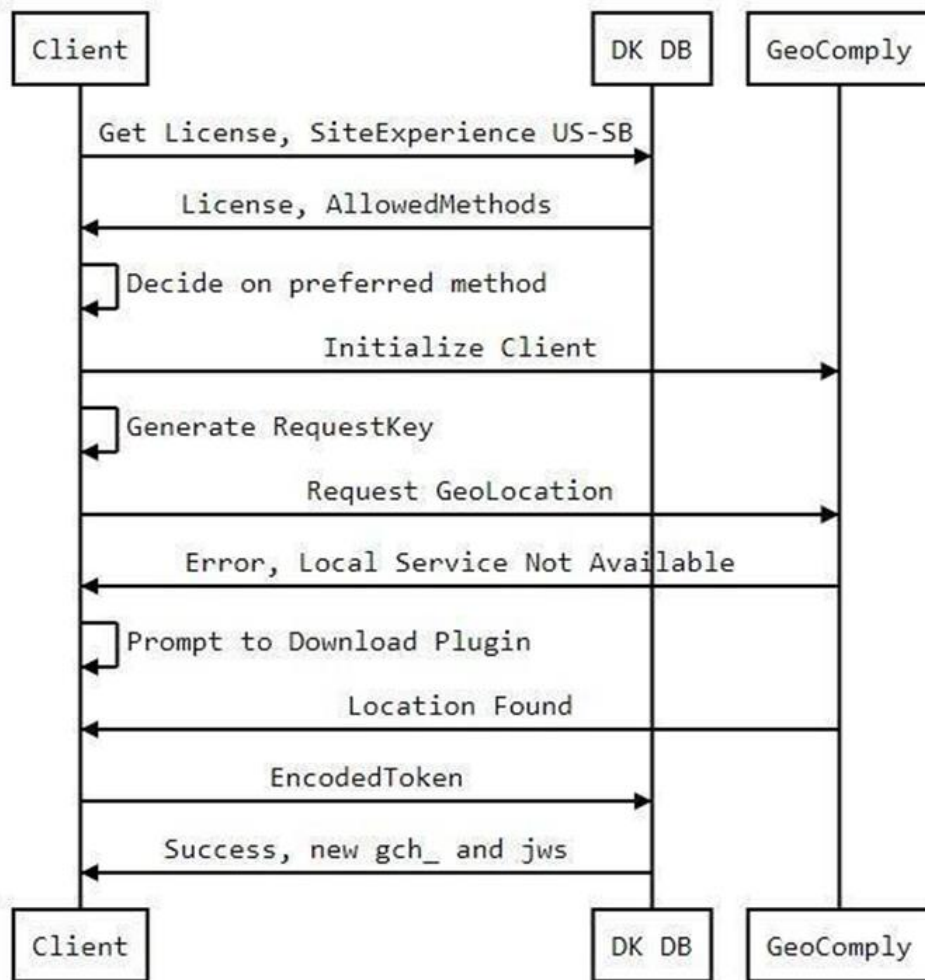
3) If an interactive sports wagering platform allows online wagering, method for verifying geolocation systems to establish a patron's geographic location;

**DraftKings uses Geocomply to verify location services for users wanting to wager real money in a legal jurisdiction. GeoComply's download solution is designed to meet and exceed the most stringent compliance requirements for regulated markets. It is considered the gold-standard for withstanding the demands of US federal or state level sports wagering legislation and is constantly tested by regulatory agencies across the US to ensure its continued performance for location compliance. Enhanced geolocation tools utilize both device-based browser geolocation and network connection analysis. This allows levels of accuracy of +/- 25 meters, pinpointing users to a house level, and comprehensively stopping spoofing via 350+ checks per transaction. Multiple databases and failover systems maximize pass rates to achieve 98% or more.**

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## Sequence Diagram



DraftKings requests the location of the device being used by a user whenever they:

- Attempt to enter a wager
- Register for an account
- Log into our internet gaming platform

Using GeoComply’s proprietary “Plug-in” technology, users will be requested to download the plug-in to verify their location. GeoComply combines & encrypts multiple location data sources for accurate location results, rather than relying on a single source of data for verification. GeoComply collects Wifi, GPS, GSM, and IP location data from a user’s device to deliver highly accurate location results.

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**GeoComply’s technology is capable of proxy, VPN, malware, and enhanced remote desktop detection to thwart spoofing attempts and high-risk transactions. GeoComply’s geolocation process occurs every 20 minutes or 5 minutes within 1 mile of the border when on a static connection. When operating a mobile device, the geolocation check occurs, between 20 minutes and 30 seconds, depending on proximity to the border, at a velocity check of 70 miles/hour.**

**Players located outside a permitted boundary will be rejected from placing a wager and will receive appropriate error messaging.**

- 4) User access controls for all KRGC-authorized sports wagering personnel;

### **User Accounts**

**The creation of a user account must be initiated through a request from personnel authorized to approve access to the specified resources, typically a manager or supervisor.**

### **Account Management**

**All business information systems that store or process corporate and/or affiliate information must have a formally defined procedure for approving, granting, reviewing, and removing user access. Each department manages user accounts for DraftKings information resources within their area of responsibility. Records of processed and denied requests for creation of user accounts must be kept for auditing purposes. Records will be retained for one year, unless otherwise specified by the Security Committee.**

- 2) The procedure must include a “data owner” (defined as company employee with authority and responsibility for overall management of service the underlying data supports) and “data manager” (defined as company or vendor resource responsible for provisioning user access within the respective DraftKings Information Resource).
- 3) The data owner and data manager for each system must be identified and communicated to DraftKings Chief Compliance Officer for documentation purposes.
- 4) The procedure for granting, reviewing, and removing access must include evidence of all provisioning transactions and be made available for periodic audits or reviews.
- 5) The procedure for granting or removing access must include a facility or mechanism to track the “data owner’s” express approval for the transaction, either in electronic or hard copy format. Examples include but are not limited to email, entries in a ticketing system, signed and scanned forms in electronic format or other items that can show evidence the proper authorization was granted for provisioning user access.
- 6) The procedure for granting or removing access must include specific functionality or

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modular information within the business information system, so users are only granted access to expressly identified functions or areas within a system.

- 7) Removal of access must be performed immediately after a user terminates employment or within 72 hours of a change in job duties resulting in a system user no longer requiring access to perform their job functions.
- 8) Periodic reviews of user access must be performed to ensure no unauthorized changes have occurred and that all existing access and rights are current and valid. These reviews must be performed annually at a minimum. Any findings of unauthorized access or unusual activity within the system must be reported to the Chief Compliance Officer immediately.
- 9) Any new information resources, whether supported by corporate resources or external vendors must include provisioning standards as detailed in the above policy.
- 10) New information resources must be brought to the attention of DraftKings Chief Technology Officer or the Director of Technical Operations for inclusion in periodic audits of this standard.

#### **User Accounts Characteristics**

All DraftKings user accounts must be unique, and traceable to the assigned user. DraftKings will take appropriate measures to protect the privacy of user information associated with user accounts. The use of group accounts and group passwords is not allowed, unless specifically approved by DraftKings' Chief Technology Officer or the Director of Technical Operations.

All CDE/CHD data must be accessed via the CDE Terminal-Server farm which employs DUO 2FA. The user uses their CDE active directory credentials and their DUO 2FA to ensure proper identity and access levels.

All CHD/CDE user accounts must enforce a separation of duties between personnel assigned to the development/test environments and those assigned to the production environment. Additionally, development/test environments must be separate from production environments with access control in place to enforce separation.

#### **User Account Privileges**

Each user shall be given a unique user account only accessible to the individual user, to enable full access rights to the appropriate information resources and if needed tracking logging of user actions.

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**Users will be granted the minimum access required to perform their specific tasks. Granting access levels to resources shall be based on the principle of least privilege, job responsibilities, and separation of duties. The level of minimum access requires the recommendation of the user's manager, and the evaluation of the information system owner. The information system owner will have final determination as to the level of a user's access for their system.**

#### **Inactive Accounts**

**Accounts will be disabled after 30 days of inactivity. Users planning to deploy to field operating locations or to be away from the office for other approved periods of extended absence must coordinate their absence with the account manager to ensure proper disposition of the account.**

#### **Temporary User Accounts**

**All requests for temporary user accounts shall provide an expiration date to be applied at the time the account is created. Where this isn't possible, a manually controlled mechanism can be used. The system owner will monitor temporary access to ensure activities comply with the intended purpose.**

#### **Password Characteristics**

**All passwords must be constructed in accordance with DraftKings' Password Policy. DraftKings will implement appropriate procedures and technology to enforce this requirement.**

#### **Automatic Logon**

**The use of automatic logon software to circumvent password entry shall not be allowed, except with specific written approval from the Chief Compliance Officer.**

#### **User Account and Password Safekeeping**

**Each individual assigned a user account and password is responsible for the actions taken under said account and must not divulge that account information to any other person for any reason.**

#### **Management Access to User Accounts**

**Management access to user accounts will be limited to business purposes only, such as during an emergency or contingency situation, cases of extended user absence, or user abuse of DraftKings Information Resources.**

#### **Transfers**

**DraftKings Users transferring from one area of responsibility to another, shall have their access**

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**privileges modified to reflect their new responsibilities.**

#### **Revenue Reports**

**All revenue reports are system generated and “read only.” Changes to reporting logic are deployed via the approved change control process.**

- 5) Override policies and restrictions;

**112-201-23 (b)5 is not applicable to the digital product.**

- 6) Logical and physical access controls and restrictions;

**All new DraftKings Information Resources acquired or developed by DraftKings or DraftKings’ Third-Party Vendors will incorporate access controls to properly protect Confidential Information, Internal Use Information, and DraftKings Information Resources. All new third-party vendors or partners with whom DraftKings is sharing such information must complete the TPVA (Third Party Vendor Attestation) document and be approved by DraftKings Legal Department and the CISO.**

- 7) Network security;

**Networks will be logically separated to ensure that there is no network traffic on a network link which cannot be serviced by hosts on that link. All traffic is limited by VLANs, VLAN ACLS, firewalls and AWS Security Groups. All changes are logged and pre-approved as part of change management. All network and firewall rule changes go through our change management process and are approved by our Security Operations team prior to implementation.**

- 8) Terms & Conditions for establishing a sports wagering account;

**DraftKings advanced and adaptive identity verification solutions are designed to meet and exceed industry standards when it comes to securely identifying our users. Our technology is highly scalable and custom tailored to meet a wide range of regulatory use cases regardless of the demanding pace of change in the industry’s commercial and legal landscape. Our practices have been independently tested, licensed, and approved by several regulatory bodies and**

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**auditors.**

**In order to establish a DraftKings Sportsbook account, all users are required to verify their identity. When verifying a user's identity, DraftKings conducts an identity verification check on the following demographic information:**

- **First Name**
- **Last Name**
- **Physical Address (PO Boxes & Commercial properties are never accepted)**
- **Date of Birth (MM/DD/YYYY)**
- **Combination of Last 4 SSN & full 9 SSN**

**User information is validated using LexisNexis, IDology, Socure, or Aristotle, who are trusted solutions for identity verification utilized across a diverse set of industries. Those industries include government agencies, educational institutions, financial institutions, sports wagering entities, and more. Our identity providers check citizens or national database information, credit header file information, electoral rolls, property records, utility data and marketing sources. Both identity verification providers check against national watchlists such as Office of Foreign Asset Control (OFAC), Politically Exposed Persons (PEP), Children's Online Privacy Protection Act (COPPA) and more.**

**If a user fails the automated KYC verification two times, the user will be prompted to scan the front and back of their driver's license or passport to be processed through our automated document verification flow. If the account can still not be verified the user will be prompted to explore the DraftKings app while the fraud team reviews the driver's license that was used during the automated document verification flow.**

**After verification, all users will be required to accept the various user agreements to participate on the platform. Acceptance of all user-agreements are recorded internally.**

**To uphold the integrity of our platform and protect against the risk of any underage persons attempting to register, DraftKings leverages a unique set of risk indicators from our providers. These unique fraud risk indicators were designed by analytical fraud experts to detect different fraud schemes. These capabilities help our systems and risk management team to quickly determine the type of potential identity fraud risk that is associated with the input identity information. Then, our analysts can use these results to take the appropriate fraud prevention and investigation measures. Controls put in place on the DraftKings platform apply automatic**

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account restrictions to any account that attempts to verify a date of birth placing the user below the minimum age of eligibility. These users are subject to review by the risk management team to determine whether the individuals are eligible to participate on the platform.

#### **Stolen Identity Index**

The index indicates the risk that the transaction is in connection with a real identity that has been compromised. For example, the identity is applying with a new address that is not likely associated with the true owner of the identity.

#### **Synthetic Identity Index**

The index indicates the risk that the input identity is a synthetic identity. For example, this identity is only reported by credit bureaus or is missing characteristics of normal identities.

#### **Manipulated Identity Index**

The index indicates the risk that the identity is being intentionally manipulated. For example, there is a suspicious amount of variation of PII (personally identifiable information) associated with this identity.

#### **Vulnerable Victim Index**

The index indicates the identity profile is at risk for being a victim of identity fraud. For example, a high-occupancy location or minors.

#### **Friendly Fraud Index**

The index indicates the identity profile is at risk for being a victim of identity fraud perpetrated by a close associate. For example, the individual has high-risk relatives and close associates.

#### **Suspicious Activity Index**

The index indicates the level of suspicious and high-risk activity that was previously observed for the input elements. For example, the input elements are tied to records that were previously deemed to be suspicious or high risk.

- 9) Automated and manual risk management procedures;

**See 112-201-23 (b)10. below.**

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- 10) Procedures for identifying and reporting fraud and suspicious conduct including identifying unusual betting activity and reporting such activity to the KRGC as required by KAR 112-104-6(n);

### **Financial Fraud, Bonus Abuse, Multi-Accounting, Account Sharing, Underaged Gambling**

**DraftKings is committed to preventing fraud and the violation of its Terms of Use. DraftKings maintains guidelines, rules, and controls to prevent the occurrence of fraud through the DraftKings platform. Consistent with our commitment to prevent fraud and the violation of DraftKings' terms and conditions, this Policy provides that DraftKings:**

- **Does not allow Financial Fraud**
- **Does not allow Bonus Abuse**
- **Does not allow Multi-Accounting**
- **Does not allow Account Sharing**
- **Does not allow Gameplay by Minors**

**Financial Fraud: DraftKings does not allow activity resulting from Financial Fraud to take place on the DraftKings platform. The Fraud Team is equipped with controls and alerts that target behavior associated with financial fraud.**

**If Financial Fraud is identified, the Fraud Team will:**

- **Impose Restrictions on all linked accounts**
- **Conduct additional investigation and reach out to the user(s) involved and request documentation and proof of financials.**
- **The account(s) shall remain suspended until the Fraud team have collected sufficient information and decided on a course of action, such as but not limited to, blocking a financial instrument, or imposing a daily/weekly deposit limit. These cases will be tracked in the Daily Fraud Suspicious Activity report.**
- **If financial fraud is confirmed after the internal investigation, details will be shared with KRGC.**

**Periodically the Fraud team will review suspended accounts and determine whether they should**

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be permanently closed or left in a suspended state. If an account is permanently closed, funds may be returned to the user and a notification of our course of action will be emailed to the user. In addition, the Fraud team might prepare a Suspicious Activity report and submit it to the relevant authorities. Funds will remain frozen in the account until otherwise instructed by the regulator of the applicable jurisdiction.

#### **Bonus Abuse**

The Fraud team will monitor linked accounts for the possibility of bonus abuse. Linked accounts are defined as DraftKings accounts with numerous shared characteristics which could imply multi-accounting is taking place. If bonus abuse is detected the Fraud team will:

- Impose Restrictions on all linked accounts
- Conduct additional investigation and reach out to the user(s) involved and request documentation and proof of financials.
- The account(s) shall remain suspended until the Fraud team have collected sufficient information and decided on a course of action, such as but not limited to, blocking a financial instrument, or imposing a daily/weekly deposit limit. These cases will be tracked in the Daily Fraud Suspicious Activity report.

Periodically the Fraud team will review suspended accounts and determine whether they should be permanently closed or left in a suspended state. If an account is permanently closed, funds may be returned to the user and a notification of our course of action will be emailed to the user. In addition, the Fraud team might prepare a Suspicious Activity report and submit it to the relevant authorities. Funds will remain frozen in the account until otherwise instructed by the regulator of the applicable jurisdiction.

#### **Underage Gambling**

DraftKings takes underage gambling very seriously and adopts a zero-tolerance policy. If the Fraud Team or the Customer Service team identifies that a minor has accessed a real money gaming account, the account will be immediately closed. A report will be compiled and sent to the regulator of the applicable jurisdiction. In most cases underage access is detected through contacts with our Customer Service, such as the account holder (usually a parent) notifying us that a minor has access to his or her account.

#### **Procedures for Sanctions & Politically Exposed Persons Screening**

Monthly the Fraud Team performs a batch OFAC & PEP screening of all first-time depositors

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through LexisNexis Bridger Insight. Investigating Sanctions & PEP Alerts. Additionally, on all identity verification checks, LexisNexis, Socure and IDology run names against the OFAC and PEP watchlists. If any record returns with a match, the account is restricted, and messaging is sent to the user requesting them to contact our Customer Experience department for assistance.

