INDEPENDENCE COUNTY, ARKANSAS
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IN THE CIRCUIT COURT OF INDEPENDENCE COUNTY, ARKANSAS
CIVIL DIVISION

STATE OF ARKANSAS, *ex rel.*
TIM GRIFFIN, ATTORNEY GENERAL **PLAINTIFF**

v. **Case No.** 32CV-26-717

KALSHIEX LLC,
KALSHI INC. **DEFENDANTS**

COMPLAINT

I. INTRODUCTION

1. Defendants KalshiEX LLC and Kalshi Inc. (together, "Kalshi") have built a business model around a simple proposition: asking consumers to predict what will happen next. Indeed, the company's name, "Kalshi" means "everything" in Arabic,[1] and consistent with that name, Kalshi invites consumers to wager on virtually every real-world event imaginable. Will the Razorbacks win against Vanderbilt? Which party will control the Senate in 2027? Which movie will win Best Picture at the 2027 Academy Awards?

2. Consumers can risk money on each of these outcomes through Kalshi's online platform. If the prediction is correct, the consumer makes money. If it is wrong, the consumer loses money. Kalshi maintains that this activity is not gambling.

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[1] *Tarek Mansour and Luana Lopes Lara: How Kalshi's Founders Built a $22 Billion Sports Betting Machine on a Hedging Licence and a One-Man Regulator*, MEDIUM (Sep. 13, 2026), https://medium.com/@TheCapitalReview/tarek-mansour-and-luana-lopes-lara-how-kalshis-founders-built-a-22-billion-sports-betting-c3613acd6d09.

3. Invoking the terminology of derivative markets, Kalshi describes its products as "event contracts" traded on a "prediction market." But those labels do not change the fact that Kalshi, in large part, is a straightforward gambling platform.

4. This case is not about a market where participants manage legitimate business and financial risks, such as uncertainty related to weather, commodities, and other economic conditions. Rather, it concerns Kalshi's effort to stretch the derivative-market framework beyond recognition.

5. Rather than limiting its offerings to contracts that help market participants manage economic risk, Kalshi invites consumers to risk money on the outcomes of football games, elections, awards shows, and virtually any other real-world event.

6. The existence of legitimate derivatives does not grant Kalshi carte blanche to turn virtually any real-world occurrence into a betting opportunity. When it comes to the majority of its offerings, Kalshi is not a risk management tool; it is a pocket-sized bookie.

7. Arkansas law is concerned with substance, not semantics, and nowhere is the disconnect clearer than with sports betting. Whatever label Defendants attach to these contracts, consumers use them to do what gamblers have always done: risk money on the outcome of an athletic contest in hopes of receiving a greater return. That is sports betting, and Arkansas has long chosen to regulate such conduct because of the risks it poses to consumers and the public. *See e.g.*, Ark. Const. amend. 100 ; Ark. Code Ann. § 5-66-101 et seq.; 23 CAR § 358-101 et seq.

8. Arkansas permits certain forms of gambling, including casino gaming and sports wagering, but only within strict limits. This was a deliberate choice designed to protect consumers, prohibit access by individuals under 21 years old, and ensure

accountability for operators that profit from gambling. Ark. Const. amend. 100, § 2(c); 23 CAR § 358-101 et seq.

9. Kalshi chose to ignore those rules and operate outside that framework. Instead of obtaining the licenses, submitting to the oversight, complying with the restrictions, and paying the taxes required of lawful gambling operators in Arkansas, Kalshi opened its platforms to Arkansas consumers, including individuals as young as 18 years old, encouraged them to wager real money on sporting and entertainment events, and profited from those wagers.

10. Kalshi repeatedly represents to consumers that its products are legal. These representations are critical to its success, because Kalshi's platforms depend on consumers being willing to risk real money on activities that otherwise would be understood as traditional, prohibited gambling.

11. Through its unlicensed gambling operation, Kalshi drains money from Arkansas consumers. The vast majority of gamblers on the Kalshi platform lose money, largely because they are competing against sophisticated, well-funded, professional bettors that have unique access to advanced betting models and data.[2] Indeed, Kalshi has admitted that nearly three times as many users lose money as make money on its platform.[3]

12. Although Kalshi insists that its products are not gambling, its actions speak louder than its labels. Kalshi offers self-exclusion tools, deposit limits, trading breaks, and

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[2] Brad Lipton & Toyosi Odusola, *Since Kalshi's Launch, Ordinary Users Have Lost Half a Billion Dollars*, ROOSEVELT INSTITUTE (July 7, 2026), https://rooseveltinstitute.org/blog/since-kalshis-launch-ordinary-users-have-lost-half-a-billion-dollars/.

[3] *Id.*

other tools commonly associated with gambling operators to help users stay in control of wagering activity. It promotes gambling addiction resources, including its own partnership with the National Council for Problem Gambling. Kalshi is not blind that its platform presents real, tangible risks to its users including excessive wagering, financial losses, depression, and other mental health harms.

13. And Kalshi is aware these risks are even more prominent for users under 21. Recently, Kalshi announced special restrictions for users 18-20, including enhanced monitoring, the ability to link accounts to a parent, and deposit limits.

14. Kalshi would not partner with problem-gambling organizations, direct users to gambling-addiction resources, and impose special protections on young adults if its products carried none of the risks associated with gambling.

15. This action seeks to hold Kalshi accountable for operating outside the bounds of Arkansas law while exposing Arkansas consumers to the very harms that Arkansas's gambling laws were enacted to prevent.

16. Attorney General Tim Griffin brings this action to stop Kalshi's illegal gambling operations in Arkansas, recover money unlawfully obtained from Arkansas consumers, hold Kalshi accountable for its deceptive and unconscionable practices, impose civil penalties, and obtain all other relief available under Arkansas law. Specifically, Kalshi:

a. Misrepresented that its products were legal and safe, when in reality, Kalshi offered gambling products outside the State's framework in violation of Ark. Code Ann. § 4-88-107(a)(1);

b. Engaged in unconscionable conduct by operating unlawful gambling products outside Arkansas's regulated gaming framework, including offering such products to individuals under the age of 21, in violation of Ark. Code Ann. § 4-88-107(a)(10);

c. Omitted material information and obtained money from Arkansas consumers under false pretenses by failing to disclose material facts regarding the legality of its wagering products, the risks of financial loss associated with those products, and the extent to which Kalshi's markets are dominated by sophisticated and professional traders, in violation of Ark. Code Ann. § 4-88-108(a)(1) and (a)(2); and,

d. Were unjustly enriched by retaining money obtained through unlawful gambling activity and transactions that are void under Arkansas law.

II. JURISDICTION AND VENUE

17. This Court has subject-matter jurisdiction over this action under Arkansas Constitution Amendment 80, § 6 and Ark. Code Ann. §§ 4-88-104 and 4-88-113.

18. Ark. Code Ann. § 4-88-104 empowers the Attorney General to file an action for civil enforcement of the Arkansas Deceptive Trade Practices Act ("ADTPA").

19. The ADTPA provides a basis for personal jurisdiction over persons subject to liability under Ark. Code Ann. § 4-88-113(d)(1). Those persons are deemed to have purposefully availed themselves of the privilege of conducting activities in Arkansas. *Id.* § 4-88-113(d)(3). Each Defendant is a "person" within the meaning of the ADTPA. *Id.* § 4-88-102(6).

20. This Court has personal jurisdiction over Defendants under Ark. Code Ann. § 16-4-101 because Defendants purposefully directed their activities toward Arkansas by advertising and offering wagering products to Arkansas residents, accepting real-money transactions from Arkansas residents, and conducting business within Arkansas through the Kalshi prediction-market platform. Defendants offer, create, and market Arkansas-specific contests and have intentionally made the Kalshi platform available to Arkansas consumers and have derived revenue from transactions involving Arkansas residents.

21. This Court's exercise of personal jurisdiction over Defendants is consistent

with due process, as Defendants purposefully directed the Kalshi gambling platform into the State of Arkansas and otherwise availed themselves of the benefits and protections of the laws of the State of Arkansas.

22. The causes of action within this Complaint arise from or relate to Defendants' contacts with the State of Arkansas and its citizens.

23. Venue is proper in this Court under Ark. Code Ann. §§ 16-60-101, 4-88-104, and 4-88-112.

24. The State of Arkansas asserts only state-law causes of action and seeks relief exclusively under Arkansas law. It does not assert any federal cause of action.

III. PARTIES

25. Plaintiff is the State of Arkansas, *ex rel.* Tim Griffin, Attorney General. Attorney General Griffin is the chief legal officer of the State of Arkansas. Under Ark. Code Ann. §§ 4-88-104 and 4-88-113, the Attorney General may seek civil enforcement of the ADTPA. Attorney General Griffin also brings this case pursuant to his common-law *parens patriae* authority to protect the health, safety, and economic well-being of Arkansans.

26. Defendant KalshiEX LLC (collectively with Kalshi Inc. referred to as "Kalshi") is a Delaware limited liability company with its principal place of business in New York, New York. KalshiEX LLC is a wholly owned subsidiary of Kalshi Inc. In concert with Kalshi Inc., KalshiEX LLC has advertised and operated an online wagering operation in the State of Arkansas without the licensing approval of the Arkansas Racing Commission ("ARC"). Specifically, Kalshi has operated a so-called "prediction market" through which residents of Arkansas can engage in unlicensed wagering. This market is an online trading platform through which users may wager on the likelihood of sports-related outcomes and

a wide variety of other outcomes, contingencies, possibilities, and measurements. Kalshi conducts business across the United States, including within Arkansas, where Kalshi makes sports and other wagering available to residents, markets sports and other wagering to residents, and accepts payments through widely used financial systems accessible by Arkansas consumers. KalshiEX LLC has earned revenue, directly or as a transferee, from the fees paid by Arkansas users betting on the Kalshi platform.

27. Defendant Kalshi Inc. is a Delaware corporation that maintains its principal place of business in New York, New York. Kalshi Inc. is the sole owner of KalshiEX LLC and has acted in concert with KalshiEX LLC to advertise and operate the Kalshi sports wagering platform in Arkansas. Kalshi Inc. has earned revenue, directly or as a transferee, from the fees paid by Arkansas users betting on the Kalshi platform.

IV. FACTUAL ALLEGATIONS

A. Arkansas Permits Gambling Only Under Limited and Strictly Regulated Circumstances.

28. For much of Arkansas's history, nearly all forms of gambling were outlawed. As one court put it, "legal gambling was an oxymoron." *Cherokee Nation Businesses, LLC v. Arkansas*, 803 F. Supp. 3d 713, 718 (E.D. Ark. 2025).

29. In 2018, the United States Supreme Court issued its decision in *Murphy v. National Collegiate Athletic Association*, 584 U.S. 453, 458, 486 (2018). There, the Court held that the Professional and Amateur Sports Protection Act was "incompatible with the system of 'dual sovereignty' embodied in the Constitution," paving the way for states to authorize sports wagering on their own terms. *Id.*

30. Shortly after *Murphy*, Arkansas voters approved the Arkansas Casino Gaming Amendment of 2018, now Amendment 100 to the Arkansas Constitution,

authorizing casino gaming subject to the conditions set forth in the amendment. Ark. Const. amend. 100, §§ 1–4.

31. "Casino gaming" is defined as "dealing, operating, carrying on, conducting, maintaining, or exposing for play any game played with cards, dice, equipment, or any mechanical, electromechanical, or electronic device or machine for money, property, checks, credit, or any representative value." Ark. Const. amend. 100, § 2(c). "Casino gaming" also includes "accepting wagers on sporting events." *Id.*

32. Amendment 100 originally provided for four casino licenses. As amended by Arkansas voters in 2024, it now provides for three casino licenses across three counties: Crittenden, Garland, and Jefferson. Ark. Const. amend. 100, § 4(j), (k), (s).

33. Amendment 100 granted the Arkansas Racing Commission ("ARC") broad constitutional authority to adopt rules governing casino gaming in the State. Ark. Const. amend. 100, § 4(c).