Alerts indicating potential matches between Users and Sanctioned-Persons or PEP will be investigated by a Fraud team analyst, who will attempt to determine whether the Alert indicates a “true hit” or a “match.” First, the analyst will retrieve the User information and determine the degree to which the name and address on the Admin Console matches the information on the Sanctioned Persons and PEP Lists. The analyst should take into account how much of the username and address matches. If just one name matches (first, middle, or last), it is not a true hit. However, names do not have to be exact matches. Sanctioned-Persons may use aliases or multiple spellings of their name. If the names are similar but there are discrepancies in spelling in more than one name, more information about the User and the Sanctioned-Person/PEP should be obtained. The analyst will perform any other necessary due diligence investigation to confirm whether the hit is a false positive or a valid match. If the match is determined to be a false positive, the alert will be marked as a “False Positive”. If the match is determined to be a true hit, the alert is escalated to the Director of Regulatory Operations and Compliance Team.

#### **Reporting a True Hit or Match**

If the Director of Regulatory Operations agrees that there is a true hit, he/she will follow all relevant reporting procedures for each of the governing bodies of the Sanctioned-Persons and PEP lists of the relevant jurisdiction. In the case of potential matches against individuals on the OFAC list, the AMLO may call the OFAC hotline at 1-800- 540-6322 with any questions about the potential match. The true hit and reported name must be reported by the CCO to the Compliance Committee within twenty-four hours. In the case of potential matches against individuals on the PEP list, the case shall be reviewed with the VP of Compliance. The user will then be banned from all account activity including login, and his/her device will be added to the Banned List. Upon a login attempt by the user, they would be prompted to contact our Customer Experience department for further assistance. DraftKings will notify the KRGC in the event of a true hit or match.

#### **OFAC screening:**

**Office of Foreign Assets Control (“OFAC”):** An office of the U.S. Department of Treasury which administers and enforces economic and trade Sanctions based on U.S. foreign policy and

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**national security goals.**

**Sanctions:** Measures which are intentionally restrictive or coercive in nature and which act as a tool of foreign policy to target individuals or countries. Sanctions can take a number of different forms and are used in a number of different contexts, including arms embargoes, travel bans, asset freezes, reduced diplomatic links, reductions/cessation of any military relationship, flight bans, suspensions from international organizations, withdrawal of aid, trade embargoes, restrictions on cultural /sporting links and others.

**Sanctioned-Person(s):** Individual(s) subject to Sanctions by governmental or international organizations, also known as “Specially Designated Nationals” in the United States. These individuals include known terrorists, drug traffickers and money launderers who may not be tied to any country under Sanctions restrictions.

**Sanctioned-Persons List:** lists of individuals who are subject to sanctions by relevant regulatory or governmental agencies. These may include the U.S. Office of Foreign Assets (OFAC) and U.K. Her Majesty’s Treasury (HMT) lists.

**Politically Exposed Person (PEP):** individuals who have been entrusted with a prominent public function. A PEP generally presents a higher risk for potential involvement in bribery and corruption by virtue of their position and the influence they may hold.

#### **Fraud and Suspicious Conduct – Integrity Monitoring**

**DraftKings** has extensive controls in place to prevent, deter, identify, and report suspicious betting behavior.

#### **Preventative measures**

**DraftKings** will not offer events that are deemed to be a significant integrity concern. Having compiled an enormous amount of historical information from **DraftKings** as an operator, its B2B partners in the US and overseas, information shared by integrity providers, and various news sources, **DraftKings** maintains a database of leagues, teams, and players that are blocked from its offering. **DraftKings** continuously updates this database as new integrity events come to light.

**DraftKings** also takes proactive risk management measures when offering leagues that it considers to have attributes that increase the risk of fixing, or where there is limited information or betting on the event. For example, if the league is a particularly low level, or the players are

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not well paid, certain prop bets will not be offered, market limits will be lowered and/or market vig increased, so that it is much less appetizing to try to fix the game, and much more difficult.

#### **Bet Monitoring**

DraftKings traders and trading customer analysts monitor incoming bets, liabilities, and price movements, 24/7. Traders are split into groups of 6-8 according to sport expertise with a team leader for each group and a trading manager always on shift as well. Leveraging sports specific knowledge and expertise in individual user behaviors, DraftKings is able to effectively manage integrity events.

If liability is built very quickly in an unusual fashion, the trader suspends the event and lets the trading manager know to investigate the exact user(s) involved in the issue. Similar logic applies if there is a large, unexplainable movement in the prevailing market odds of a game. The trading team will only resume offering the event if they are satisfied that an integrity event has not occurred.

DraftKings will also tag specific users if there is some suspicion that they have been involved in an integrity event to monitor their behavior and help identify future suspicious bets.

#### **News monitoring**

Traders are monitoring and ready to respond to breaking news 24/7 whether that be via event suspensions and/or investigations, odds movements, or changes to risk management settings.

Relevant news sources include:

- Twitter/Instagram/Facebook
- Player accounts
- Agents
- Beat writers
- Media individuals (ESPN reporters etc.)
- Gambling personalities
- Handicapping sites
- Media
- News aggregation sites (e.g. profootballtalk.com)
- Fantasy news sites (e.g. Fantasy Guru, FantasyLabs)
- Television
- NFL Network
- ESPN

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### **Information sharing**

**DraftKings shares information with other operators, league governing bodies, and regulatory bodies through its partnership with US Integrity (Formerly SWIMA) in the US, and with IBIA (International Betting Integrity Association) overseas. If DraftKings originates a potential integrity case, the trading team will seek feedback from the customer analysis team, who will then analyze the specifics of the user account(s) and raise the alert to integrity organizations if warranted. If an alert is raised by one of our integrity partners, the customer analysis team is responsible for responding within an hour to each alert. If further investigation is needed, DraftKings may work directly with integrity bodies, as well as regulatory and league governing bodies to provide information and expertise.**

### **Review**

**DraftKings trading, compliance, and regulatory teams meet bi-weekly to review all recent alerts and agree on appropriate mitigating actions.**

### **Non-wagering fraud controls**

**DraftKings has also developed substantial infrastructure to prevent, detect, and report fraudulent account behavior that does not specifically involve the placing of wagers.**

**The following procedures apply for all sports, irrespective of the jurisdiction:**

- **The bet trading teams for the relevant sports monitor the liabilities on events in real time. If DraftKings has a liability being built very quickly into a non-normal (non-tier 1) event, the trader or the team leader suspends the event and lets the customer analysis team know to investigate the exact user(s) involved into this event.**
- **Similar logic applies if DraftKings notices a drastic drop (more than 50%) on the initial match prices of a game.**
- **On a 24/7/365 basis the bet traders on shift must report any potential case to the customer analysis team. The customer analysis team, after conducting an internal investigation, can then share the case with our relevant integrity partners. In each possible case, the director of trading, head of risk management and the compliance team are kept informed.**

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- 11) Description of anti-money laundering, CFR, Title 31 compliance standards, which shall include limitations placed on anonymous wagering at sports wagering kiosks as required by (KAR 112-104-6(n));

**Sports wagering on the digital platform is non-anonymous. A patron's identity and SSN is verified during account registration. Wagers are placed electronically through patron's sports wagering account. There are no Kiosks used for the digital product.**

**For AML controls applicable to the digital product, see below.**

### **Anti-Money Laundering Alert Procedures**

**DraftKings uses a system of automatic Alerts and Reports to detect behavior indicative of Money Laundering. In its Terms of Use, DraftKings clearly states that any collusion or intentional losing by Users is prohibited, and that any violation of these policies will result in investigation by DraftKings and a potential Block of the User on the DraftKings platform. Upon registration, DraftKings requires that all new Users signal their accordance to the Terms of Use through an "I agree" function.**

#### **Identifying Behavior Indicative of Money Laundering**

**DraftKings' Fraud team uses a variety of Alerts and Reports to identify potential instances of Money Laundering. The following Alerts are used to detect potential instances of Money Laundering:**

**Quick Withdrawal – alert is generated when a user has made a first-time deposit in the past 72 hours and is now requesting a withdrawal. The Fraud team will carry out a review of the account to ensure that the user is not simply depositing and withdrawing funds with minimal gameplay.**

**Super High Withdrawal – Alert is triggered for withdrawals of \$5,000 or more. The Fraud team will carry out a review of the account to ensure that the user is not simply depositing and withdrawing funds with minimal gameplay. The same information will also be recorded and investigated in the AML Withdrawals Over \$5k Report.**

**Frequent Withdrawals – alert is generated for any user who has requested 5 or more withdrawals in the previous 30 days. The Fraud team will review the account and analyze the user's sports wagering patterns and funding patterns. Suspicious patterns will be investigated and reported accordingly.**

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**Net Loser Request** – alert is generated for any user requesting a withdrawal who has lifetime net losses on the site of greater than \$10,000.00. Upon receiving this alert, the Fraud team reviews the user’s deposit/withdrawal history to make sure they are not simply withdrawing and depositing funds without any wagering. The team will also review the previous 30 days’ worth of deposits to review any elevated risk of chargeback prior to approving the request.

**Withdrawal within 12 hours of any deposit** – alert is generated when a user requests a withdrawal within 12 hours of any deposit made on their account. Upon receiving this alert, the Fraud Team reviews the user’s history to ensure that the user is not simply depositing and withdrawing funds without playing, in an attempt to launder money.

**Husky – Deposits 3+ States** – Alert triggers when a user has attempted to deposit with a billing address in at least three states in the past three months. The Fraud team will investigate the account and review the user’s deposit history and any requests for address changes backed by documentation. Any suspicious activity will be reported accordingly, and actions will be taken on the account as necessary.

**Husky – Billing State Mismatch** – Alert triggers when a user makes a first-time deposit with a billing state that is different than their registration state. The Fraud team will investigate the account and review the user’s deposit, IDology verification, and Geolocation history. If there are any inconsistencies, the Fraud Analyst will restrict the account and ask the user to upload ID and proof of financials.

#### **Alert Management and Distribution**

The Fraud team is responsible for the timely review of the above-mentioned alerts. All Alerts, regardless of the result of the subsequent investigation, are stored for a period of five years.

#### **Investigating an Alert**

Alerts identify potential instances of Money Laundering, and do not, by themselves, establish policy violations. Further review by the Fraud team is required to determine if detected behavior is truly indicative of a violation of DraftKings’ Terms of Use and AML Program. Alerts may also indicate criminal behavior. This following section delineates investigative steps available to the Fraud team.

#### **Activity Review**

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After receiving an Alert, a Fraud team analyst will be assigned to the Alert and will review the activity that prompted it. For Quick Withdrawal, Withdrawal within 12 Hours, Frequent Withdrawals and Super High Withdrawal Alerts, the analyst will access the back-office and review the User's most recent deposit and withdrawal activity, as well as the User's past month of activity;

Analysts will note the following as potentially suspicious activity: when the User has attempted similar behavior (quick withdrawals, withdrawals within 12 hours, frequent withdrawals, and super high withdrawals) repeatedly, consistently or in high dollar-values.

### **Identity Review**

The analyst will review the verification status and identity information of the user by accessing the ID verification of the user. The analyst may also (if required):

- A. review any manually uploaded documentation provided by the user
- B. perform a Google or social media search
- C. research the User through publicly sourced data.

Instances where a manual upload of documents would be required:

When users fail automated KYC two times, the system will prompt user to manually upload documents for review.

- In cases of potential suspicious activity
- In cases where multi-accounting is being investigated
- In cases where users ask for their address to be updated because they have moved
- For AML due diligence

If potential suspicious activity is noted, the analyst may take the following steps for further research:

- Access history: the analyst may review the frequency and location history of account usage
- Device history: the analyst may review the history of DraftKings' play on the devices associated with the accounts in question. To do so, the Fraud team member will search the device ID of all associated accounts.

### **Fraud and Customer Support History**

If suspicious behavior is noted throughout the investigation, the analyst will review all Fraud and Customer Support history of all associated Users. Analysts should note the following as

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**potentially suspicious activity: User has been subject to previous Alerts regarding potentially fraudulent activity on their account; User has been the subject of a previous Block.**

#### **Clearing or Escalating an Alert**

**After investigating, the analyst makes a judgment regarding the likelihood of a violation of DraftKings Terms of Use and its AML Program, and will then decide to do one of the following:**

- **Clear as Not Suspicious – when an Alert is identified as a false positive. In this case, the analyst concludes that it is highly unlikely that the DraftKings platform was used as a channel for Money Laundering and the behavior is not suspicious;**
- **Identify Suspicion – when the analyst has any suspicion that the Alert may indicate that DraftKings was used as a channel for Money Laundering or deems the User activity to be suspicious, the User activity will be immediately escalated to the Director of Regulatory Operations**

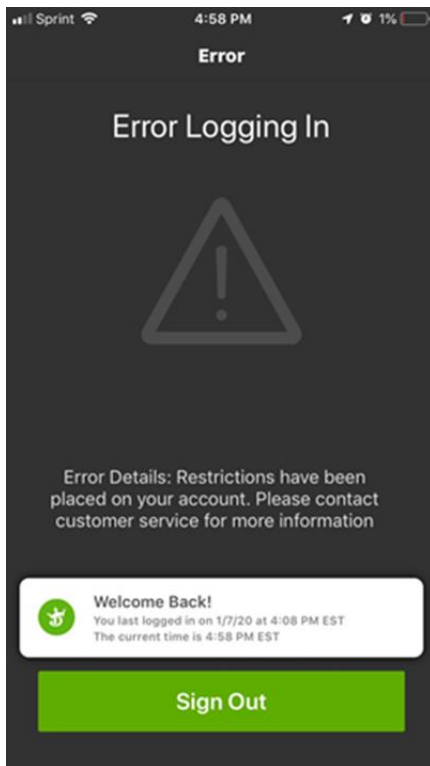
**The analyst immediately places a Block on the account. In cases of escalation, Director of Regulatory Operations will decide to do one of the following:**

- **Clear as Not Suspicious – when a Flagged Contest or Alert is identified as a false positive. In this case, the Director of Regulatory Operations concludes that it is highly unlikely that the DraftKings platform was used as a channel for Money Laundering and the behavior is not suspicious;**
- **Confirm Suspicion – if suspicion is confirmed by the Director of Regulatory Operations, the User will be subject to account restrictions, including a potential lifetime block. His/her device may be added to the Banned List.**

**Should an account be restricted for suspicious activity, the user will immediately be logged out of their account (should they be logged in) and will be prompted with the following message upon login attempt.**

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**To lift their account restrictions, the user will be required to reach out to our Customer Experience team and provide additional verification documentation**

#### **AML Reports:**

**AML Reports are generated automatically by controls developed by the Product Development team and are received daily by the Fraud team for adjudication. DraftKings generates the following reports daily:**

**Deposits >\$2,500 or Withdrawals >\$5K for users registered to Sportsbook within the last 90 days**  
**Deposits >\$5K or Withdrawals >\$10K for users registered to Sportsbook more than 90 days ago**

**These reports are reviewed by the Fraud Team. If suspicious behavior is noted throughout the investigation, the analyst will conduct a deeper review including but not limited to verifying the source of funds. Any suspicious behavior shall be logged on the Daily Fraud Suspicious Activity Report.**

- 1. In the event DraftKings Digital identifies suspicious activity warranting a SAR escalation, DraftKings staff will work directly with the property to provide relevant case details. SAR filing will be facilitated through the property with applicable case details and supporting documentation provided by DraftKings.**

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12) Process for submitting or receiving approval of all types of wagers available to be offered by the interactive sports wagering platform;

**DraftKings will incorporate the list of approved wagering offerings from the Lottery into the Kansas platform.**

13) Description of the process for line setting and line moving;

#### **Information on Market/Event management**

**Each event has its own risk management settings with all markets related to the event displayed on the particular event risk management screen.**

**When the main event is created there is an option to create additional bet types/markets on the main event (exact score, first half, double chance, half time/full time etc.) with its own risk management factors for each bet type/market.**

**Every event has its own risk factors that are predetermined according to the risk policy of each event/league/, bet type, and DraftKings specific requirements, if any.**

**The risk management factors for each market/event have several modes. The first mode is when starting to accept bets on a particular event with lower limits and higher margins and the more it gets closer to the start of the event and the odds have been stabilized, it will be moved to the next mode which may have higher limits and lower margins than the first mode. Finally, it will go to the default limitations, which are initially set in the templates.**

**The risk management factors that can be defined for each market/event are:**

- **Payout percentage (margin) of the market/event.**
- **Minimum and maximum bet allowed.**

#### **Odds compilation with respect to risk management**

**Prior to opening a new event the system runs its calculations for setting the initial odds using two main parameters—the information recorded on the specific league/match and the current average odds on the market. As soon as the event is opened, limits and margins are set in direct proportion to the estimated liquidity on these specific markets, type of market and time left for**

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the event to start. The closer it gets to the start of the game and the more stable odds that are being monitored on, the event the limits and margins offered to users will increase.

Once bets start to be placed on the event, the odds are adjusted according to the amounts being placed, type of users placing the bets, market average prices and trader's inputs according to algorithms that flag the suggested odds.

### **Management of Live Betting**

Events need to be chosen in advance so that they can be automatically released at the start of the game on the live betting page. Each game has its own risk management page with all the risk definitions, bet types, actual risk according to the bets placed, scoreboard to enter result, time of the match that can be set by seconds, payout percentage for each bet type (margin), maximum bet per bet type, definition of how many seconds the bet needs to be automatically confirmed from placing the bet as it is a live event and bets are not confirmed immediately, and placement of danger ball position where all bets are not confirmed until danger ball is removed.

Odds on live betting move according to dedicated algorithms including the additional bet types. The algorithms are based on statistics such as points scored by each team, match time, and team supremacy. Traders have the ability to intervene to set supremacy manually in case the statistics do not appropriately reflect the match climate, for example, if one of the teams turns out to be more offensive than statistically predicted.

14) In the event of a failure of the interactive sports wagering platform's ability to pay winning tickets, the lottery gaming facility manager or its interactive sports wagering platform provider shall have internal controls detailing the method of manually paying winning tickets. The lottery gaming facility manager, or its contracted interactive sports wagering platform provider, shall file an incident report for each platform failure and document the date, time, and reason for the failure along with the date and time the platform is restored to the executive director of the Kansas Racing & Gaming Commission;

**DraftKings maintains a Business Continuity Policy / Disaster Discovery Plan which can be made available upon request. In case of a failure our system will recover to the last point of operation and all winnings will be paid. An incident report shall be provided to the KRGC for each system failure and document the date, time, reason for failure along with the date and time the system was restored. In the event of a system failure, DraftKings will also document such failure internally.**

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15) Detail the procedure for reconciliation of assets and documents contained in any ticket writer's drawer and sports wagering kiosks, which shall include the drop and count procedures for sports wagering kiosks.

**112-201-23 (b)15 is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable ticket writer's drawer or sports wagering kiosks.**

16) Detailed procedures for making adjustments to a patron's account, providing a method for a patron's sports wagering to close out an account, and detail how a patron will be refunded after the closure of an account;

**DraftKings may issue promotional funds (free bets & DK Dollars) and account adjustments for several reasons, not limited to:**

- Promotions
- Bonuses
- Goodwill gestures
- Service Recoveries
- Chargebacks

**Promotional funds that are not issued in cash and require a 1x playthrough requirement before they can be withdrawn from the user's account.**

**DraftKings users can close their account for any reason by contacting our customer experience team and requesting their account be closed. Users will find information about closing their account within the Help Center of the app or website. Should a user elect to close their account, all remaining eligible funds will be disbursed back to the user upon account closure.**

17) Procedures to prevent wagering by prohibited sports wagering participants;

**In addition to receiving and ingesting any lists of prohibited users or VEPs directly from the Commission, DraftKings requires all users registering for an account to acknowledge they are not a prohibited participant/VEP by accepting a user agreement upon account creation. Prohibited participants are also outlined in the DraftKings Terms of Use which are required to be**

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**accepted by all participating users.**

- 18) Identifying and restricting prohibited sports wagering participants;

**See 112-201-23 (b)19. below. Additionally, should DraftKings identify any prohibited participant participating on the platform, the account will be restricted from further engagement.**

- 19) Procedures for voluntary or involuntary exclusion of patrons, including the following:

(A) Providing a notification containing the voluntary or involuntary exclusion status and general instructions for resolution or change of status, if applicable;

(B) Confirmation that immediately upon executing the voluntary or involuntary exclusion, no new wagers or deposits are accepted from the patron, until such time as the interactive sports wagering platform provider exclusion has been revoked; and

(C) Confirmation that the patron is not prevented from withdrawing any or all of their account balance, provided that the lottery gaming facility manager or the interactive sports wagering platform provider acknowledges that the funds have cleared, and that the reason(s) for exclusion would not prohibit a withdrawal.

(D) A lottery gaming facility manager or interactive sports wagering platform provider shall comply with article 112 regarding its onsite and mobile sports wagering patrons.

**DraftKings will exclude users that are on the state-wide self-exclusion list. DraftKings shall obtain and process the file from the KRGC in a manner agreed upon by the KRGC and DraftKings and make accounts inaccessible to self-excluded patrons. Similarly, if there are any prohibited players, DraftKings shall use the same methodology to block their accounts upon the initial upload of the state-wide exclusion list. During the account registration process, DraftKings requires users to verify their first name, last name, physical address, date of birth and a combination of Last 4 SSN and or full 9 SSN. At the time of the identity verification check, if the user information submitted matches any record within our KnownPersons (KP) database, the account will be automatically flagged and excluded from completing registration. DraftKings will match on any one of SSN9, a combination of SSN4+last name+DOB, or full name+DOB to ensure that all Known Persons are excluded.**

**The list will be retrieved by DraftKings platform team or transmitted by the KRGC at a scheduled cadence. DraftKings platform team will update our known persons (KP) database within 72**

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hours of receiving an updated file from the KRGC. An automated service will automatically execute a procedure to perform the following:

- For every new KnownPerson in the file, the DraftKings system will add the record to our database. The system will then search our entire user base to make matches between the new record and existing users. Matches between known persons and users will be recorded in a separate database.
- For every deleted Known Person, the DraftKings system will mark the existing Known Person as deleted. Any existing match records will then also be marked as deleted.
- Excluded users are unable to access their DraftKings account immediately upon executing an exclusion or DraftKings processing a state-wide list.
- Excluded users are not prevented from withdrawing any available funds in their account. Withdrawals from an excluded account must be initiated by DraftKings support team.

20) Maintaining the security of identity and financial information of patrons, and in particular compliance with the provisions of SB 84 of the Kansas Expanded Lottery Act, as amended;

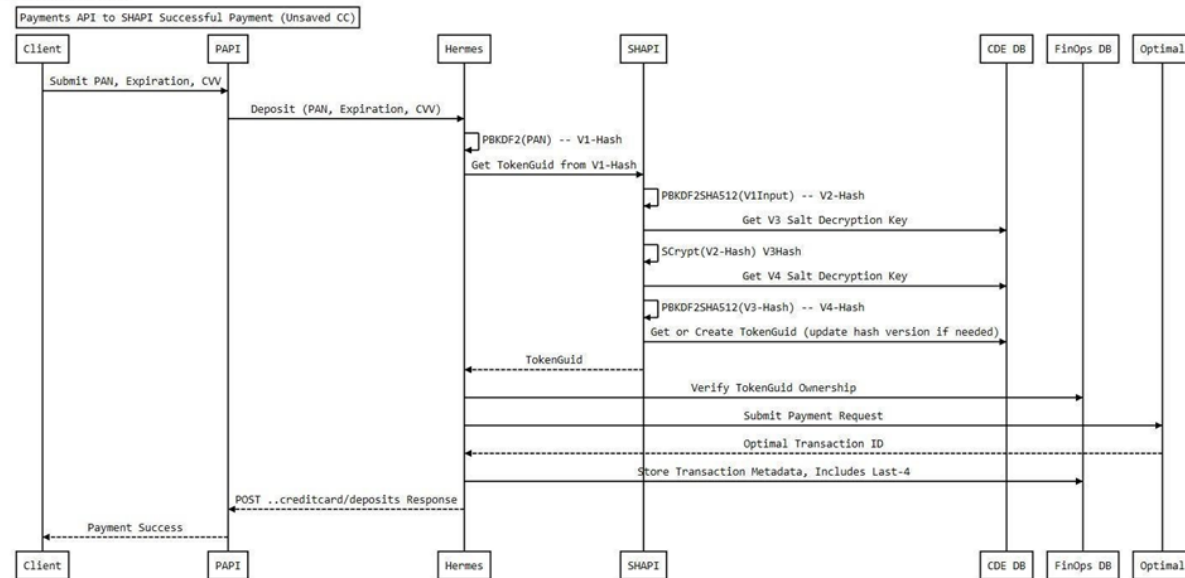
**DraftKings' encrypts via hashing mechanism all the following information contained in an electronic user file:**

- User's social security number or equivalent for a foreign user such as a passport or taxpayer identification number.
- User's passwords and/or PINs; DK systems perform password hashing using a global pepper for the sole purpose of detecting users sharing passwords. In addition, DK systems also perform password hashing using a unique salt per user and this password hash will be used for authenticating a user and;
- Credit card numbers, bank account numbers, or other personal financial information. All the above information will be encrypted. SSN, passport, taxpayment identification number, credit card numbers, bank account numbers and other personal financial information are "hashed" through DraftKings Secure Hash API (Shapi) as outlined in the flow below.

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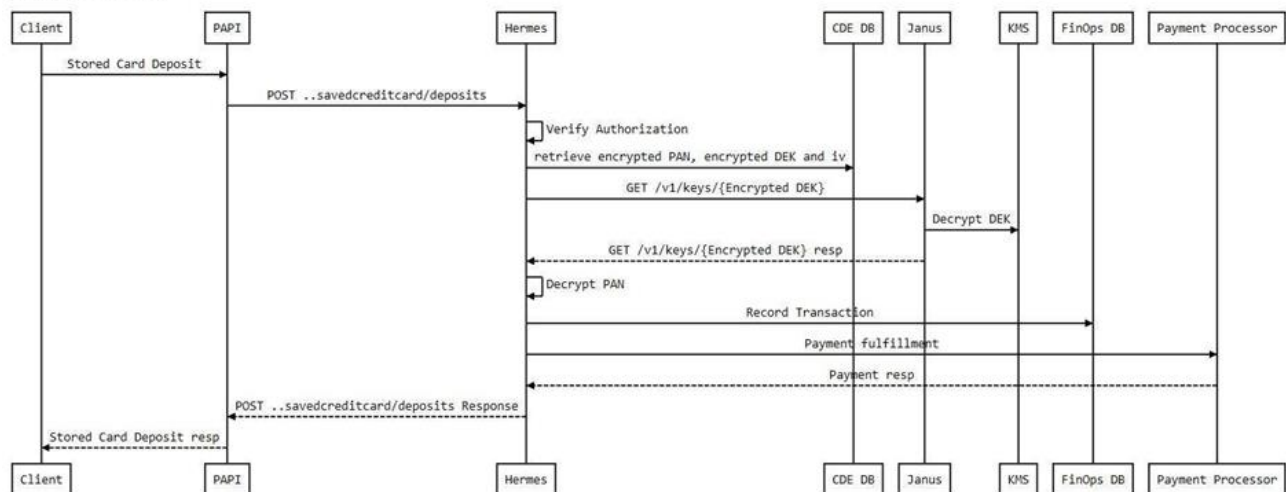
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#### Hashing Data Flow



Once a successful deposit is made by a user, the instrument used is saved in the payment methods section of the user account. The diagram below outlines the flow of how encrypted saved financial instruments are used when a user deposits.

#### Existing Saved Instrument



- 21) Instituting a process to close out dormant accounts;

**DraftKings has a process to identify, report and action unclaimed funds from dormant user accounts. User accounts are considered dormant when they remain inactive (no sign-in) for a period of 3 years or longer. For users with a last known address in Kansas, DraftKings will**

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attempt to contact the account owner to make the user aware that his/her funds will be remitted at the end of 36 months. If no response is received from the account owner, DraftKings will report and remit all the unclaimed property to comply with the Kansas unclaimed property laws. DraftKings does not charge administration or maintenance fees on any user accounts. Unclaimed winnings are not applicable to DraftKings digital platform as winning wagers are immediately credited to the users DraftKings account upon bet settlement. Once the funds are present in the user account, these funds would be subject to DraftKings Kansas unclaimed funds and dormancy policy, as defined above. DraftKings accounts meeting the three-year dormancy threshold will be closed by DraftKings personnel.

22) Method for securely issuing, modifying, and resetting a patron's account password, personal identification number (PIN), or other approved security feature, when applicable;


When a user forgets their login credentials, they can follow the “forgot password” flow located directly on the sign- in page. When a user enters their password incorrectly 3 times their account will be locked. When a user’s account is locked, or they wish to change their password:

- They will be asked to confirm their email address.
- A link will be sent to their email address.
- After they follow the link, they will need to complete strong authentication (confirm the last 4 of their SSN and their Zip code).
- The user will then be able to reset their password.

## Reset Your Password

We will send you an email containing a link to complete this process and reset your password.

☐ I'm not a robot

  
reCAPTCHA  
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RESET PASSWORD

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23) Methods of patron notification, including any password or security modification via electronic or regular mail, text message, or other manner approved by the executive director. Such methods shall include at a minimum:

- (A) Proof of identity, if in person;
- (B) The correct response to two (2) or more challenge questions; or strong authentication.

**Before any account activity may take place, users are required to successfully login using their DraftKings username and password. Users have the option to enable strong authentication (multi-factor authentication MFA) for added account security. You may opt-in for “strong authentication” by logging in and navigating to the preferences page under your account information. DraftKings currently supports 2FA authentication by text message or email. With strong authentication enabled, each time you wish to log in to your account, you will receive a text message or email containing a temporary six-digit code. You must enter that code during account login to access your account. Users will be prompted with the following screen when attempting to login with multi-factor authentication enabled on their account.**

**Additionally, please find controls around password resets in section 112-201-23 (b)23. above.**

24) Method by which the lottery gaming facility manager will identify and cancel wagers, including defining “obvious error”.

**See section 112-201-11 Wager Cancellations for information regarding canceling wagers and obvious errors.**

25) Any other internal control deemed necessary by the executive director.

**At this time, DraftKings has not been provided with any other internal control deemed necessary by the executive director.**

(c) The internal control system shall be accompanied by the following:

1) An attestation by the chief executive officer or other competent person with a direct reporting relationship to the chief executive officer attesting that the officer believes in

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good faith that the submitted internal controls conform to the requirements of the act and this article; and

2) an attestation by the chief financial officer or other competent person with a direct reporting relationship to the chief financial officer attesting that the officer believes in good faith that the submitted internal controls are designed to provide reasonable assurance that the financial reporting conforms to generally accepted accounting principles and complies with all applicable laws and regulations, including the act and this article.

**To be submitted with the clean copy of the fully approved Internal Controls.**

(d) Each internal control system shall be reviewed by the commission in consultation with the Kansas lottery to determine whether the system conforms to the requirements of the act and this article and provides adequate and effective controls to ensure the integrity of the operation of sports wagering at a lottery gaming facility. If the commission determines that the system is deficient, a written notice of the deficiency shall be provided by the executive director to the applicant or facility manager. The applicant or lottery gaming facility manager shall be allowed to submit a revision to its submission. Each lottery gaming facility manager shall be prohibited from commencing sports wagering operations until its internal control system is approved by the commission.

**DraftKings acknowledges the above.**

(e) If a lottery gaming facility manager intends to update, change, or amend its internal control system, the facility manager shall submit a written description of the amendment and the two original, signed certifications described in subsection (c).

**DraftKings acknowledges the above.**

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(f) A current version of the internal control system of a lottery gaming facility manager shall be maintained in or made available in electronic form through secure computer access to the accounting and surveillance departments of the lottery gaming facility manager and the commission's on-site facilities. The lottery gaming facility manager shall also maintain a copy, in either paper or electronic form, of any superseded internal control procedures, along with the two certifications required to be submitted with these procedures, for at least seven years. Each page of the internal control system shall indicate the date on which the page was approved by the commission.

**DraftKings acknowledges the above.**

(g) The lottery gaming facility manager shall stamp or otherwise mark each page of the internal control procedures submitted to the commission with the word "CONFIDENTIAL" if the material submitted is not subject to disclosure. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings has marked this document confidential and not subject to disclosure.**

## **112-201-24. Waiver of requirements.**

(a) One or more of the requirements of this article applicable to sports wagering may be waived by the commission on its own initiative, upon the commission's determination that the compensating control or procedure, as documented in a lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system, meets the operational integrity requirements of the act and this article.

(b) Any lottery gaming facility manager or interactive sports wagering platform provider may submit a written request to the commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and shall include supporting documentation demonstrating how the proposed auditing and internal controls for which the waiver has been requested would meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**At this time, DraftKings is not requesting any waivers.**

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# 112-202-1 License required, applications.

(a) No person may operate or own an interest of 5% or more in an interactive sports wagering platform provider in Kansas, unless that person holds:

- 1) A gaming license specifically permitting the person to do so; and
- 2) Applications for a license to operate an interactive sports wagering platform, must

be made processed and determined in the same manner as applications for a gaming license, using such forms as the executive director may require; and

3) Each application for approval made by an interactive sports wagering platform provider must be accompanied by an internal control system prepared and submitted to include the organizational structure of the interactive sports wagering platform provider.

(b) No person shall provide goods, services, software, or any other components necessary for the determination of the odds or the outcomes of any wager on a sporting event, directly or indirectly, to a lottery gaming facility manager or its interactive sports wagering platform provider, including data feeds and odds services, unless such person holds a license issued pursuant to this section.

(c) The interactive sports wagering platform provider must comply with any other license requirements in K.A.R. 112-101-1 through K.A.R. 112-101-16 as deemed necessary by the executive director.

(d) 1) Upon receipt of a complete application and payment of the required license fee, the commission may issue a sports wagering supplier license to a person who satisfies the requirements of this section and any rules and regulations adopted pursuant thereto. Applications for a sports wagering supplier license shall be submitted in such form and manner as prescribed by the executive director.

2) Such application shall include:

(A) The identity of:

(i) Each person who directly owns at least a 10% ownership interest in the applicant;

(ii) Each holding, intermediary or parent company that directly owns at least a 15% ownership interest in the applicant; and

(iii) the chief executive officer and chief financial officer of the applicant or the individual holding an equivalent office with respect to the applicant, as determined by the commission; and

(B) such other information as required by the commission.

3) The disclosure of any of the following direct or indirect shareholders of the applicant shall be waived:

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(A) Any government-created entity, including, but not limited to, any statutorily authorized pension investment board or crown corporation of Canada; and

(B) any investment funds or entities registered with the securities and exchange commission, including any investment advisors or entities under the management of an entity registered with the securities and exchange commission.

(e) Upon request by the applicant, the commission may issue a provisional sports wagering supplier license if the applicant has submitted a complete application and paid the required application fee. Such provisional license shall be for a term specified on the license but not to exceed one year. The holder of the provisional license shall surrender such license to the commission upon the issuance of a sports wagering supplier license to such person.