34. Arkansas did not legalize casino gaming without restrictions. Instead, it established a detailed licensing, oversight, consumer-protection, and taxation regime administered by the ARC.

35. A person or entity must hold a casino license to operate or own any interest in a sports pool in Arkansas. 23 CAR § 358-2002(a).

36. A "sports pool" is a business that accepts wagers on sporting events. 23 CAR § 358-2001(20).

37. An "online sports pool" is an operation in which wagers on sporting events are placed over the internet through websites or mobile applications. 23 CAR § 358-2001(12)(A).

38. A casino licensee may contract with up to two individually branded online sports platforms and accompanying mobile applications, subject to ARC approval. 23 CAR § 358-2002(d)-(e).

39. The ARC is responsible for ensuring that sports wagering is conducted legally, honestly, and in accordance with Arkansas law, and for accounting for wagering proceeds and tax revenues generated by licensed operators.

40. To obtain and maintain authorization to conduct sports wagering in Arkansas, operators must satisfy extensive licensing, suitability, integrity, auditing, and compliance requirements imposed by statute and regulation.

41. Licensed Arkansas sportsbooks are subject to ARC oversight and approved internal controls. 23 CAR § 358-2002(c). Online wagering must be tied to a wagering account, which requires identity and age verification, and checks against excluded persons. 23 CAR § 358-425. Persons under the age of 21 are not permitted to engage in casino gaming in Arkansas. Ark. Const. amend. 100, § 3(d).

42. The ARC also requires licensed sports wagering operators to implement responsible-gaming measures designed to protect consumers from gambling-related harm.

43. Arkansas also restricts wagers involving prohibited amateur sporting events and wagers by specified participants and insiders. 23 CAR § 358-2017.

44. Arkansas's regulatory oversight is intended to safeguard Arkansas consumers and promote wagering integrity.

45. Arkansas derives substantial public revenue and benefits from locally licensed sports wagering.

46. Amendment 100 imposes a 13% tax on the first $150,000,000 of a casino

licensee's net casino-gaming receipts and a 20% tax on net casino-gaming receipts exceeding $150,000,001. Ark. Const. amend. 100, § 5(a). The proceeds are allocated among the State's general fund, local governments, and racing-purse funds. *Id.* § 5(c).

47. Notwithstanding this limited allowance for licensed and regulated sports wagering, gambling largely remains illegal in Arkansas.

48. Among other gambling prohibitions, it is unlawful for a company to operate a place where betting is carried on or a gambling device on which money wagered may be won or lost. Ark. Code Ann. §§ 5-66-103 to -104, -106.

49. Further, Arkansas specifically prohibits wagering on elections. *See* Ark. Code Ann. § 7-1-103(a)(20); 23 CAR § 358-2017(a)(3).

B. Traditional Derivatives Markets Hedge Economic Risk, Not Facilitate Gambling.

50. The Commodity Exchange Act ("CEA") has long regulated certain commodity futures and other derivatives, but its application depends on the nature of the transaction and the requirements of federal law. The Commodity Futures Trading Commission ("CFTC") enforces the CEA.

51. Historically, derivatives markets have served important economic purposes, including allowing businesses to manage risks associated with agricultural production, commodity prices, and other commercial activities. For example, farmers face an obvious economic risk in droughts, as inadequate rainfall can devastate a crop and cause substantial financial losses. To guard against that possibility, the farmer may purchase a contract that pays if rainfall falls below a specified level. If drought occurs, losses from the reduced harvest are offset by gains from the contract. If sufficient rain falls, the farmer receives little or nothing under the contract but benefits from a successful harvest.

52. Additional examples could include an airline seeking to manage fuel costs or a business concerned about interest rates. In each instance, the participant is attempting to manage an existing economic risk, not create a new one.

53. Event contracts may be structured as swaps, futures, or other derivatives. Many involve simple yes-or-no questions concerning future events and provide fixed payouts upon settlement. Participants purchase positions on whether a specified event will occur and receive a payout if the contract's conditions are satisfied.

54. The CEA's definition of a "swap" is not limitless and not every wager can be transformed into a CFTC-regulated event contract merely by labeling it a swap. Congress recognized that event contracts may implicate subjects traditionally associated with state regulation, including gaming and unlawful activity. 7 U.S.C. § 7a-2(c)(5)(C).

C. Kalshi Allows Consumers to Wager on Everything.

55. Rather than helping participants manage economic risks they already face, Kalshi asks Arkansas consumers to create new risks by staking money on uncertain future events.

56. Kalshi calls itself a prediction market. Kalshi's founders selected the company's name from the Arabic word for "everything," reflecting their goal of creating a platform where consumers could wager on virtually any real-world occurrence.[4]

57. In line with that vision, Kalshi operates an online platform through which it encourages, facilitates, and allows Arkansas consumers to risk money on sporting events,

[4] *Tarek Mansour and Luana Lopes Lara: How Kalshi's Founders Built a $22 Billion Sports Betting Machine on a Hedging Licence and a One-Man Regulator*, MEDIUM (Sep. 13, 2026), https://medium.com/@TheCapitalReview/tarek-mansour-and-luana-lopes-lara-how-kalshis-founders-built-a-22-billion-sports-betting-c3613acd6d09.

entertainment contests, political outcomes, and countless other matters that have no bearing on economic consequences. Kalshi still refers to these wagers as event contracts.