(f) The commission shall establish a fee for the issuance and renewal of a sports wagering supplier license and provisional sports wagering supplier license. An applicant will be responsible for all fees and costs incurred by the commission in performing the background investigation of the applicant, its officers, directors and key gaming employees any persons known to meet the requirements of (d), and any other person as the executive director deems necessary, including any person specified in article 102 or 103.

(g) A sports wagering supplier license shall be valid for a period of two years from the date issued.

(h) A sports wagering supplier license may be renewed by the licensee prior to the expiration thereof upon application and payment of the required renewal fee. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings acknowledges the above (a) through (h) licensing requirements.**

## **112-202-2 Provider suitability requirements**

(a) A person shall not function as the provider of an interactive sports wagering platform unless the person has been found suitable and has been certified by the executive director.

(b) All interactive sports wagering platform provider licensee(s) shall be in adherence to K.A.R. 112-101-6.

(c) Applications for suitability to function as the provider of an interactive sports wagering platform shall be made, processed, and determined using such forms as the executive director may require for approval. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

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**DraftKings acknowledges the above (a) through (c) provider suitability requirements.**

## **112-202-3 Licensing requirements for sports wagering employees.**

Any employee of a lottery gaming facility manager or interactive sports wagering platform provider, who fulfills the function of receiving and transmitting wagering instructions and any employee supervising this function is a gaming employee and subject to the provisions of K.A.R. 112-103-1 through K.A.R. 112-103-16. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**There are currently no licensing requirements for the digital product.**

## **112-202-4 Risk management requirements**

(a) An approved interactive sports wagering platform provider engaging in risk management may provide direction, management, consultation, and/or instruction to the lottery gaming facility manager concerning:

- 1) The management of risks associated with sports wagering and other event wagering;
- 2) The determination of where lines, point spreads, odds, or other activity relating to betting or wagering are initially set and the determination of whether to change such lines, point spreads, odds, or other activity relating to betting or wagering;
- 3) Whether or not to accept or reject bets or wagers;
- 4) The use, transmittal, and accumulation of information and data for the purpose of providing risk management; and
- 5) Any other activity associated with wagering if approved by the executive director prior to an interactive sports wagering platform provider commencing direction, management, consultation, and/or instruction concerning the activity.

**DraftKings provides all risk management initiatives in operation of the sports wagering platform.**

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(b) An approved interactive sports wagering platform provider which intends to provide risk management shall:

1) Enter into a written agreement to provide risk management with any lottery gaming facility manager of an approved interactive sports wagering platform that the interactive sports wagering platform provider proposes to provide risk management. A copy of such executed agreement with a lottery gaming facility manager shall be provided to the executive director and Kansas lottery no later than the date on which the interactive sports wagering platform provider commences risk management for the interactive sports wagering platform of the sports wagering event;

2) Provide details to the executive director regarding any permissible jurisdiction other than Kansas where the approved interactive sports wagering platform provider intends to provide risk management no later than the date on which the approved interactive sports wagering platform provider commences risk management in such permissible jurisdiction;

3) No later than the date on which the approved interactive sports wagering platform provider commences risk management, submit the interactive sports wagering platform provider's systems of accounting and internal control utilized for risk management to the executive director. Such systems must include provisions for complying with all federal and state laws and regulations; and

4) Provide such other information as the executive director may require concerning risk management.

**DraftKings provides all risk-management services in all jurisdictions that we operate.**

(c) In addition to the requirements contained in subsection (b) of this section, at least 30 days prior to providing risk management to a Kansas licensee, an interactive sports wagering platform provider shall submit to the executive director and the Kansas lottery the written agreement for the risk management to a Kansas licensee. The executive director or the Kansas lottery may object. If the executive director or the Kansas lottery objects to an agreement, the interactive sports wagering platform provider shall not provide risk management to the Kansas licensee until the interactive sports wagering platform provider has resubmitted the agreement to the executive director and the Kansas lottery, and the executive director and the Kansas lottery has indicated the resubmitted agreement has been approved.

**DraftKings provides all risk management initiatives in operation of the sports wagering platform.**

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(d) Each lottery gaming facility manager's or its interactive sports wagering platform provider's internal controls shall contain details on its risk management framework, including but not limited to:

- 1) Automated and manual risk management procedures;

**See section 112-201-23 (b)10. Procedures for identifying and reporting fraud and suspicious conduct including identifying unusual betting activity and reporting such activity to the KRGC as required by KAR 112-104-6(n).**

- 2) Employee management, including access controls and segregation of duties;

**See section 112-201-23 (b)4 user access controls for all KRGC-authorized sports wagering personnel.**

- 3) Information regarding identifying and reporting fraud and suspicious conduct;

**See section 112-201-23 (b)10. Procedures for identifying and reporting fraud and suspicious conduct including identifying unusual betting activity and reporting such activity to the KRGC as required by KAR 112-104-6(n)**

- 4) Controls ensuring regulatory compliance;

**The DraftKings Regulatory Operations team is responsible for ensuring regulatory compliance in all jurisdictions. The Regulatory Operations team manages due diligence and;**

**Ensures that regulatory reporting requirements are delivered on time,**

- Serves as contact on all regulatory matters,
- Monitors teams executing the self-exclusion programs and reporting any incidents,
- Oversees and resolves escalated user complaints,
- Ensures that the Fraud Team is conducting investigations and AML monitoring and applicable reporting.

- 5) Description of Anti-Money Laundering (AML) compliance standards including procedures for detecting structuring to avoid reporting requirements;

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**See section 112-201-23 (b)11. Description of anti-money laundering, CFR, Title 31 compliance standards, which shall include limitations placed on anonymous wagering at sports wagering kiosks as required by (KAR 112-104-6(n)).**

6) Description of all software applications that comprise the interactive sports wagering platform;

**Please see below for a list of user-facing third-party integrated systems within the System:**

- **Sightline – payment provider**
- **GeoComply – location verification**
- **PayPal – payment provider**
- **Paysafe – payment provider**
- **WorldPay – payment provider**
- **Braintree – payment provider**
- **Global Payments – payment provider**
- **LexisNexis – identity verification**
- **IDology – identity verification**
- **First Data – payment provider**
- **PayWithMyBank - payment provider**
- **Incomm – payment provider**
- **Sportradar – sport data platform**
- **iSportGenius – sports data platform**
- **IMG – Sports data platform**
- **Perform – Sports data platform**
- **Onfido – Identity verification**
- **Socure – Identity Verification**

7) Description of all types of wagers available to be offered by the interactive sports wagering platform;

**DraftKings will only offer markets approved by the Lottery. All applicable, available wager types can be found in the chart(s) below:**

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Bet Types	
Type	Explanation
Single bet	Risk your stake to win an amount proportionate to the odds of the bet.
Parlay	This is placing a bet on multiple outcomes to occur. To win, all outcomes within the parlay must be selected correctly.
Round Robin	A round robin is an alternative to a parlay which, instead of betting one combination, allows you to bet every combination of a series of outcomes. Example: A 3 leg round robin would contain 3 single bets, 3 doubles, and 1 triple.
Teaser+	"Teaser+" allows the user the possibility to allocate the same pre-set amount of points to all outcomes present in a parlay containing Spreads, Totals or a combination of both. Example: User combines NFL Team X +6.5 points in a parlay with Over 41 points in the NFL game between Team Y and Team Z. By choosing the "Teaser+ Football 6 points" option, the lines and odds get recalculated into a parlay featuring Team X +12.5 points (previously +6.5), combined with Over 35 points (previously Over 41). Should any part of a "Teaser+" bet be settled as void (push), that particular selection will be excluded from the parlay and the computation of odds/payout will be re-adjusted accordingly.
Cash out	Cash out allows the user to have a bet settled before the event is completed. The amount of money you get when you "cash out" is different according to the probability of the bet winning i.e. if the bet is likely to win you will get more money than if the bet is not likely to win.
Pools	Pools are a fixed price point form of betting where wagers are placed against other bettors who have entered the same event. Each winner's prize depends on the number of other players in the pool and the number of winners.

Market types	
Type	Explanation
Money Line	Bet on a team to win.
Spread	Bet on a team win given a specific points advantage or handicap?
Totals	Bet on a match go over or under a specific number of points?
Player Props	Bet on a player's performance as opposed to a team performance.
Game Props	Bet on a specific occurrence within a game. E.g. will the the game go to overtime?
Futures	Bet on an outcome that encompasses more than a single game. E.g. who will win the Super Bowl?
Win/Place/Each Way	Bet on a player to win, finish in the top X, or a combination of both.
Virtual/Fantasy Match Up	For example, the Colts are playing the Texans and the Raider are playing the Jets. Bet on who will score more out of the Colts and the Raiders?
Head to Head	Bet on who will have the better performance between 2 players.
Fantasy Points Props	Bet on which player will achieve more fantasy points.
Enhanced Odds Offers	Bet where the odds of the market were usually e.g. +200 but we have "boosted" them to +250.
Next Occurrence Bets	For example, bet on if the next field goal will be a 2 or 3 pointer.
Yes/no	For example, bet on if a specific player will score a touchdown.
3 Way	Alternative bet to money line where a draw option is available. In this case if the user bets on a draw and the game finishes in a draw, the user wins the bet, but if the user bets on a team to win and the game finishes in a draw, the user loses instead of the bet pushing (as it would with a regular money line bet).

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- 8) Description of the method to prevent past-post wagers from being placed;

**See section 112-201-5 (c).**

- 9) Description of all integrated third-party service providers; and

**See section 112-202-4 d(6).**

- 10) Any other information required by the executive director. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings has not been provided with any other requirements by the executive director.**

## **112-202-5 Sports wagering registration requirement**

- (a) An individual or entity that is contracted to provide goods or services that the executive director determines affects the conduct of sports wagering but falls outside of the scope of an interactive sports wagering platform certification or a vendor's certification shall be required to register with the commission as a sports wagering registrant.

**DraftKings has been instructed by the KRGC that there are no digital employee licensing requirements at this time, subject to change.**

- (b) A lottery gaming facility manager shall conduct due diligence in a commercially reasonable manner of each contracted sports wagering registrant. The due diligence check is for high-level company officers and employees with decision making ability that directly affects sports wagering related operations.

**112-202-5 (b) is not applicable to the digital product. A patron's sports wagering account is maintained electronically and wagering is non-anonymous.**

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(c) A lottery gaming facility manager or its interactive sports wagering platform provider shall have each contracted sports wagering registrant complete a sports wagering registrant form and provide these to the commission.

**DraftKings acknowledges this requirement.**

(d) All information deemed necessary shall be provided to the commission upon request. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**DraftKings acknowledges this requirement.**

## **112-203-1      Communications technology**

(a) Before installing or permitting the installation of communications technology on the premises of a sports book, the lottery gaming facility manager shall notify the executive director in writing of the location and number or other identifier of each communications technology and shall obtain the written approval of the executive director for each communications technology. The executive director may condition the approval in any manner the executive director considers appropriate.

**112-203-1 is not applicable to the digital product. A patron's sports wagering account is maintained electronically.**

(b) Before the interactive sports wagering platform accepts any wagering communications, and before the interactive sports wagering platform accepts any wagering instructions, the lottery gaming facility manager shall obtain written approval from the executive director to accept such wagering communications and wagering instructions, and thereafter use only the communications technology approved for that purpose.

**DraftKings will not accept wagers until formally approved by the KRGC / Kansas Lottery. DraftKings received interactive sports wagering platform approval from the Kansas Lottery and the KRGC to launch on September 1<sup>st</sup>, 2022.**

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(c) As a condition to the granting of the privilege of having communications technology upon the licensed premises, the lottery gaming facility manager shall be deemed to have consented to the authority of the executive director to require the immediate removal of any communications technology from the licensed premises at any time without prior notice.

**Not applicable to the digital product. A patron’s sports wagering account is maintained electronically.**

(d) Upon the request of the executive director, the lottery gaming facility manager shall provide a written consent for the executive director to examine and copy the records of any communications company or utility that pertains to the operation of the interactive sports wagering platform. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**Not applicable to the digital product. A patron’s sports wagering account is maintained electronically.**

## 112-203-2 Change management requirements

(a) The Change Management program shall ensure that all changes to the interactive sports wagering platform are conducted by an established set of processes, submitted to, and approved by the executive director, and shall leave a complete audit trail. These processes must be:

(1) Developed in accordance with the most current version of Gaming Laboratories International’s GLI-CMP Change Management Program Guide; and

(2) Approved prior to its deployment and is subject to an audit at an annual interval by the executive director or its designee which may be a Kansas Racing & Gaming Commission-approved independent testing laboratory.

(b) The Change management program shall ensure transparency in relation to changes in the interactive sports wagering platform and the system process behind those changes.

(c) The Change management system framework shall consist of the following:

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- 1) Framework for managing system changes;
- 2) Definition of responsibilities, to include:
  - (A) License Holder Responsibilities; and
  - (B) Responsibility of Change Management System SME (Subject Matter Expert)/Manager;
    - (i) Role – the interactive sports wagering platform shall appoint one or more among their staff to take overall responsibility of system changes.
    - (ii) Skill – The responsible manager(s) shall possess sufficient experience and competence in relation to change management and hold a key position within the interactive sports wagering platform in relation to change management.
    - (iii) Log – The responsible manager(s) need not necessarily handle the system changes personally. The interactive sports wagering platform shall keep a log of the persons who have been involved in the decision process.
- 3) Prior to approval of system changes by the executive director, the responsible managers shall confirm that the proposed system changes are;
  - (A) Consistent;
  - (B) Necessary;
  - (C) Have acceptable consequences; and
  - (D) Carefully considered, documented, and categorized.
- 4) Program change control procedures shall be adequate to ensure that only authorized versions of programs are implemented on the production environment. These change controls shall include;
  - (A) An appropriate software version control or mechanism for all software components and source code;
  - (B) Records kept of all new installations and/or modifications to the system, including:
    - (i) The date of the installation or modification;
    - (ii) Details of the reason or nature of the installation or change such as new software, server repair, significant configuration modifications;
    - (iii) A description of procedures required to bring the new or modified component into service (conversion or input of data, installation procedures, etc);
    - (iv) The identity of the user(s) performing the installation or modification;
    - (v) A strategy for reverting back to the previous implementation if install is unsuccessful, including complete backups of previous versions of software and a test of the

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rollback plan prior to the implementation to the production environment;

(vi) A policy addressing emergency change procedures;

(vii) Procedures for testing and migration of changes;

(viii) Segregation of duties between the developers, quality assurance team, migration team and users; and

(ix) Procedures to ensure technical and user documentation is updated as a result of a change.

(d) (d) Remote access into the interactive sports wagering platform shall meet the requirements of KAR 112-107-31. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

## **Definitions**

**Deployment (DEP)** – DEP tickets for tracking purposes

**Change Management Log (CML)** – A comprehensive file detailing all regulated releases in a specific jurisdiction that is maintained by DraftKings.

**Change Advisory Board (CAB)** - The CAB is ultimately responsible for internally signing off on releases and determining testing cadence. DraftKings Change Advisory Board is made up of various members of DraftKings leadership team.

**Critical Asset Register (CAR)** – A register containing the critical hardware and software components, the relevance of each asset, the owner, and the geographic location of said asset, where applicable.

## **DraftKings Release Process**

**Notify & Do Change Process:** DraftKings will send notification to the KRGC when a change in functionality of the sports betting system is being implemented. The notification will be sent to the KRGC prior to the implementation. The changes will be logged in the Change Management Log.

**Change Management Log** – DraftKings will maintain a change management log that includes all regulated changes. The change management log will track, at a minimum, critical components and version numbers, details surrounding each change (release notes), the person responsible and conducting the change, the criticality level and release date of the change. The Change Management Log will be available upon request by the Commission and is produced quarterly.

## **Executive Summary**

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DraftKings (DK) has implemented additional processes and controls to meet the requirements from business partners and regulators. Our goal is to keep stakeholders informed of releases. Only the services used for Sportsbook listed in this document will be governed with the DraftKings release processes below. Services for Daily Fantasy Sports, and other operations not used for Sportsbook products, will not be covered.

#### Categories of Releases

	DK CAB approval required?	Regulator Notification prior to deployment required?	DEP tickets for tracking?	Included in CML?
Standard Releases	Yes	Yes	Yes	Yes
Patch (Level 1)	Yes	No	Yes	Yes
Emergency	Yes	No; DK is required to follow up with notifications after the work is done	Yes	Yes

**Background:** DraftKings’ release process includes an internal submission of release notes in advance of pushing code to production. Deployments are tracked internally with DEP ticket numbers.

**Patch (Level 1) Release Process:** Level 1, or non-substantial changes are sometimes made as a patch per the matrix below. Anything qualifying as a patch (something done outside of a regular release, and not submitted to the KRGC) requires internal business justification for not releasing on the weekly train and requires approval by our internal Change Advisory Board (CAB).

**Standard Release Process:**

Standard releases may be substantial or insubstantial changes and are not releases made as a patch or an emergency release. Standard releases could include any Level 1, Level 2 or Level 3

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change. Both standard release notes and standard reporting release notes will be submitted to the KRGC. DraftKings will wait a minimum of 24 hours before deploying submitted changes.

**Emergency Release Process:** DraftKings will do an emergency release when an unanticipated incident occurs that causes a disruption in the collection, accuracy, integrity, or availability of the sports betting system. This most often includes, but is not limited to, user-facing issues without a suitable workaround, but may include any level of criticality. Emergency deployments will require internal approval from the Change Advisory Board. In the event of an emergency release DraftKings will conduct the necessary change and notify the KRGC within one business day of making that change. An emergency change is any change that must be done immediately to resolve an issue with high user impact or an issue causing immediate harm to the user(s).

**Rollback Process:** Within each deployment tracking ticket the responsible development team provides detailed instruction on how to revert back to the previous version if required.

**Release Review:** An internal Change Advisory Board (CAB) reviews any Sportsbook release and the release notes for compliance, authorizes changes to the regulated products and services, and determines if GLI testing is needed. The CAB determines when the submission should occur as described in the GLI lab cadence testing section. The CAB will review all release requests to determine the release category, shepherd the process, and ensure changes are evaluated and appropriately reported.

**Communication:** Release notes and information will come from the release management team and any questions surrounding releases should be sent directly to this team.

**Critical Asset Register:** DraftKings maintains a critical asset register for regulated components. DraftKings records unique IDs, version numbers, identifying characteristics, and geographical location for each regulated component. DraftKings CAR aligns with GLI guidelines and incorporates relevance codes for each critical asset. The CAR will be made up of both high and low relevance codes, as defined by GLI.

#### General Process (Subject to change)

Process Step	Actor
DK internal aggregation of DEP tickets	DK Delivery Management – Delivery Manager

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<b>DK internal approval of release notes</b>	<b>DK Change Advisory Board – CAB members</b>
<b>Partner/Regulator notification of release notes</b>	<b>DraftKings - Release Management---</b>
<b>Regulator response to release notes</b>	<b>Regulatory Board</b>
<b>Deployments completed</b>	<b>DK Engineering – Deployment Specialists, Database Specialist</b>

#### **Impacted Systems**

<b>Component</b>	<b>Function</b>
<b>Sportsbook Web</b>	<b>DraftKings Sportsbook Website and content</b>
<b>Sportsbook Native App</b>	<b>Sportsbook applications for iOS and Android</b>
<b>Markets and Offering System</b>	<b>Serves up markets, odds, event, and wager information. Downloads market and event information from backend service provider(s) and stores it in the database.</b>
<b>Wager Processing System</b>	<b>Processes transaction requests from backend service provider(s). Gathers information from other sources and determines whether a transaction should be accepted or rejected.</b>

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<b>Accounting Ledger</b>	<b>Sportsbook wallet and accounting. Determines whether a user has enough funds to place a wager</b>
<b>Session Management System</b>	<b>Grants and validates play tokens and records session times. Issues restricted tokens if a user is over their play limit or otherwise doesn't have permission to play</b>
<b>Identity and Permissions Management System</b>	<b>Provides user information and login functionality, stores spend limits, and applies rules that restrict users from certain activities based on user properties</b>
<b>Geo-Compliance System</b>	<b>Decrypts GeoComply token and returns user location information</b>
<b>Identity Verification System</b>	<b>Stores user identity verification status. Matches user to known person lists like self- excluded players or professional athletes. Interfaces with LexisNexis, IDology, and Socure to perform user identity verification</b>
<b>Fund Deposit and Withdrawal System</b>	<b>Internal service for processing payments and integrating with 3rd party payment providers, updating deposit limits, creating withdrawals, cancellation, processing, and fraud triggers. Includes fraud tools for withdrawal processing.</b>
<b>User Messaging and Notification System</b>	<b>Responsible for contacting third parties about which communications to send and to whom they should be sent.</b>
<b>Marketing Campaign Attribution System</b>	<b>Redirects users from short urls to specific pages (such as a specific bet page). These short urls are used primarily in marketing campaigns.</b>
<b>Promotions and Bonusing System</b>	<b>Communicates with backend service provider(s) directly to let them know a user qualifies for a set of rewards (actual rewards are managed and used on the backend service provider(s) side). Serves up promotions to users.</b>

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Revenue reporting system	Reporting provided separately
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### Change Impact Matrix

**Level 1: The change has no impact on regulated components of the platform. Examples:**

- a. Database maintenance
- b. Installation or changes to backup software
- c. Changes to non-production environments

**Level 2: The change has a low impact on the integrity of the platform. This can also include hardware component changes. Examples:**

- a. Firewall rule changes
- b. Changes to the physical location of regulated primary backup data
- c. Changes to non-game logic components of the overall platform

**Level 3: The change has a high impact on regulated components of the platform. Examples:**

- a. Implementation of a new gambling feature
- b. Changes to logic impacting wagering or game logic
- c. Changes impacting handling of personally identifiable information
- d. Changes that substantially impact geolocation services

	Major (Level 3)	Minor (Level 2)	Patch (Level 1)
Hardware/Server Changes			
Activation, updates, or changes to a currently installed game on/by a remote gaming server		X	
Replacement, removal, or addition of equipment parts (hard drives, memory, processors, etc.) *	X		
Addition, removal, or replacement of equipment (servers, routers, firewalls, load balancers, etc.)	X		

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Installation or changes to backup software			X
Database maintenance Note: Regulations regarding data retention must be observed			X
Any system configuration changes that have no impact on sports wagering , revenue calculation, or any regulated feature			X
Installation of a new game on a remote gaming server			X
Product Changes			
Activation or deactivation of an approved game by a platform		X	
Creation of poker tournaments			X
Content			
Changes to web pages or content not related to game play, game outcome, or any regulated feature			X
Changes to web pages that contain terms and conditions, player protection information, or any other regulated feature impacting the notified jurisdiction		X	
Data Changes			
Adding or removing users			X

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<b>Platform Changes</b>			
<b>New process for resolution of stuck funds</b>	<b>X</b>		
<b>Resolving stuck funds using a previously approved process</b>		<b>X</b>	
<b>Back office modifications</b>		<b>X</b>	
<b>Changes to software or hardware that directly reports monitoring information to regulators</b>		<b>X</b>	
<b>Addition, removal or changes to payment processing, KYC, responsible gaming, content delivery network (CDN), or fraud detection</b>		<b>X</b>	
<b>Installation or changes made to monitoring software that does not affect regulator implemented system monitoring</b>			<b>X</b>
<b>Installation of operating system security patches</b>			<b>X</b>
<b>Firewall rule changes</b>			<b>X</b>
<b>Network Changes</b>			
<b>SSL certificate updates</b>			
<b>Whitelisting of IP addresses for the purpose of system testing in accordance with regulator regulations</b>			<b>X</b>
<b>Configurations</b>			

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Platform game configurations		X	
Reporting			
Changes to any revenue reports required by regulations specific to notified jurisdiction			X
Marketing			
Emails or mailings to users. Note: All promotions must be submitted according to regulation guidelines			X

**Release Notes:** Release notes will include a list of changes partitioned by area of the software, an ID number to reference when asking about changes made, and the critical files impacted by the change along with the level of change. Release personnel, timing of release, and other information pertinent to the release will be included in the release notes.

**Notification Requirements:** DraftKings will provide advanced notice to the KRGC for all level 2 and 3 changes. DraftKings will make their best effort to provide 3 business day notice for any level 2 or 3 change. DraftKings will always provide at least 24-hour notice prior to deploying a level 2 or 3 change, except when qualified as an Emergency Release, defined above. DraftKings will obtain approval from the KRGC prior to deploying any level 3 change to production.

**Attestation:** DraftKings confirms the following for all Kansas release notes: The company confirms in good faith based on internal development and testing practices and standards that the deployment to be released complies with all applicable laws, rules, and regulations set forth by the Kansas Racing and Gaming Commission.

#### **GLI Testing Cadence:**

DraftKings maintains an on-going relationship and dialogue with GLI. GLI tests DraftKings changes and releases on a weekly basis.

Changes to the applications or impacted systems will be evaluated by the CAB to determine if and when the changes will be submitted to the laboratory for review and certification. Factors that shall be considered include, but are not limited to, the criticality level of the change, whether the change impacts the fairness or security of wagers, whether the change impacts the

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ability to audit system transactions, or whether the change impacts geolocation or KYC providers. If the CAB determines a lab review is necessary, changes shall be submitted to and evaluated by the laboratory prior to release and implementation. Changes in standard, patch, or emergency releases that are not submitted to the laboratory for evaluation prior to release shall be submitted for lab testing annually at DraftKings discretion, in addition to the continuous testing done by GLI weekly.

**Remote Access:** Please reference the DraftKings internal controls for policies and procedures regarding remote access.

## **112-203-3 Interactive sports wagering platform requirements**

(a) All wagers shall be initiated, received, and otherwise made within the State of Kansas unless otherwise permitted in accordance with applicable federal and state laws. Consistent with the intent of the United States Congress as articulated in the Unlawful Internet Gambling Enforcement Act of 2006 (31 U.S.C. §§ 5361 et seq.), the intermediate routing of electronic data relating to a lawful intrastate wager authorized under this provision shall not determine the location or locations in which such wager is initiated, received, or otherwise made.

**DraftKings ensures all wagers are initiated, received, or otherwise made within the State of Kansas. DraftKings Geolocation controls can be found in section 112-203-6.**

(b) A lottery gaming facility manager or its interactive sports wagering platform provider shall document and maintain any system malfunction or deviation from the interactive sports wagering platform and maintain the data for a minimum period of two years.

**All security-related events on critical or sensitive systems must be logged and audit trails saved. Monthly full backups of logs will be retained for a minimum of two (2) years.**

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(c) A lottery gaming facility manager or its interactive sports wagering platform provider shall provide the executive director or the executive director's designee with access to wagering transactions and related data as deemed necessary in a manner approved by the executive director.

**DraftKings can provide ad-hoc reports upon request and can also provide back-office access to our regulatory reporting tool, Pitboss. Pitboss serves as a secure SFTP portal and user-level querying tool.**

(d) All interactive sports wagering platforms shall be designed to ensure the integrity and confidentiality of all patron communications and ensure the proper identification of the sender and receiver of all communications. If communications are performed across a public or third-party network, the platform shall either encrypt the data packets or utilize a secure communications protocol to ensure the integrity and the confidentiality of the transmission.

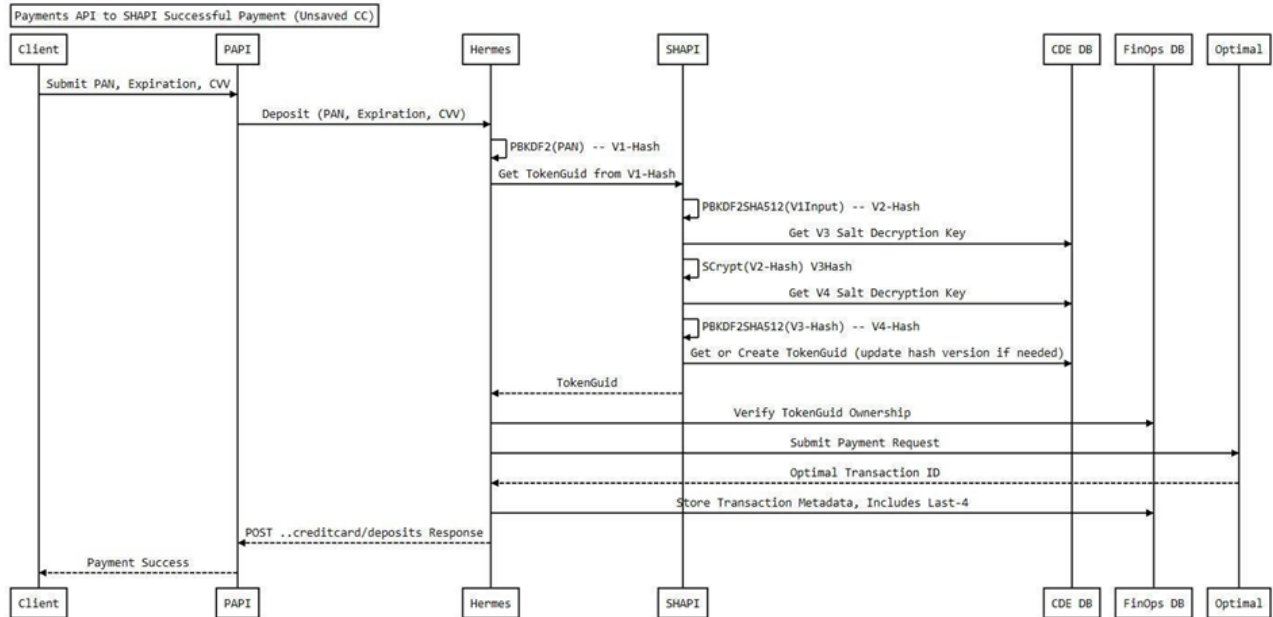
**DraftKings' encrypts all the following information contained in an electronic user file:**

- **User's Social Security number or equivalent for a foreign user such as a passport or taxpayer identification number;**
- **User's passwords and/or PINs; DK systems perform password hashing using a global pepper for the sole purpose of detecting users sharing passwords. In addition, DK systems also perform password hashing using a unique salt per user and this password hash will be used for authenticating a user and**
- **Credit card numbers, bank account numbers, or other personal financial information. All of the above information will be encrypted. SSN, passport, taxpayment identification number, Credit card numbers, bank account numbers and other personal financial information are "hashed" through DraftKings Secure Hash API (Shapi) as outlined in the flow below**

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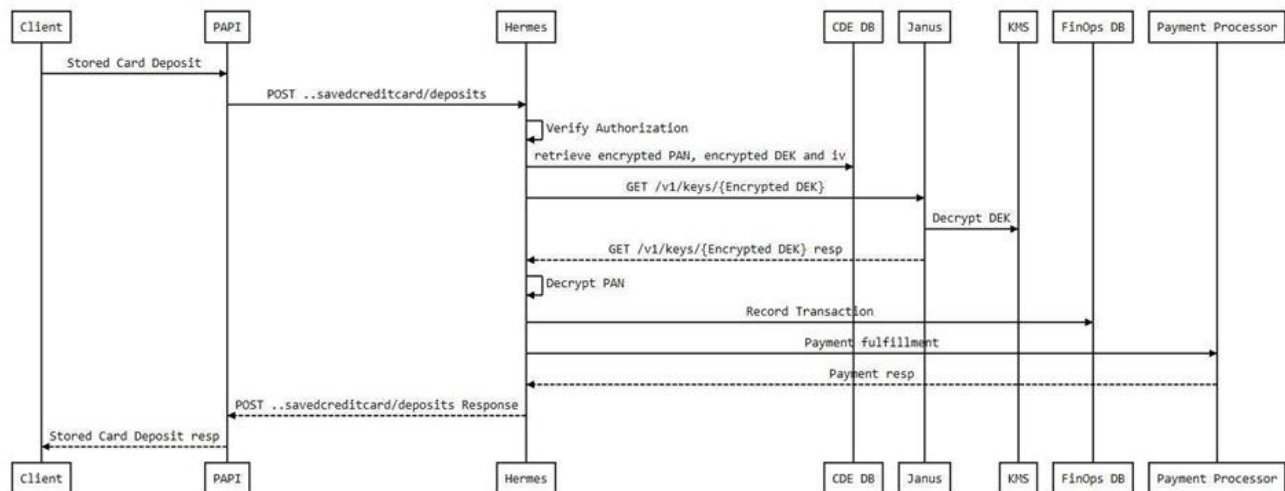
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#### Hashing Data Flow



Once a successful deposit is made by a user, the instrument used is saved in the payment methods section of the user account. The diagram below outlines the flow of how encrypted saved financial instruments are used when a user deposits.

#### Existing Saved Instrument



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(e) The interactive sports wagering platform shall employ a mechanism capable of maintaining a separate copy of all information required on a separate and independent logging device capable of being administered by an employee with no incompatible function. If the interactive sports wagering platform can be configured such that any logged data is contained in a secure transaction file, a separate logging device is not required.

**The data described in this section is made available via the DraftKings PitBoss system reports functionality. Given that the DraftKings architecture is a distributed system, all of the data is stored independently of the sports wagering system. The data needed to produce the reports in this section is persisted in MySQL databases that are distinct from the sports wagering systems themselves.**

(f) All interactive sports wagering platform data shall be required to be exported in a format required by the Kansas Racing and Gaming Commission.

**DraftKings can provide ad-hoc reports upon request and can also provide back-office access to our regulatory reporting tool, Pitboss. Pitboss serves as a secure SFTP portal and also user-level querying tool.**

(g) All procedures used to meet the interactive sports wagering requirements shall be submitted in the internal controls. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings acknowledges the above requirement.**

## **112-203-4 Electronic asset disposal**

Prior to disposal of an electronic asset any sensitive and confidential data shall be sanitized from the equipment by performing a data wipe or over-write, or physical destruction. The lottery gaming facility manager shall submit a request in writing with an attached approval letter from the Kansas lottery requesting the destruction of an electronic asset. The notice shall contain the asset that is requested to be destroyed and shall be submitted at least 14 days in advance of the requested disposal date. Sanitization may occur by one of the following methods:

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- (a) overwriting the media;
- (b) magnetic erasure of the media;
- (c) physical destruction of the media; or
- (d) other method approved by the commission. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

## **Destruction of Electronic Media Policy**

**The purpose of this policy is to establish a standard for the proper disposal of media containing electronic data. The disposal procedures used will depend upon the type and intended disposition of the media. Electronic media may be scheduled for reuse, repair, replacement, or removal from service for a variety of reasons and disposed of in various ways as described below. Any disposal or destruction of DraftKings Information must be performed in accordance with this policy and DraftKings' Record Retention Policy & Schedule.**

### **General**

**All electronic media must be properly sanitized before being transferred outside of DraftKings' custody. The proper sanitization method depends on the type of media and the intended disposition of the media. DraftKings Personnel must engage their local Corporate IT resource to assist with the removal or destruction of electronic information assets or media.**

**Sanitization tools must adhere to the following standards:**

- **Ability to run multiple iterations of wipe process under DoD standards;**
- **Ability to handle single drive (SATA, IDE, etc.) or RAID arrays;**
- **Ability to log activity status (success, failure, etc.) for tracking and audit reporting; and**
- **There must be a process for physical destruction where software sanitization fails.**

### **Disposal of Hard Drives**

#### ***Disposal of hard drives outside DraftKings***

**Prior to disposal, operable hard drives must be overwritten in accordance with the procedures set forth above in this policy. DraftKings must be able to certify that the hard drive was properly sanitized. Written certification must include the make, model, and serial number of the hard drive and the date that the procedure was performed. Equipment designated for surplus or other disposal must have a label affixed stating that the hard drive has been properly sanitized.**

#### ***Transfer of hard drives within the corporation***

**Before a hard drive is transferred from the custody of its current owner, all electronic media**

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must be sanitized by DraftKings pursuant to the procedures set forth above in this policy. The CISO must approve of exceptions to this policy.