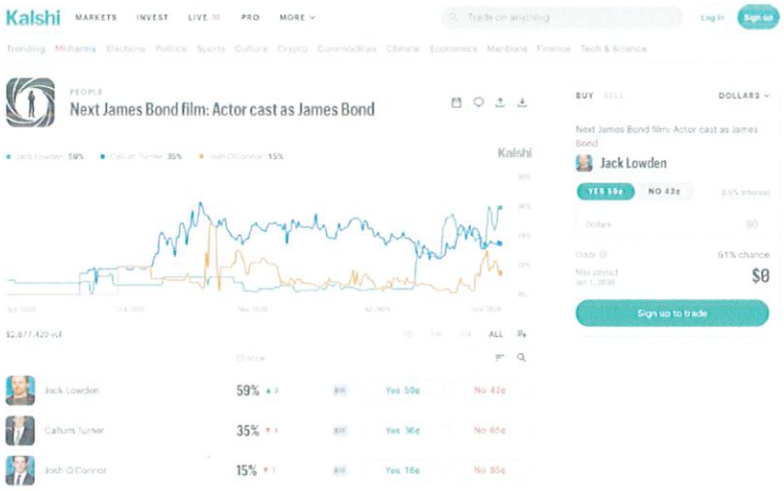
58. For example, Kalshi asks consumers to wager on pop culture events like which actor will win an Oscar[5] or how many weeks "Choosin' Texas" will be number one on Billboard's Hot 100.[6]



[5] *Who Will Win the Oscar for Best Actor?*, KALSHI, https://kalshi.com/markets/kxoscaracto/oscar-for-best-actor/kxoscaracto-27 (last accessed Nov. 2, 2026).

[6] *How Many Weeks Will Album Be Number 1?*, KALSHI, https://kalshi.com/markets/kxweeksnum1/how-many-weeks-will-album-be-number-1-/kxweeksnum1-26dec26-cho (last visited Nov. 3, 2026).

59. Other examples include who will be the most Googled person in 2026, who will be the next James Bond, and who will win this season of Dancing with the Stars.[7]



60. Kalshi also allows and encourages users to bet on matters of science including whether the United States will confirm that aliens exist.[8]

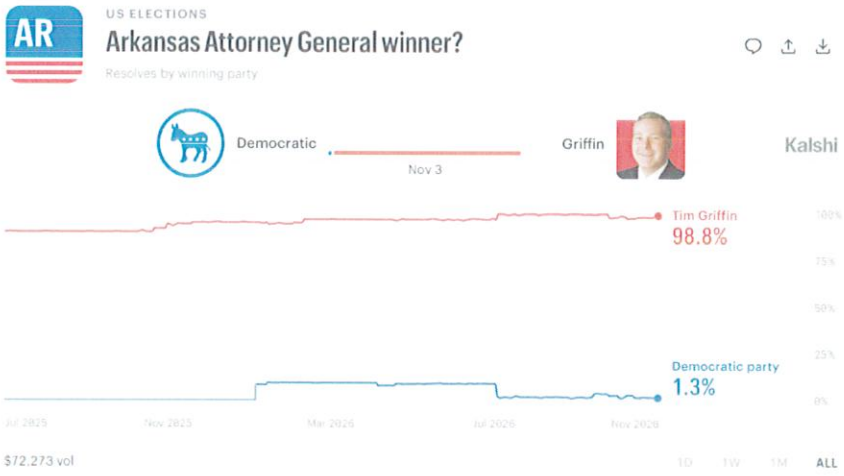


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[7] *#1 Most Searched on Google?*, https://kalshi.com/markets/kxranklistgooglesearch/1-most-searched-on-google/kxranklistgooglesearch-26dec (last accessed Nov. 2, 2026); *Next Bond Actor?*, https://kalshi.com/markets/kxbond/next-bond-actor/kxbond-30 (last visited Nov. 2, 2026); *Who Will Win Dancing with the Stars?*, KALSHI, https://kalshi.com/markets/kxdancingwiththestars/who-will-win-dancing-with-the-stars/kxdancingwiththestars-26dec31 (last accessed Nov. 2, 2026).

[8] *Aliens Confirmed by Dec. 31, 2027?*, KALSHI, https://kalshi.com/markets/kxaliens/aliens/kxaliens-27 (last visited Nov. 3, 2026).

61. Consumers can also wager on political races, including whether Tim Griffin, an unopposed candidate, will win re-election for Attorney General[9] or whether voter turnout in the November 2026 Arkansas election will be above a certain threshold.[10] Such election wagering is prohibited by Arkansas law. Ark. Code Ann. § 7-1-103(a)(20); 23 CAR § 358-2017(a)(3).



62. The difference in Kalshi's product and traditional derivatives markets is readily apparent. A contract tied to weather conditions may help a farmer manage economic uncertainty. A contract tied to fuel prices may help an airline manage operating expenses. A contract tied to an Academy Award or the casting of the next James Bond does neither. Instead of protecting an existing economic interest, they create a new one. Consumers who previously had no financial stake in these events acquire one only after risking money on the outcome.

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[9] *Arkansas Attorney General Election Winner?*, KALSHI, https://kalshi.com/markets/kxattygenar/ag-race-ar/kxattygenar-26 (last accessed Nov. 2, 2026).

[10] *Arkansas Midterm Voter Turnout Above 50%?*, KALSHI, https://kalshi.com/markets/kxmidtermvoteturn/midterm-voter-turnout/kxmidtermvoteturn-arsen (last accessed Nov. 2, 2026).

63. Kalshi's event contracts are structured as binary options: bettors buy "Yes" or "No" positions on whether an event will occur ("Yes") or will not occur ("No"). This probability is expressed as a percentage, ranging from 0% (certain to not happen) to 100% (certain to happen). This percentage corresponds to a monetary value, as the combined investment of "Yes" and "No" users must equal $1.00.[11]

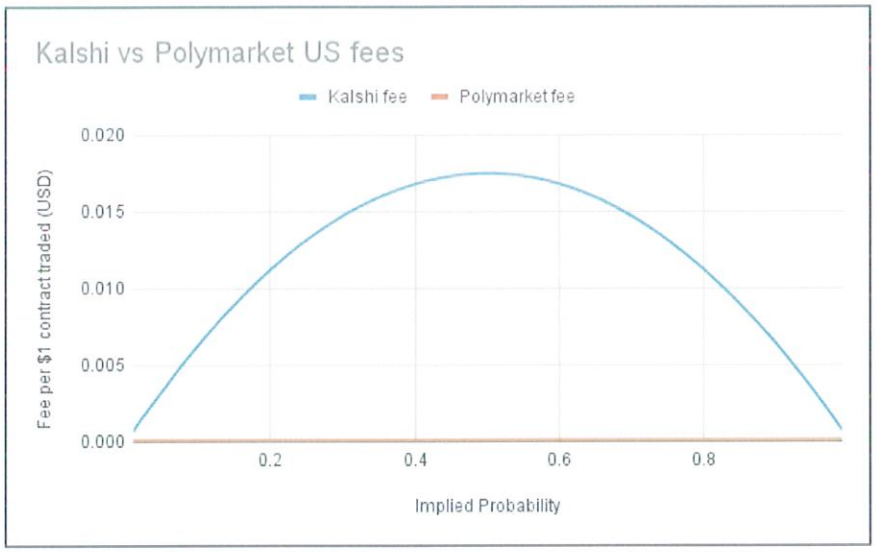
64. The $1.00 figure does not represent the maximum amount a user may wager on an event. Users may purchase multiple contracts on the same event and participate in numerous markets simultaneously. As a result, a user's total amount at risk is not limited to the price of a single contract and can reach hundreds, thousands, or even tens of thousands of dollars.

65. As more people purchase the "Yes" option in an event contract, the perceived likelihood of that outcome increases and the "Yes" contract price also increases. Conversely, if more people purchase the "No" option, the contract price of the "No" contracts would increase.

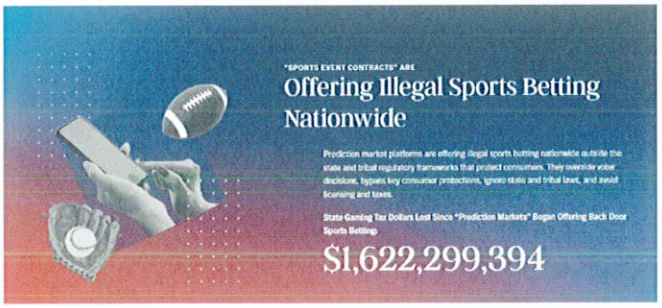
66. Kalshi's model reflects less risk (and less potential profit) to the contract holder for outcomes perceived to be more likely, and more risk (but more potential profit) to contract holders who think the outcome is less likely to occur.

[11] *How are prices determined?*, KALSHI, https://help.kalshi.com/en/articles/13823836-how-are-prices-determined.

67. Kalshi generates revenue by charging a fee tied to the expected earnings on an individual contract.[12] Kalshi's transaction fee is dynamic and variable, and is determined by the odds of a wager.[13]



68. Upon information and belief, Kalshi has been operating in the State of Arkansas for years, but has never paid sales or use taxes.[14] Upon information and belief, thousands of Arkansas residents have created accounts and conducted transactions on the Kalshi platform, including individuals between the ages of 18 and 20.



[12] *Kalshi Trading Fees*, KALSHI, https://kalshi.com/docs/kalshi-fee-schedule.pdf.

[13] *Kalshi Fee Schedule*, KALSHI, https://kalshi.com/docs/kalshi-fee-schedule.pdf.

[14] *Sports Event Contracts*, AMERICAN GAMING ASS'N, https://www.americangaming.org/sports-event-contracts/ (last visited Nov. 3, 2026).

D. Kalshi's Sports Contracts are Sports Betting by Another Name.

69. If Kalshi's non-sports contracts blur the line between prediction markets and gambling, its sports contracts erase it altogether. Through its platform, Kalshi allows consumers to risk money on the same sporting events, player performances, and game outcomes long offered by traditional sportsbooks.

70. In January 2025, Kalshi began to offer sports wagering contracts. In a short period of time, the vast majority of events "invested" in on Kalshi became various sporting event outcomes—ranging from game outcomes and point spreads to individual player performances.

71. From January to June of 2025—approximately the first five months Kalshi offered sports-event contracts—bettors wagered more than $1 billion on 3.4 million sports wagers.[15]

72. Sports-event wagers comprised approximately 70% of Kalshi's trading volume between February 25, 2025, and May 17, 2025.

73. By July 2025, Kalshi announced that it "crossed $2 billion in sports trading volume" since it launched its first sports market.[16] Kalshi made $263.5 million in fee revenue in 2025, with $234.6 million of that coming from sports wagering.[17]

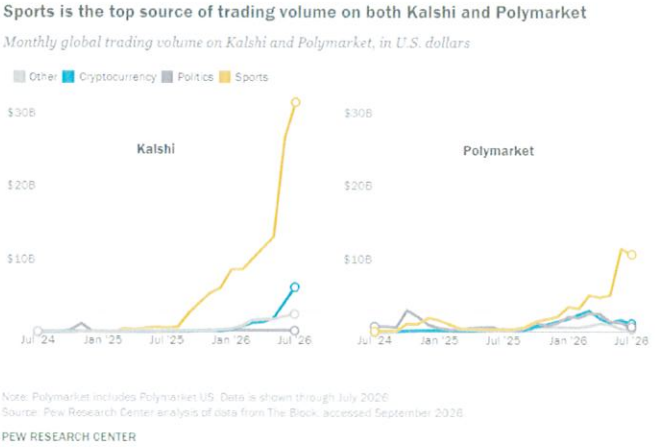
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[15] David Purdum and Shwetha Surendran, *How Kalshi and prediction markets are disrupting sports betting*, ESPN (June 2, 2025, 7:45 AM ET), https://www.espn.com/espn/betting/story/_/id/45377686/kalshi-prediction-markets-disrupt-sports-betting.

[16] *See* Kalshi Instagram post (July 16, 2025), *available at:* https://www.instagram.com/reel/DMLqEM6yk_q/?utm_source=ig_web_copy_link&igsh=MzRlODBiNWFlZA==.

[17] Daniel O'Boyle, *Kalshi Fee Revenue in 2025 was $263.5 Million, With 89% Coming from Sports*, INGAME, https://www.ingame.com/kalshi-fee-revenue-2025/.