***Disposal of damaged or inoperable hard drives***

DraftKings Corporate IT must first attempt to overwrite the hard drive in accordance with the procedures set forth above in this policy. If the hard drive cannot be overwritten, the hard drive must be disassembled and mechanically damaged so that it is not usable by a computer.

***Disposal of Electronic Media Other Than Hard Drives***

Transfer of electronic media other than hard drives within a department

Before electronic media is transferred from the custody of its current custodian, appropriate care must be taken to ensure that no unauthorized person can access data by ordinary means.

***Prior to disposal***

Electronic media such as floppy disks, rewritable CD-ROMS DVDs, zip disks, flash drives, tapes, videotapes, and audiotapes must be destroyed or reformatted if the media type allows it.

***Disposal of electronic media outside of DraftKings***

All electronic media other than computer hard drives must be rendered unusable before leaving DraftKings. Hard drives must be disposed of according to this policy and the procedures set forth above.

***DraftKings Information being discarded***

Paper, fax, hard drives floppy disks, CD's, DVDs, etc. must be stored in a secure container in a secured area prior to destruction, regardless of the sensitivity level of the information.

## **112-203-5 Server location and access**

(a) A lottery gaming facility manager or its interactive sports wagering platform provider must locate its primary server responsible for the acceptance of sports wagers in the State of Kansas. The executive director may approve of the use of internet or cloud-based hosting of duplicate data or data not related to transactional wagering data upon written request of a lottery facility manager.

- 1) The locations selected must have adequate security and twenty-four hour

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surveillance.

2) The location must be approved by the executive director of the Kansas Racing and Gaming Commission prior to installation.

(b) The server shall provide a mechanism for the executive director to query and export all sports wagering data. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**All DraftKings Kansas servers are located at 11200 Lakeview Ave , Lenexa, 66219 Kansas US.**

**Physical access controls include:**

- All DK Colos have full physical access controls in Colos that PCI, SSAE16 and SOC2 compliant
- Server racks have our own physical card access controls (Rack Armor) on them managed only by DK personnel
- Remote access to servers can only be done through our secure Jumphosts in our AWS environment. Both the Jumphosts and the AWS environment require 2FA authentications
- These jumphosts employ ObservIT and ReFog keystroke and screen capture logging for forensic purposes.
- Observit sends an alert to the Security team anytime someone remotely accesses instate servers.
- All customer web traffic is first opened and filtered through Akamai's CDN, WAF, DDOS & Kona Site Defender systems to ensure only valid traffic goes through.
- In-state Firewalls are configured to only allow inbound traffic from Akamai IPs so no other public endpoint can even connect to instate systems.

**DraftKings primary server for bet acceptance is in Lenexa, Kansas. DraftKings also utilizes various cloud infrastructures within the sportsbook platform as detailed in the architectural overview in section "An overview of the interactive sports wagering platform design;"**  
**DraftKings also utilizes the cloud for duplication of in-state data.**

## **112-203-6 Geofence Requirement**

(a) In order to prevent unauthorized use of the internet or a mobile device to place a sports wager when a patron is not within the state of Kansas, the lottery gaming facility manager or its

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interactive sports wagering platform provider shall utilize a geofence system to reasonably detect the physical location of a patron attempting to access the interactive sports wagering platform and place a wager, and to monitor and block unauthorized attempts to place a wager when a patron is not within the State of Kansas.

(b) The geofence system shall ensure that any patron is located within the state of Kansas when placing any wager, and shall be equipped to dynamically monitor the patron's location and block unauthorized attempts to place a wager throughout the duration of the patron's session.

(c) Before being deployed in this state the geofence system shall be certified by a Kansas Racing & Gaming Commission approved independent testing laboratory, including applicable field testing and evaluation of the following geo-location techniques and methods:

- 1) Basic methods that include IP addresses;
- 2) Advanced methods using trilateration (i.e. triangulation) through;
  - (A) Cell towers;
  - (B) Wi-Fi; and
  - (C) GPS.
- 3) Methods utilized in order to prevent unauthorized use of interactive sports wagering platform.
- 4) Geo-location techniques reasonably possessing the ability to detect the physical location of a patron attempting to access the interactive sports wagering platform and to monitor and block unauthorized attempts.
- 5) Any other requirements required by the executive director.

(c) The executive director shall approve technical specifications for geofence systems and any specific requirements related to geolocation technology.

(d) Nothing in these regulations regarding sports wagering shall restrict any lottery gaming facility manager, any interactive sports wagering platform provider, or any subcontracted party related to sports wagering from having employees located outside of the State of Kansas so that all job functions will conform with 18 U.S.C. Section 1081 et seq. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

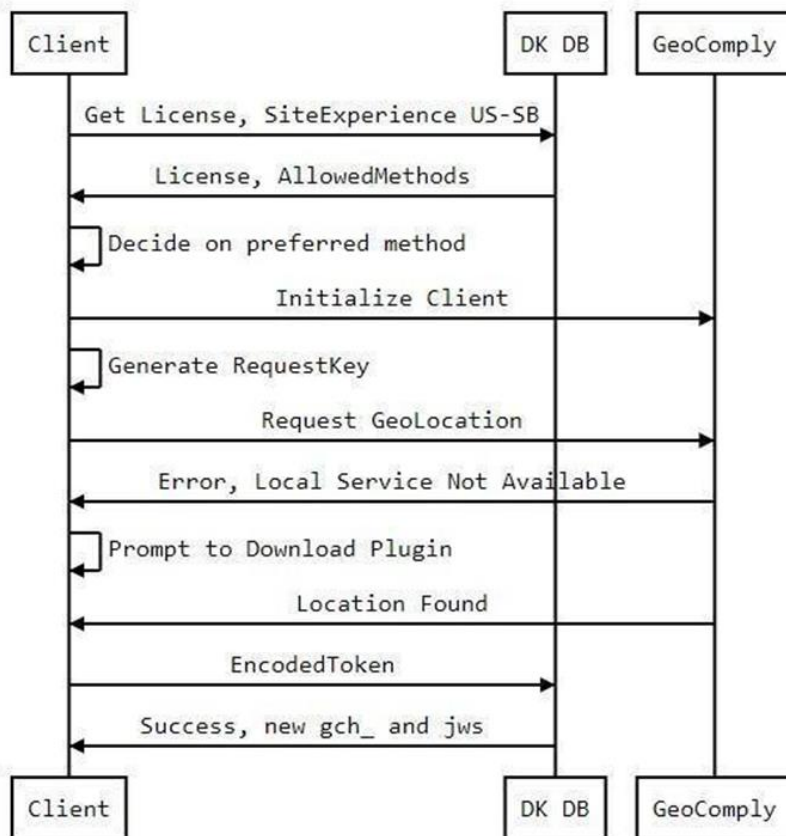
**DraftKings uses Geocomply to verify location services for users wanting to wager real money in a legal jurisdiction. GeoComply's download solution is designed to meet and exceed the most stringent compliance requirements for regulated markets. It is considered the gold-standard for withstanding the demands of US federal or state level sports wagering legislation and is**

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constantly tested by regulatory agencies across the US to ensure its continued performance for location compliance. Enhanced geolocation tools utilize both device-based browser geolocation and network connection analysis. This allows levels of accuracy of +/- 25 meters, pinpointing users to a house level, and comprehensively stopping spoofing via 350+ checks per transaction. Multiple databases and failover systems maximize pass rates to achieve 98% or more.

#### Sequence Diagram



DraftKings requests the location of the device being used by a user whenever they:

- Attempt to enter a wager
- Register for an account
- Log into our internet sports wagering platform

Using GeoComply’s proprietary “Plug-in” technology, users will be requested to download the plug-in to verify their location. GeoComply combines & encrypts multiple location data sources for accurate location results, rather than relying on a single source of data for verification. GeoComply collects Wifi, GPS, GSM, and IP location data from a user’s device to deliver highly accurate location results.

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**GeoComply’s technology is capable of proxy, VPN, malware, and enhanced remote desktop detection to thwart spoofing attempts and high-risk transactions. GeoComply’s geolocation process occurs every 20 minutes or 5 minutes within 1 mile of the border when on a static connection. When operating a mobile device, the geolocation check occurs, between 20 minutes and 30 seconds, depending on proximity to the border, at a velocity check of 70 miles/hour.**

**Players located outside a permitted boundary will be rejected from placing a wager and will receive the following prompt.**

## **112-203-7 Certification testing**

(a) Prior to offering sports wagering on behalf of the Kansas lottery and on an annual basis, the interactive sports wagering platform and equipment used in conjunction with sports wagering shall be evaluated by a Kansas Racing & Gaming Commission approved independent testing laboratory for certification testing

**DraftKings is in receipt of the KRGC August 5th memo allowing reciprocity for certification testing. DraftKings to provide Kansas specific GLI certification to KRGC within 90 days of launch.**

(b) The Kansas Racing & Gaming Commission approved independent testing laboratory shall certify that the interactive sports wagering platform and equipment used in conjunction with the sports wagering operation meets or exceeds the most current version of Gaming Laboratories International’s GLI-33, Standards for Event Wagering Systems and its appendices, or equivalent standard as approved by the commission, and the standards established by this document. Lottery gaming facility managers are prohibited from offering on behalf of the lottery, sports wagering in Kansas without such certification, whether directly or through any interactive sports wagering platform provider.

(c) Interactive sports wagering platforms and equipment, shall be subject to the following testing:

- 1) Wagering account controls/authentication;
- 2) Geolocation verification;
- 3) Base and peripheral web pages (artwork and functionality);

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- 4) Wagering disclosure and operation;
- 5) Settlement determination and display;
- 6) Payment of winnings;
- 7) All supporting wager types (straight, fixed odds, etc.);
- 8) Cancellation, voiding, suspension or termination of bets or events;
- 9) Financial/operational accounting and reporting;
- 10) Wagering history;
- 11) Shutdown and recovery;
- 12) Desktop and mobile compatibility;
- 13) Technical standards-specific requirements;
- 14) Source code review;
- 15) Software and system version control; and
- 16) Submitted documentation review. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**DraftKings to provide Kansas specific GLI certification to the KRGC within 90 days of launch.**

## **112-203-8 Waiver of requirements**

- (a) One or more of the requirements of this article applicable to technology and interactive sports wagering platform requirements may be waived by the commission on its own initiative, upon the commission's determination that the compensating control or procedure, as documented in a lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system, meets the operational integrity requirements of the act and this article.
- (b) Any lottery gaming facility manager or interactive sports wagering platform provider may submit a written request to the commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and shall include supporting documentation demonstrating how the proposed auditing and internal controls for which the waiver has been requested would meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**DraftKings is not requesting any waivers at this time.**

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# 112-204-1 Sports book surveillance system requirements

- a) A lottery gaming facility manager or applicant for an interactive sports wagering platform provider certification shall have a surveillance system before beginning sports wagering operations. The surveillance system shall include a digital video system capable of the following:
  - 1) Instant replay;
  - 2) Recording by any camera in the system; and
  - 3) Allowing simultaneous and uninterrupted recording and playback.
- b) The surveillance system shall include a communication system capable of monitoring the sports book, including the security department.
- c) The surveillance system shall be connected to all facility alarm systems.
- d) The surveillance system shall be capable of monitoring the entire property, except private offices and restrooms.
- e) The surveillance system shall include the following features:
  - 1) Redundant system drives;
  - 2) A backup power supply capable of operating all surveillance equipment during a power outage. The backup power supply shall be tested on a monthly basis;
  - 3) Backup storage components that will automatically continue or resume recording in the event of failure of any single component of the system, so that the failure of any single component will not result in the loss of any data from the system; and
- f) The digital video system shall meet the following requirements:
  - 1) Function as a closed network;
  - 2) Have its access limited to the personnel identified in the surveillance system plan;
  - 3) Be equipped to ensure that any transmissions are encrypted, have a firewall at both ends, and are password-protected;

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- 4) Be equipped with a failure notification system that provides an audible and visual notification of any failure in the surveillance system or the digital video recording storage system;
  - 5) Record all images and audit records on a hard drive;
  - 6) Be locked by the manufacturer to do the following:
    - (A) Disable the erase and reformat functions; and
    - (B) Prevent access to the system data files; and
  - 7) Be equipped with data encryption or watermarking so that surveillance personnel will be capable of demonstrating in a court of law that the video was not altered or manipulated in any way.
- g) The surveillance system shall include cameras dedicated to monitoring the following with sufficient clarity to identify any person and their activities:
- 1) All designated sports wagering areas including:
    - (A) Where tickets are purchased or redeemed;
    - (B) Where ticker monitors are displayed;
    - (C) The viewing area(s) where patrons view sporting events;
    - (D) Where point-of-sale and sports wagering kiosks are located; and
    - (E) All areas of the sports book inclusive of sports wagering and other gaming activity
  - h) The surveillance system required by this regulation shall be equipped with light-sensitive cameras with lenses of sufficient magnification to allow the operator to read information on ticker and television monitors displaying sporting events. The surveillance systems shall be capable of clandestine monitoring in detail from various vantage points during:
    - 1) The conduct and operation of the cashier cage, satellite cashier cages, sports wager cashier, sports wagering windows, while all data is displayed on all tickets at each kiosk, count rooms and vault(s), and;
    - 2) The movement of cash and any other gaming facility assets.
  - i) All cameras shall be equipped with lenses of sufficient magnification capabilities to allow the operator to clearly distinguish the value of the following:
    - 1) All data displayed on all ticker monitors, and;
    - 2) All data displayed on television monitors showcasing sporting events in designated areas for sports wagering activity.

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- j) All surveillance system display screens shall meet all of the following requirements:
- 1) Be equipped with a date and time generator synchronized to a central clock that meets the following requirements:
    - (A) Is displayed on any of the surveillance system display screens; and
    - (B) Is recorded on all video pictures or digital images;
  - 2) Be capable of recording what is viewed by any camera in the system; and
  - 3) Be of a sufficient number to allow the following:
    - (A) Simultaneous recording and coverage as required by this article;
    - (B) Off-line playback;
    - (C) Duplication capabilities;
    - (D) Single-channel monitors in the following areas:
      - (i) Each entry and each exit;
      - (ii) The main bank and cages;
      - (iii) Sports Wagering Kiosks; and
      - (iv) Designated sports wagering area(s); and
    - (E) No more than four channels per monitor in all other areas where surveillance is required.
- k) The surveillance system shall be connected to at least one video printer. Each video printer shall be capable of generating clear color copies of the images depicted on the surveillance system display screen or video recording.
- l) All wiring within the surveillance system shall be tamper-resistant.
- m) The surveillance system shall be linked to the commission's security office with equipment capable of monitoring or directing the view of any system camera.
- n) The commission's director of security shall be notified at least 48 hours in advance of the relocation of any camera on the surveillance system's floor plan. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**112-204-1 is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable in-person surveillance system.**

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## **112-204-2 Sports book surveillance system plan.**

- a) Each sports book's surveillance plan shall be submitted to the executive director prior to approval of a surveillance system.
- b) A sports book shall not commence sports wagering activities until its surveillance system plan is approved by the executive director.
- c) To be approved, the surveillance system plan shall include the following:
  - 1) A schematic showing the placement of all surveillance equipment;
  - 2) A detailed description of the surveillance system and its equipment;
  - 3) The policies and procedures for the surveillance department;
  - 4) The plans for staffing as required in K.A.R. 112-106-4;
  - 5) The monitoring activities for both the sports wagering area and adjacent areas; and
  - 6) A list of the sports book's personnel that may have access to the surveillance system.
- d) All proposed changes to the surveillance system plan shall be submitted by the director of surveillance to the commission for approval at least 30 days before the director of surveillance desires to implement the changes. A new schematic will be submitted if placement of equipment is altered. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-204-2 is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable in-person surveillance system.**

## **112-204-3 Sports book surveillance department**

- a) Each sports book shall have a surveillance department that is responsible for the following:
  - 1) Detection of cheating, theft, embezzlement, and other illegal activities in the sports book;
  - 2) Detection of the presence in the sports book of any person who is required to be excluded pursuant to voluntary or involuntary exclusion;

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- 3) Detection of persons under age 21 and any voluntarily excluded persons within the sports book; and
- 4) Clandestine video recording of activities in the sports book.
- b) The surveillance department shall be independent of all aspects of sports book operation
- c) The director of surveillance shall ensure that procedures are created for maintaining the chain of evidence custody of surveillance information that reasonably can be expected to be used in a criminal or regulatory investigation
- d) Upon request, each sports book shall provide the executive director and his/her employees with access to its surveillance system and transmissions.
- e) Each member of the surveillance department shall comply with any request made by a commission employee to perform the following:
  - 1) Use, as necessary, any surveillance room that monitors the sports book;
  - 2) Display on the monitors in the surveillance room any event capable of being monitored by the surveillance system; and
  - 3) Make a video recording and, if applicable, audio recording of, and take a still photograph of, any event capable of being monitored by the surveillance system
- f) The director of surveillance shall notify commission security employees as soon as possible but within 30 minutes of any incident of surveillance equipment failure.
- g) The director of surveillance shall ensure that a reasonable attempt to repair or replace malfunctioning equipment is made within 24 hours. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-204-3 is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable surveillance department.**

## **112-204-4 Sports book surveillance department staffing.**

- a) The surveillance department shall be supervised by a director of surveillance. The director of surveillance shall report directly to the lottery gaming facility manager's or its interactive sports wagering platform provider's board of directors or similar body. The director of surveillance shall not report to or take direction from any authority at or below the level of the general manager.
- b) The personnel of the sports book's surveillance department shall at all times be employees or contracted employees of the lottery gaming facility manager or its interactive sports wagering

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platform provider. The lottery gaming facility manager or its interactive sports wagering platform provider shall not outsource the surveillance function to any third party.

c) The surveillance department shall be reasonably staffed, as determined by the executive director, considering the size, layout and optimal operating capacity of the sports book.

d) No surveillance department employee shall transfer from the surveillance department to another department of the sports book, unless at least one year has passed since the surveillance department employee worked in surveillance. The lottery gaming facility manager or its interactive sports wagering platform provider may request that the executive director waive this requirement if the lottery gaming facility manager demonstrates that the surveillance and security systems of the sports book will not be jeopardized or compromised by the employment of the surveillance employee in the particular position requested.

e) Each surveillance employee shall be trained in the following:

- 1) Surveillance techniques;
- 2) The operation of all surveillance equipment;
- 3) Regulatory requirements;
- 4) Internal control procedures;
- 5) The rules of sports wagering;
- 6) The methods of cheating, theft, embezzlement, and other illegal activities in a gaming facility; and

- 7) The surveillance department's procedures on handling surveillance evidence.

(Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**112-204-4 is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable surveillance department.**

## **112-204-5 Sports book surveillance room.**

a) Each sports book shall have a secure surveillance room of their own with reasonable space or be allowed to utilize the lottery gaming facility manager's surveillance room if approved by the executive director. The surveillance room shall accommodate the required equipment and operator stations that are determined appropriate by the executive director

b) Each surveillance room shall be located out of the view of the gaming area. The entrances to the surveillance room shall be locked at all times and shall not be accessible to members of the

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public or non-surveillance employees of the sports book.

c) KRGC shall have unrestricted access to the surveillance room and all information received or stored by the surveillance system.

d) Access to the surveillance room shall be limited to surveillance employees of the gaming facility, the Kansas Lottery employees, and KRGC employees, except those persons with a legitimate need to enter the surveillance room may do so upon receiving approval from a commission enforcement agent

1) Each person, other than surveillance personnel and commission enforcement agents, entering the surveillance room shall sign a surveillance room entry log.

2) The surveillance room entry log shall meet the following requirements:

(A) Be maintained in the surveillance room by surveillance room personnel;

(B) Be maintained in a book with bound numbered pages that cannot readily be removed;

(C) Be signed by each person entering the surveillance room, with each entry containing the following

(i) The date and time of entering the surveillance room;

(ii) The entering person's name and that person's affiliation or department within the gaming facility;

(iii) The reason for entering the surveillance room; and

(iv) The date and time of exiting the surveillance room; and

(D) Be retained for at least one year after the date of the last entry. The destruction of the surveillance room entry log shall be approved by the commission's director of security.

3) The surveillance room entry log shall be made available for inspection by the KRGC employees upon demand.

e) The surveillance room shall be subject to periodic inspection by commission employees to ensure that all of the following conditions are met:

1) All equipment is working properly.

2) No camera views are blocked or distorted by improper lighting or obstructions.

3) All required surveillance capabilities are in place.

4) All required logs are current and accurate.

5) There is sufficient staff to protect the integrity of gaming at the facility.

6) The surveillance room employees are not performing tasks beyond the surveillance operation. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91;

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effective T- \_\_\_\_\_.)

**112-204-5 is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable surveillance room.**

## **112-204-6 Sports book surveillance monitoring.**

a) The surveillance department employees shall continuously monitor the transmissions (record upon the executive director's request) from the cameras used to observe the following locations, persons, activities, and transactions:

- 1) All designated sports wagering areas including;
  - (A) Where tickets are purchased or redeemed;
  - (B) Where ticker monitors are displayed;
  - (C) The viewing area(s) where patrons view sporting events;
  - (D) Where point-of-sale and sports wagering kiosks are located; and
  - (E) All areas of the sports book inclusive of sports wagering and other gaming

activity.

2) Each transaction conducted at a cashiering location, whether or not that cashiering location services patrons;

- 3) The main bank, vault, and satellite cages;
- 4) The collection of cash storage boxes from sports wagering kiosks;
- 5) Any armored car collection or delivery;
- 6) Automated bill breaker, sports wagering voucher redemption, machines whenever

the machines are opened for replenishment or other servicing; and

- 7) Any other areas specified in writing by the commission.

b) The surveillance department employees shall maintain a surveillance log of all surveillance activities in the surveillance room. The log shall be maintained in a book with bound, numbered pages that cannot be readily removed or in an electronic format with an audit function that prevents modification of information after the information has been entered into the system. The log shall contain the following, at a minimum:

- 1) The date and time of each entry;
- 2) The identity of the employee making the entry;

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- 3) a summary of the activity recorded;
- 4) The location of the activity;
- 5) The location of the recorded information; and
- 6) the surveillance department's disposition of the activity.

c) The surveillance department employees shall record by camera and log the following events when they are known to occur on the property:

- 1) Any activity by patrons and employees, alone or in concert, that could constitute cheating or stealing;
  - 2) Any activity that could otherwise be criminal;
  - 3) Any procedural violation by an employee;
  - 4) The detention of persons;
  - 5) The treatment of disorderly individuals;
  - 6) Emergency activities capable of being observed by the surveillance system;
  - 7) The presence of persons on the involuntary exclusion list;
  - 8) The presence of persons on the self-exclusion list;
  - 9) Arrests and evictions;
  - 10) The treatment of ill or injured patrons;
  - 11) The on-site maintenance and repair of any gaming or money handling equipment;
- and
- 12) Any winning amount that would trigger a tax event.

d) Surveillance department employees shall record by camera the movement of the following on the gaming facility floor:

- 1) Cash;
- 2) Cash equivalents;

e) The surveillance department employees shall continuously monitor and record by camera the following:

- 1) Soft count procedures;
- 2) Hard count procedures;
- 3) Currency collection; and
- 4) The removal of the daily bank deposit from the sports book by armored car officers.

(Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

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**112-204-6 is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There is no applicable surveillance monitoring.**

## **112-204-7 Sports book retention of surveillance recordings.**

- a) All recordings depicting the detention or questioning of an individual suspected of procedural errors, regulatory violations, or criminal activity shall be copied and provided to law enforcement agents upon request. Each recording shall be retained by the lottery gaming facility manager for at least 60 days.
- b) Each recording not specified in subsection (a) shall be retained for at least 30 days. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**112-204-7 is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There are no applicable surveillance recordings.**

## **112-204-8 Sports book surveillance exceptions.**

If the sports book is not located within the (4) four designated Kansas state-owned casinos, only K.A.R. 112-204-2 and K.A.R. 112-204-3 would apply. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**112-204-8 is not applicable to the digital product. A patron's sports wagering account is maintained electronically. There are no applicable surveillance exceptions.**

## **112-204-9 Waiver of requirements.**

- a) One or more of the requirements of this article applicable to surveillance may be waived by

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the commission on its own initiative, upon the commission's determination that the compensating control or procedure, as documented in a lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system, meets the operational integrity requirements of the act and this article.

b) Any lottery gaming facility manager or interactive sports wagering platform provider may submit a written request to the commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and shall include supporting documentation demonstrating how the proposed auditing and internal controls for which the waiver has been requested would meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings is not requesting any waivers at time.**

## **112-205-1 Compliance and audit requirements.**

a) Each lottery gaming facility manager or its interactive sports wagering platform provider must have documented revenue audit procedures. Documentation must be maintained evidencing the performance of all revenue audit procedures, any exceptions noted, and follow-up of all exceptions. The executive director will approve the method of documentation and may require additions or modifications to revenue audit procedures:

**See below section from 112-201-23 5(b).**

**DraftKings' annual financial audit is conducted by BDO. BDO adopts substantive audit procedures where statistical samples are thoroughly audited. Such a sample would include recalculating a user's balance based on the amount of liability, where all financial transactions are traced and reviewed such as deposits, wagers and withdrawals to ensure that the liability reported is a true representation of the users' wallet.**

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b) The lottery gaming facility manager or its interactive sports wagering platform provider, mobile management services provider, or management services provider must notify the commission of any report that is filed, or required to be filed, with the securities and exchange commission or other securities regulatory agency.

**DraftKings acknowledges the above requirement.**

c) Each lottery gaming facility manager or its interactive sports wagering platform provider must file concurrently with the commission a copy of any suspicious activity report filed with the Financial Crimes Enforcement Network related to the conduct of sports wagering in Kansas. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**See 112-201-12 (c) for details on SAR filing.**

## **112-205-2 Revenue reporting.**

a) Reports generated from the interactive sports wagering platform shall be made available as determined by the commission. The interactive sports wagering platform shall be capable of issuing reports by wagering day, wagering month, and wagering year. Wagering data shall not be purged unless approved by the commission. The interactive sports wagering platform shall provide for a mechanism to export the data for the purposes of data analysis and auditing or verification. The interactive sports wagering platform shall be able to provide, at a minimum, the following sports wagering information:

- 1) The date and time each event started and ended;
- 2) Total amount of wagers collected;
- 3) Total amount of winnings paid to patrons;
- 4) Total amount of wagers canceled, voided, and expired;
- 5) Commission or fees collected;
- 6) Total value of promotional play or free play used to purchase or execute a sports wager;
- 7) Event status;
- 8) Total amount held by the operator for the sports wagering accounts;

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- 9) Total amount of wagers placed on future events; and
- 10) Total amount of winnings owed but unpaid by the lottery gaming facility manager or interactive sports wagering platform provider on winning wagers.
- b) For accounting and revenue audit purposes each lottery gaming facility manager or its interactive sports wagering platform provider must have procedures and systems for the preparation, use, and maintenance of complete, accurate, and legible accounting and wagering records, which must include all transactions.
- c) All books, forms, records, documents, and data submitted to the commission must have the name of the entity, date of completion, and the title of the book, form, record, document, or stored data.
- d) General accounting records must be maintained on a basis consistent with generally accepted accounting principles.
- e) Reports shall be provided in a format approved by the commission.
- f) The commission shall provide written notice to any licensee if additional reports are determined necessary. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings has reviewed the digital reporting package with the Kansas Lottery. Reports that are automatically available to Lottery staff consist of the following; additional reports can be generated upon request**

**A. Digital Reports.**

- (i) **WSR – Wage Summary Report is a game level breakdown of all wagers, winnings, cancels and resettlements. Used to calculate net revenue (Wagers-winnings-cancels-resettlements). WSR also is delivered on a weekly basis.**
- (ii) **PASR – Patron Account Summary Report is a player level report showing a summary of all financial actions for the user and how it impacts the player balance. Categories include deposits, withdrawal, adjustments, wagers, winnings, cancels, resettlements, DFS transfer, and out of state net. The revenue should tie out to Wagering Summary.**
- (iii) **PAASR – Patron Account Adjustment Report is a transaction level report of all the adjustments made to player accounts by customer service representatives.**
- (iv) **PTR-2 – Pending Transactions Report (Deposits and Withdrawals) is a transaction level report of all deposits or withdrawals that have been started but not completed.**

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- (v) **NCB – Non-Cashable Bonus** is a player level report showing the available bonus balances for each player.
- (vi) **PLR – Pending Liability Report** is a player level report showing the total future wagers each player currently has.
- (vii) **Recon** – A summary level tab showing variances between any reports that should be aligned (WSR-PASR Revenue Variance, PASSR-PASR adjustment totals, NCB-PASR bonus balance, etc.)
- (viii) **Summary** – A summary level tab showing the total amounts for each financial category for the day and the beginning and ending balances for all players in aggregate.
- (ix) **Tournament Reports** – A report specific to the Pools wagering type.

## **112-205-3 Annual integrity and security audit.**

If an interactive sports wagering platform provider is conducting sports wagering for a lottery gaming facility manager, an audit of the sports wagering operations for the interactive sports wagering platform provider or parent company of the provider shall be conducted by certified public accountants authorized to practice in the state of Kansas, and the audit shall be provided to the commission within 120 days of the provider's fiscal year and meet the following conditions:

- a) Inclusion of an internal control letter, audited balance sheet, and audited profit-and-loss statement including a breakdown of expenditures and subsidiaries of sports wagering activities.
- b) Inclusion of a supplement schedule indicating financial activities on a calendar-year basis if the provider's fiscal year does not correspond to the calendar year.
- c) Inclusion of a supplement schedule for all Kansas locations in which the provider operates.
- d) Report of any material errors, irregularities that may be discovered during the audit, or notice of any audit adjustments.
- e) Availability, upon request, of an engagement letter for the audit between the provider or

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parent company of the provider and the auditing firm.

f) The annual audit for sports wagering will meet the regulatory requirements of 112-104-6.

**DraftKings' annual financial audit is conducted by BDO. BDO adopts substantive audit procedures where statistical samples are thoroughly audited. Such a sample would include recalculating a user's balance based on the amount of liability, where all financial transactions are traced and reviewed such as deposits, wagers and withdrawals to ensure that the liability reported is a true representation of the users' wallet. DraftKings will provide annual copies of its audited financials once they become public on the SEC website.**

g) Each lottery gaming facility manager or its interactive sports wagering platform provider must contract with an independent third party to perform an IT audit. The third party must be approved by the executive director as qualified, independent, and capable of performing the audit. The audits must be performed, and a copy of the report provided to the commission, within ninety days of commencing initial operations and at least once each calendar year. The audit and corresponding report must assess the following:

1) The design, controls, maintenance, and security of the interactive sports wagering platform's IT systems, including:

- (A) Document review
  - (i) Reviewing system architecture
  - (ii) Policies and procedures review
- (B) Onsite audits
  - (i) Physical and environmental security
  - (ii) Verification of procedures
- (C) Network security
  - (i) Vulnerability assessment (internal and external)
  - (ii) Penetration testing (network and application layer)
  - (iii) Firewall rules review

2) The lottery gaming facility manager's or its interactive sports wagering platform provider's compliance with the IT and interactive sports wagering platform requirements of this chapter; and

3) Any other subject required by the executive director.

h) The required system validations shall consist for the following:

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- 1) Laboratory document review.
  - (A) Reviewing system architecture.
  - (B) Policies and procedures review.
- 2) Onsite audits
  - (A) Physical and environmental security.
  - (B) Verification of procedures.

i) The lottery gaming facility manager or its interactive sports wagering platform provider must file with the commission the report required by paragraph (j) of this rule in a format determined by the executive director within one hundred twenty days following the end of the fiscal year or upon receipt, whichever is earlier.

j) At any time, the executive director may require a special audit of an lottery gaming facility manager or its interactive sports wagering platform provider, by commission personnel, an independent registered certified public accounting firm, or any other third party the executive director approves as qualified, independent, and capable of performing the special audit. The scope, procedures, and reporting requirements of any special audit are to be established by the executive director. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DK is ISO 27001, ISO 27002 and PCI Level 1 compliant. DraftKings undergoes several audits per year and performs penetration and vulnerability testing on an ongoing basis. DraftKings is GLI certified in all applicable jurisdictions and undergo regular GLI testing on releases (Kansas specific cert to be delivered within 90 days of launch). DraftKings will provide a system security assessment report conducted by an independent third party of the Kansas infrastructure and system within 90 days of launch and annually thereafter.**

## **112-205-4 Sports promotional contests, tournaments, or promotional activities.**

Sports promotional contests, tournaments, or promotional activities may be permitted by the lottery gaming facility manager or its interactive sports wagering platform provider providing the

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following:

- a) Rules shall be made available to participants for review prior to registering. Rules shall include, at a minimum: all conditions registered patrons must meet to qualify to enter or advance through the event, available prizes or awards, fees, and distribution of prizes or awards based on specific outcomes.
- b) Rules are followed. Changes to rules shall not be made after participants have registered, unless approved by the Kansas lottery and the executive director.
- c) Results for promotional contests with an entry fee shall be made available for the registered patrons to review at the same location at which or in the same manner in which patrons registered. Results shall include, at a minimum: name of the event, date of the event, total number of entries, amount of entry fees, total prize pool, and amount paid for each winning category.
- d) Fees collected less any prizes paid will be considered sports wagering revenue.
- e) Rules include terms and conditions. All emails or digital advertisements promoting contests, tournaments, and promotional activities shall include a link or other easily obtainable source that includes rules or terms and conditions.
- f) There is compliance with all other federal, state, and local laws and rules outside of the commission's jurisdiction.
- g) Rules shall be submitted at least 30 days prior to the event and shall need approval from the Kansas Lottery and the Kansas Racing and Gaming Commission before the activity can take place.
  - 1) The lottery gaming facility manager or its interactive sports wagering platform provider may obtain pre-approval of promotional, contest and tournament mechanics by submitting to the Kansas Lottery and the Kansas Racing and Gaming Commission. Notification must be provided at least 5 days prior to the event to the Kansas Lottery and the Kansas Racing and Gaming Commission for promotions utilizing the pre-approved mechanics.
  - 2) The lottery gaming facility manager or its interactive sports wagering platform provider shall maintain a digital log of all promotions, contests and tournaments. These shall be made available to the Kansas Lottery and the Kansas Racing and Gaming Commission. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

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**DraftKings acknowledges the rules in 112-205-4 and will submit and operate promotional contests in a compliant manner.**

**Prior to the start of the promotional event, a promotion fact sheet (PFS) of each unique promotional mechanic is submitted to the Kansas Lottery and Kansas Racing and Gaming Commission for approval. The terms and conditions of the promotional event are then made available to a patron, prior to opting-in, and in the patron's account through emails, the promos page, and/or other dedicated landing pages. Once enabled, the terms of a promotional contest are not changed. A log of all promotions can be made available to the Kansas Lottery and the Kansas Racing and Gaming Commission upon request.**

## **112-205-5 Internal Audit.**

- a) Each lottery gaming facility manager's internal control system or its interactive sports wagering platform provider shall include internal controls for internal audit standards. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. Lottery gaming facility managers or their interactive sports wagering platform providers must maintain a separate internal audit department, located on-site, which is independent of the sports wagering operation and may be the internal audit department of a parent entity of the lottery gaming facility manager or interactive sports wagering platform provider; to semi-annually assess compliance with this article and approved internal controls.
- b) The internal audit department must audit the lottery gaming facility manager's or its interactive sports wagering platform provider's compliance with rules and regulations adopted by the commission, the internal controls as approved by the commission, the house rules, and any other required procedures, as required by the executive director.
- c) The internal audit department must follow the standards, conventions, and rules governing audits in the United States.
- d) The audit satisfying the requirements of this rule must be performed at least semi-annually with the results documented in an audit report that must be provided to the commission.