74. What began as a new product quickly became the centerpiece of Kalshi's platform. In July 2026 alone, trading volume on Kalshi's sports-event markets exceeded $30 billion.[18]



75. Kalshi regularly includes event contracts specific to Arkansas sporting events, including football, basketball, and volleyball.[19]

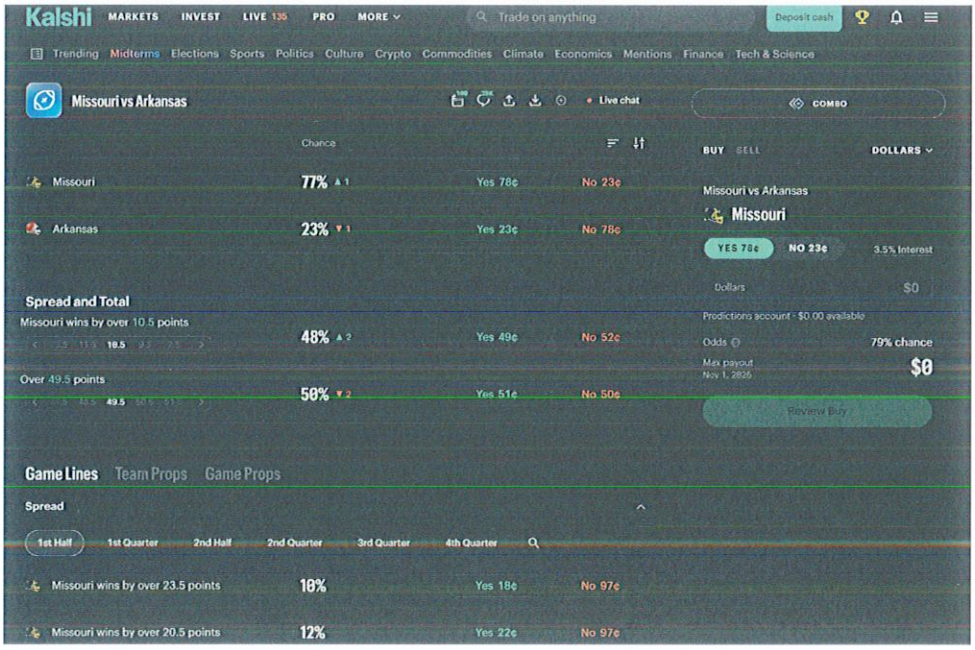


[18] *Prediction Markets' Trading Volume Doubled Between May and July, Largely Driven by Sports*, PEW RESEARCH CENTER (Sept. 23, 2026), https://www.pewresearch.org/short-reads/2026/09/23/prediction-markets-trading-volume-doubled-between-may-and-july-largely-driven-by-sports/.

[19] *See e.g., Missouri vs. Arkansas: Who Will Win?*, KALSHI, https://kalshi.com/markets/kxncaafgame/college-football-game/kxncaafgame-26oct30mizzark.

76. In furtherance of these "events", Kalshi employs a variety of classic sports-betting devices, including moneylines, spreads, point totals, parlays, and prop bets.[20] These offerings do not exist independent of the sports betting industry and relate to nothing except ways to gamble on sports.

77. Kalshi also offers in-game wagering where users can place bets on the outcome of sporting events while they are in progress.



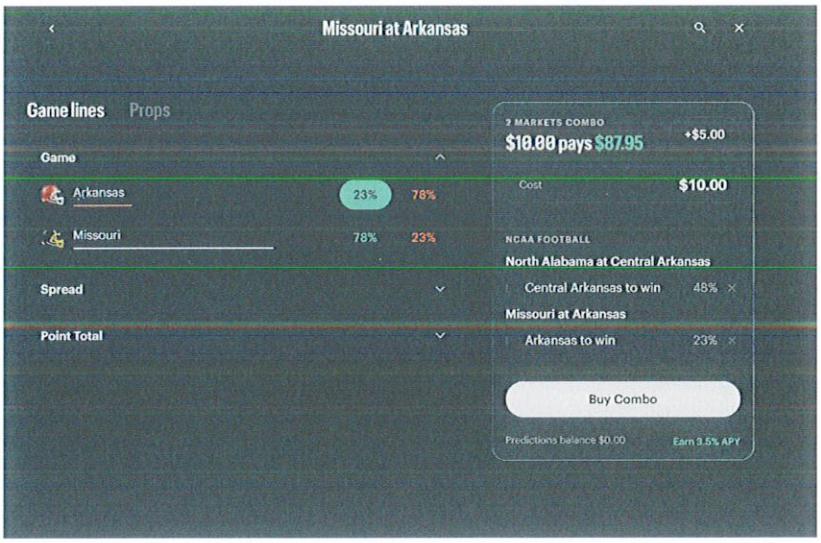
78. Kalshi also offers parlays, a common and popular form of sports wagering that allows the bettor to combine multiple bets (or "legs") into one. If all of their selections win, the bettor will receive a larger payout than if they had bet on a single event.

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[20] *Sacramento at Golden State*, KALSHI, https://kalshi.com/markets/kxnbagame/professional-basketball-game/kxnbagame-26apr07sacgsw?op_market_ticker=KXNBAGAME-26APR07SACGSW-GSW.

79. Despite the longer odds of winning and the more complicated calculation for odds of success, a recent article on sports betting makes clear that, quite simply, "America is obsessed with parlays."[21] Indeed, more than 70% of NFL and NBA bets on FanDuel came from parlays in 2023, according to FanDuel parent company Flutter Entertainment.

80. To capitalize on the popularity of sports parlays, Kalshi, as demonstrated through the screenshot below offers "combos" that "allow users to trade custom combinations of events."[22] While the combos come with higher payouts if all outcomes are correct, the bettor loses everything if any outcome is wrong. When launched, industry experts swiftly equated Kalshi's combos with sportsbook parlays.[23]

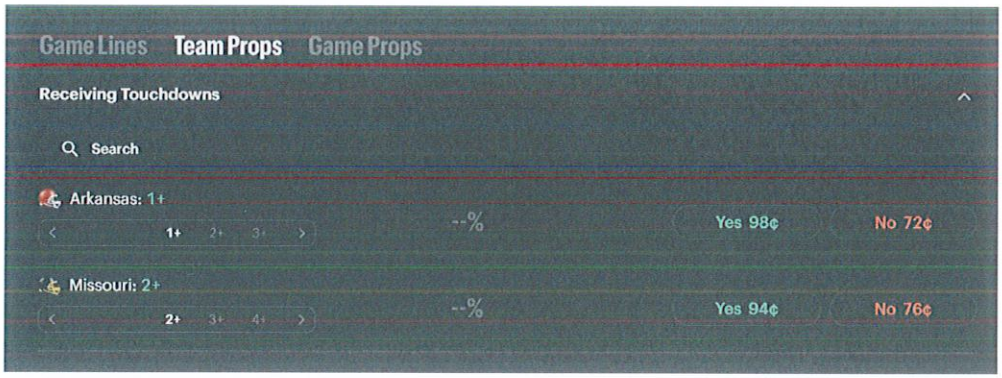


[21] Emily Giambalvo, Kati Perry, and Aaron Steckelberg, *Americans Can't Stop Betting Parlays. Sportsbooks are Cashing In*, THE WASHINGTON POST (October 9, 2025), *https://www.washingtonpost.com/sports/interactive/2025/parlay-popularity-odds-sportsbooks/?itid=sr_0_73aac7bf-f36c-4046-9eec-663be16f2d43*.

[22] *See Combos*, KALSHI, https://help.kalshi.com/en/articles/13823820-combos (last accessed Nov. 3, 2026).

[23] *See* Ryan Butler, *Kalshi's Combo Event Contracts Raise Prediction Market Stakes*, YAHOO! FINANCE (Dec. 16, 2025), *https://finance.yahoo.com/news/kalshis-combo-event-contracts-raise-212400945.html*.

81. Kalshi also offers proposition bets, which are wagers placed on specific occurrences within a game, such as individual player statistics, not just the final score or outcome.



82. The sports "event contracts" that Kalshi offers have no commercial value as a hedging instrument and are not intended to be hedging instruments, except insofar as a user is hedging potential sports wagering losses.

83. Indeed, Kalshi conceded, in a 2024 legal brief, that an event contract "contingent on a game or a game-related event—like the Kentucky Derby, Super Bowl, or Masters golf tournament" constituted a contract involving "gaming" (read: gambling).[24] It went on to acknowledge that such sports betting was "unlikely to serve any 'commercial or hedging interest.'"[25]

84. Yet, despite attempting to distance itself from online gambling when legally convenient, Kalshi has separately acknowledged that it is in direct competition with licensed, online sportsbooks DraftKings and FanDuel, and promoted its business as a

[24] Brief of Petitioner KalshiEX LLC at 17, *KalshiEX LLC v. Commodity Futures Trading Comm'n*, 119 F.4th 58 (D.C. Cir. 2024) (No. 24-5205).

[25] *Id.* at 45 (emphasis added).

"disrupter" of online sportsbooks' businesses.[26]

85. Further, Kalshi has run ads explicitly calling sports-event contracts purchased on its platform "bets" and stating that its platform offers a "legal" way to "bet" on sports in all 50 states.[27]

86. Arkansas's constitutional definition of "casino gaming" expressly includes accepting wagers on sporting events. Ark. Const. amend. 100, § 2(c). The ARC's definition of "sports pool" likewise turns on accepting wagers on sporting events, including through the internet on websites or mobile applications. 23 CAR § 358-2001(12), (20). Kalshi's sports-event contracts constitute "casino gaming" and Kalshi operates a "sports pool" under Arkansas law by accepting wagers on sporting events.

87. At no point since Kalshi began offering sports-related contracts, has it possessed a casino gaming license issued by the ARC. Nor is Kalshi otherwise authorized under Arkansas law to offer or conduct sports wagering in Arkansas. Yet, through its prediction-market platform, Kalshi permits users to risk money on uncertain sporting-event outcomes, including the outcomes of individual games, championships, and player performances. Users who correctly predict those outcomes receive monetary payouts, while users who predict incorrectly lose the money they risked. No matter the label Kalshi puts on it, wagering on sporting events is still gambling.

88. Arkansas's general prohibitions on maintaining gambling houses or devices

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[26] CNBC Television, *Kalshi CEO Tarek Mansour on NHL partnership: A seminal moment for prediction markets*, YOUTUBE (Oct. 22, 2025), https://www.youtube.com/watch?v=fKzu5mEEfAg.

[27] Dustin Gouker, *Kalshi Is Advertising That 'Sports Betting' Is Legal In California, Texas*, EVENT HORIZON (Sept. 17, 2025), https://nexteventhorizon.substack.com/p/kalshi-is-advertising-sports-betting-legal-in-california-texas.

and betting on games of hazard or skill express the State's policy against unauthorized gambling. *See* Ark. Code Ann. §§ 5-66-101, 5-66-103, 5-66-104, 5-66-113.

89. Relabeling bets as "event contracts" does not supply the authorization Arkansas requires to conduct casino gaming within its borders.

90. The regulation of gambling enterprises has long been recognized as lying at the core of a state's police power. *See Ah Sin v. Wittman*, 198 U.S. 500, 505–06 (1905) ("The suppression of gambling is concededly within the police powers of a state, and legislation prohibiting it, or acts which may tend to or facilitate it, will not be interfered with . . . .").

91. Indeed, Congress has recognized that "the States should have the primary responsibility for determining what form of gambling may legally take place within their borders." 15 U.S.C. § 3001(a)(1).

92. Prediction market operators have argued that the Dodd-Frank Act, enacted in response to the 2008 financial crisis, expanded the Commodity Exchange Act so as to grant the Commodity Futures Trading Commission exclusive jurisdiction over the sports wagers offered on their platforms.