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- e) Documentation must be maintained to evidence all work performed as it relates to the requirements of this rule, including all instances of noncompliance.
- f) All audit reports shall be prepared, maintained, and provided to the commission on a schedule approved by the executive director.
- g) Follow-up observations and examinations shall be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by internal audit, the independent accountant, and the commission. The verification shall be performed within three months of the issuance of the audit report.
- h) Whenever possible, internal audit observations shall be performed on an unannounced basis.
- i) All exceptions disclosed during audits shall be investigated and resolved, with the results being documented and retained for seven years.
- j) The executive director may require internal audits to be conducted more frequently and may designate specific internal audits.
- k) All internal audit findings shall be reported to management, who shall be required to respond to internal audit findings stating corrective measures to be taken to avoid recurrence of the audit exception. The management responses shall be included in the internal audit reports that are delivered to the lottery gaming facility manager's management, the commission, audit committee of the board of directors, or other entity designated by the executive director. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**DraftKings Inc's. annual financial statements are completed for all of DraftKings offerings in accordance with generally accepted accounting principles in the United States. The consolidated financial statements are audited by BDO USA, LLP. This audit is completed in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). BDO adopts substantive audit procedures in which statistical samples are thoroughly audited.**

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DraftKings will notify the Commission when the audited financials are published to the SEC website, within 90 days of fiscal year-end. DraftKing's BDO audit meets the following criteria:

- Is performed in accordance with generally accepted accounting principles
- Contains the opinion of an independent certified public accountant as to its fair presentation, in accordance with generally accepted accounting principles
- DraftKings is responsible for the cost of this audit

#### Independent Audit Committee

The Audit Committee (the "Audit Committee") is appointed by the Board of Directors of DraftKings Inc. (the "Corporation") to assist the Board of Directors in its oversight of: (1) the integrity of the financial statements of the Corporation, (2) the independent auditor's qualifications and independence, (3) the performance of the Corporation's internal audit function and independent auditors, and (4) the compliance by the Corporation with legal and regulatory requirements not specifically delegated to the Compliance Committee or the Nominating and Corporate Governance Committee.

#### Regulatory Compliance

The DraftKings Regulatory Operations team is responsible for ensuring regulatory compliance in all jurisdictions. The Regulatory Operations team manages due diligence and;

- Ensures that regulatory reporting requirements are delivered on time,
- Serves as contact on all regulatory matters,
- Monitors teams executing the self-exclusion programs and reporting any incidents,
- Oversees and resolves escalated user complaints,
- Ensures that the Fraud Team is conducting investigations and AML monitoring and applicable reporting.

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## 112-205-6 External audits and other reports.

- a) Each lottery gaming facility manager or its interactive sports wagering platform provider, must have its annual financial statements audited by an independent registered certified public accounting firm approved by the executive director and licensed to practice in Kansas. The audit must be in accordance with generally accepted auditing standards and, when applicable, the standards of the accountancy board. The lottery gaming facility manager or interactive sports wagering platform provider must report to the commission the name of the independent registered certified public accounting firm as well as the lead audit partner or other individual taking primary responsibility for the financial statement audit engagement before the start of the engagement.
- b) The lead audit partner or other individual taking primary responsibility for the financial statement audit engagement may serve a maximum of five years in such a position before being required to rotate off the engagement.
- c) The annual financial statements audit must be prepared on a comparative basis for the current and prior fiscal years and present financial position and results of operations in conformity with generally accepted accounting principles.
- d) The audit required by paragraph (a) of this rule must be filed with the commission, in a format determined by the executive director, within one hundred twenty days following the end of the fiscal year.
- e) All audits and reports required by this rule are to be prepared at the sole expense of the lottery gaming facility manager or its interactive sports wagering platform provider.
- f) The commission may require the termination of any audit engagement under this rule due to lack of qualification, independence, or capacity or a finding that the contract or conduct performed thereunder poses a material risk to the integrity of sports wagering in Kansas. If an audit engagement contract is terminated, the lottery gaming facility manager or its interactive sports wagering platform provider, must enter into a new audit engagement contract to ensure the requirements of this rule are met. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

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Please find the annual financial audit controls above.

## 112-205-7 Waiver of requirements.

- a) One or more of the requirements of this article applicable to auditing and accounting may be waived by the commission on its own initiative, upon the commission's determination that the compensating control or procedure, as documented in a lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system, meets the operational integrity requirements of the act and this article.
- b) Any lottery gaming facility manager or its interactive sports wagering platform provider may submit a written request to the commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and shall include supporting documentation demonstrating how the proposed auditing and internal controls for which the waiver has been requested would meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**DraftKings is not requesting a waiver of requirements at this time.**

## (aa) DraftKings Pools

***DraftKings will not offer the Paid Pools wagering type until explicitly approved by the Kansas Lottery***

### **Summary**

**Pools are a fixed price point form of betting where wagers are placed against other bettors who have entered the same event. Each winner's prize depends on the number of other players in the pool and the number of winners.**

### ***Pools Creation***

**DraftKings (DK) Sportsbook Ops (SB Ops) members use a web-based tool with only specific Ops users able to access and manage pools. This tool is used to create pool questions, pool parameters (detailed in later sections), post pools, grade pools and payout pools on DraftKings.**

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### ***Ideation***

SB Ops has a weekly meeting to discuss the potential pool offerings for the week, based on the sporting calendar and user activity. After pool ideas have been chosen SB Ops collaborates and selects games/date ranges of games for real life sporting events or for free/props contests, creates potential questions and answers for the pool that are recorded internally. Each question must be definitively answered correctly by the corresponding selection of answers. Each question must have answers that are able to be verified in a box score or play by play or it must be a betting market offered on the DK Sportsbook across all jurisdictions where the Pool is to be offered. There must be no doubt that a question can be settled. Manually created questions and answers that are being entered into the web-based tool must be QA'd by a member of SB Ops to verify there are no errors contained in the questions and answers. Where the SB Ops team has automated schedule feeds (for the major US sports), selection of events and the desired market to be used for the Pool is handled operationally.

### ***Pool "Pick Set" Creation***

Once games or questions and answers have been verified to not have any errors by an SB Ops member the pool questions and answers are entered manually in the "Upcoming Pick Sets" tab in the web-based tool by a member of SB Ops. The pool start time & date is also entered on this screen by an SB Ops member. For those pools using events generated from a data feed, the Pool will 'lock' at the start of the first event in the pool unless specified otherwise. After the questions and answers are inputted into the Questions & Answers field, a SB Ops member must click preview on the screen which will show them how the information will appear on the Pools page on DK Sportsbook. This is to ensure that each question is listed separately along with its corresponding answers. It also gives the SB Ops member one more opportunity to verify all questions and answers are correct and do not contain errors. Once this is done the SB Ops member will click create (this does not post to the Pools site). The creation saves this "Pick Set" so it can be uploaded to the corresponding Pool.

### ***Spreads / Moneyline Pools posting for NBA, NFL, MLB, NHL***

The process for posting pools based on spreads or money line for a game in the 4 major sports is a more automated process. The web-based tool will automatically run a script that will pull the spreads and money lines from the DK Sportsbook and create a pick set. SB Ops will then QA each spread and moneyline on the pick set before commencing with the pools posting & grading process detailed in this document.

### ***Entry Fee, Prize Pool & Payout curve***

Each Pools Entry Fee & Prize pool is determined based on data from past performances for comparable pools. The prize pool is guaranteed – so if a \$10 Entry Pool with \$200 worth of prizes only gets 5 entries the \$200 prize pool must still be paid out even though there are not enough

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entries to make a positive margin on the pool. Each pool has an operator fee that is deducted from each entry fee with the rest of the fee going towards the prize pool. The prize pool grows automatically when the original prize pool has been met with enough entries. The parameters for Entry Fee, Prize Pool & Payout curve are all entered by an SB Ops employee in the “Post Pools” section of the web-based tool (covered more in the next section) The payout curve is either winner takes all or a payout structure where a percentage of the pool will go to each place (e.g., 50% of pool to first, 30% of pool to second, 20% of pool to third). Payout curves are determined based on data from past performances for comparable pools. A senior member of SB Ops reviews each prize pool, entry fee and payout curve before it is officially added.

#### ***Pools Posting***

After the “pick set” is created an SB Ops member must set the parameters in the “Pools Posting” tab in the web-based tool for the upcoming pool. These are formed during the ideation process and recorded internally before they are entered in the tool. Parameters that must be entered to create a pool are as follows:

- a. Pool name
- b. Description (settlement rules / sources are posted here )
- c. Pick Set (created in the previous step)
- d. Guarantee Amount (Prize Money)
- e. Entry Fee
- f. Max Entries per user (usually 10 for each pool)
- g. Prize Structure (Winner take all or % of pool based)
- h. Lobby Rank (where it appears in the DK Pools lobby)

After parameters are QA’d (elaborated on in controls process) an SB Ops member will click create. There will be a pop up for a user to confirm the pool creation to avoid any accidental clicking of the create button. As an extra precaution before setting the pool live on DK Pools page the Pool is automatically created in private mode that can only accessed through a private link. As a final QA, an SB Ops member can see the pool as it appears on mobile and web with this private link and will verify once more that questions and answers contain no errors. After the pool clears this final check an SB Ops member will click on the Displayed and Featured button on this pool in the tool. This will set the pool live on our pools lobby within 30 seconds for users to see and enter.

#### ***Grading / Payout process***

Once an event is finished, an SB Ops member will begin the grading / payout process. DraftKings get feeds for the US sports events that will grade events, but verification is done by Ops. Ops will use the official source (NBA.com for an NBA pool, mlb.com for an MLB pool, etc.) to verify accuracy. If there is uncertainty around a settlement an SB Ops member will raise the concern to

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a Senior SB Ops teammate who will review the information and decide on the correct settlement. Service Providers may also be called upon by an SB Ops member for their review on a settlement. After there is consensus on each answer an SB Ops member will grade each question officially in the web-based tool “Review Payouts” screen and click Payout pick set. There will then be a confirm payout screen to ensure the button was not clicked accidentally. Users will then be paid out based on the standings and users who have won payouts will have it in their accounts within 2 minutes.

#### **Controls**

#### ***QA Process***

Each process that refers to QA being executed involves verifying that the pool contains no errors. Each question / answer is reviewed to confirm that the question can 100% be settled by an answer listed. Grading / pay out as referenced in above section is verified by an official source (NBA.com for an NBA pool, mlb.com for an MLB pool etc.).

#### ***Posting Errors / Impossible outcome***

If a question is discovered to have an impossible outcome all answers for a question will be graded correct. In the rare instance that an entire pool has posting errors or impossible outcomes for questions the pool will be canceled. When a pool is canceled, the entry fees are automatically returned to the users’ accounts within minutes. A list will be sent to the DraftKings Customer Experience team to email users about the cancellation of the pool and the funds being returned to their accounts.

#### ***Resettlement***

In the rare case that an answer is settled incorrectly and paid out to users SB Ops will escalate the issue to a senior SB Ops member. This will result in a resettlement that will pay the users who should have profited the difference in their winnings and will not impact any users that would be adversely impacted (should have had a smaller payout). This process involves the DK analytics teams running a script of what the payout for each user would be with the resettled answer. That information is then sent to SB Ops who then sends this information to DK Customer Experience team who will then credit the users the positive difference in their winnings and email them about the resettlement.

#### ***Postponement / Cancellation***

If any question or event contained in a pool is postponed the pool will follow DraftKings house rules for each sport on postponements. For any specific events or questions that are cancelled, the responses are all graded as winners, so all users receive the ‘free square’.

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If all events related to the pool are canceled, the pool will be cancelled. When a pool is canceled, the entry fees are automatically returned to the users' accounts within minutes. A list will be sent to the DraftKings Customer Experience team to email users about the cancellation of the pool and the funds being returned to their accounts.

#### **Pools Revenue Reporting Model**

DraftKings Pools are a multi-jurisdiction product and as such a typical win/loss reporting model does not work for these pools as winnings are not guaranteed to be proportional to wagers across the different jurisdictions. An example of this is a simple winner take all pool such as below.

<b>Jurisdiction</b>	<b>Total Entries</b>	<b>Take Percentage</b>	<b>Entry Fees</b>	<b>Winnings</b>	<b>Revenue</b>
<b>Total</b>	<b>10</b>	<b>10%</b>	<b>100</b>	<b>90</b>	<b>10</b>
<b>KS</b>	<b>9</b>	<b>10%</b>	<b>90</b>	<b>0</b>	<b>90</b>
<b>State 2</b>	<b>1</b>	<b>10%</b>	<b>10</b>	<b>90</b>	<b>-80</b>

As such with a standard win loss model, certain jurisdictions could miss out on revenue while another jurisdiction gets the benefit.

To account for this, we have introduced a rake reporting model so that each individual entry (regardless of jurisdiction) will have the same contribution to revenue. This is calculated by the take percentage multiplied by the total entry fees for the jurisdiction:

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Jurisdiction	Total Entries	Take Percentage	Entry Fees	Winnings	Rake Revenue
Total	10	10%	100	90	10
KS	9	10%	90	0	9
State 2	1	10%	10	90	1

In this case the revenue is more properly reflected based on jurisdiction contribution.

However, there can also be scenarios where a pool loses money in aggregate due to guaranteed prize amounts and as such there is a concept of rake reduction to help the rake revenue properly reflect margin. This reduction can never allow the revenue for the pool to be below 0, but can reduce it to 0 such as in the following scenario:

Jurisdiction	Total Entries	Take Percentage	Entry Fees	Winnings	Rake Revenue	Margin	Rake Reduction	Net Rake
Total	10	10%	100	105	10	-5	10	0
KS	9	10%	90	0	9	N/A	9	0
State 2	1	10%	10	105	1	N/A	1	0

The goal of rake reduction is to reduce the rake revenue to match total pool margin and it is done proportionally to the entry amount by jurisdiction to be consistent with the rake model.

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This Rake Reduction does not always remove all rake and is sometimes 0 in the cases where the margin equals the rake amount.

Jurisdiction	Total Entries	Take Percentage	Entry Fees	Guaranteed amount	Winnings	Rake Revenue	Margin	Rake Reduction	Net Rake
Total	10	10%	100	95	95	10	5	5	5
KS	9	10%	90	N/A	0	9	N/A	4.5	4.5
State 2	1	10%	10	N/A	95	1	N/A	0.5	0.5

Lastly, the margin will never exceed the rake amount, in cases where the number of entries times rake exceeds the guaranteed prize pool, the prize pool will be increased to ensure the margin equals the rake and there will be no rake reduction:

Jurisdiction	Total Entries	Take Percentage	Entry Fees	Guaranteed amount	Winnings	Rake Revenue	Margin	Rake Reduction	Net Rake
Total	10	10%	100	80	90	10	10	0	10
KS	9	10%	90	N/A	0	9	N/A	0	9
State 2	1	10%	10	N/A	90	1	N/A	0	1

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## (bb) Revision History

<b>Description of Updates</b>	<b>Version</b>	<b>Revision Date</b>	<b>DraftKings Owner</b>
Initial Submission	1.0	8/24/2022	Kevin Nelson
KRGC Feedback Revision	2.0	10/18/2022	Kevin Nelson
Addition of payment method – ApplePay	3.0	3/13/2023	Genesis Roman
Update to 112-201-5(a)	4.0	6/5/2023	Genesis Roman

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