93. The Sixth Circuit and Ninth Circuit have rejected Kalshi's requests to shield its sports-event contracts from state gambling enforcement at the preliminary-injunction stage. The Sixth Circuit held that Kalshi had not shown that its sports-event contracts qualified as "swaps" and alternatively held that the Commodity Exchange Act did not expressly or impliedly preempt Ohio's or Tennessee's gambling laws. *KalshiEX LLC v. Schuler*, Nos. 26-3196, 26-5235, __ F.4th ___, 2026 WL 2884087 (6th Cir. Sept. 25, 2026). The Ninth Circuit affirmed the dissolution of an injunction against Nevada's enforcement of its gambling laws as applied to Kalshi's sports-event contracts, concluding that Kalshi

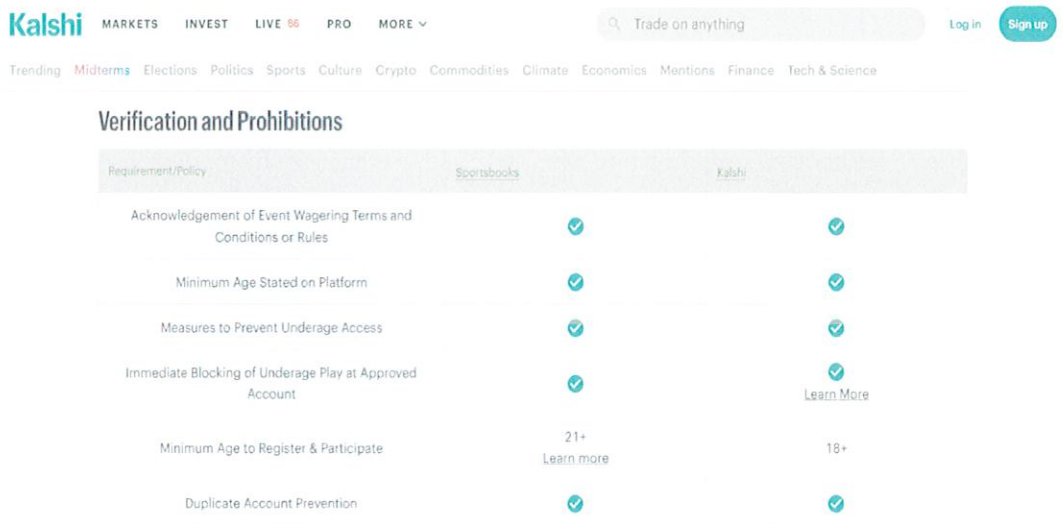
had not shown a likelihood of success on its preemption theory. *KalshiEX, LLC v. Assad*, No. 25-7516, ___ F.4th ___, 2026 WL 2543846 (9th Cir. Aug. 28, 2026).

94. Despite these rulings, Kalshi continues to conduct casino-gaming operations and online sports pools in Arkansas.

E. Kalshi Permits Arkansans Under 21 to Wager on its Platform.

95. Within its limited allowance for gambling, Arkansas prohibits wagering by those under the age of 21. *See* Ark. Const. amend. 100, § 3(d).

96. Despite recognizing that it is offering a gambling platform, Kalshi permits individuals under the age of 21 to open an account and wager on its platform.[28]



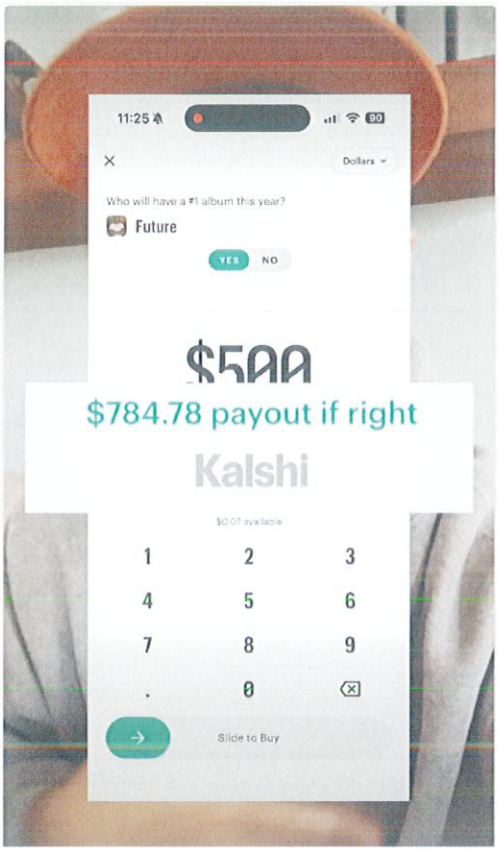
97. Not only that, Kalshi actively markets to users under 21. Through TikTok, Instagram, and other social media platforms popular with young consumers, Kalshi and its paid partners promote participation on the platform as a "side hustle," a "money hack," and a convenient method for generating extra income from a smartphone.[29]

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[28] *Frequently Asked Questions*, KALSHI, https://kalshi.com/faq (last visited Nov. 1, 2026).

[29] Olivia Little, *Kalshi Is Aggressively Advertising on TikTok, Seemingly Targeting Young People While Promoting a "Money Hack,"* MEDIA MATTERS FOR AM.

98. Many advertisements focus on profits allegedly earned by users, with influencers claiming they made hundreds of dollars[30] predicting outcomes ranging from weather events to popular culture events.



99. Rather than providing balanced information regarding the likelihood of loss, these promotions emphasize the possibility of profit and create the impression that earning money on Kalshi is simple, convenient, and readily attainable for ordinary consumers.

100. Kalshi advertisements and sponsored content incorporate themes associated

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https://www.mediamatters.org/tiktok/kalshi-aggressively-advertising-tiktok-seemingly-targeting-young-people-while-promising (last accessed Nov. 2, 2026).

[30] *See e.g.* ,https://www.instagram.com/reels/DYf1JDRxeia/, (May 18, 2026) (Instagram posts featuring #kalshi and @kalshipartner).

with internet culture, including "girl math,"[31] "girlboss" culture, celebrity relationships, reality television, and other trending social-media topics. Kalshi has utilized influencer partnerships, university-focused promotions, and advertising tied to college athletics and campus culture. By presenting event-contract trading through familiar social-media formats and peer-driven content, Kalshi portrays participation on its platform as a routine, entertaining, and socially accepted activity rather than a high-risk financial transaction.

101. The significance of these marketing practices is heightened by Kalshi's decision to permit participation by individuals as young as 18 years old. Rather than honoring Arkansas's judgment that casino gaming should be restricted to those twenty-one and older, Kalshi actively encourages younger consumers to participate on its platform.

F. Kalshi's Illegal Prediction Markets Cause Real World Harm.

102. Kalshi characterizes its products as lawful event contracts on a prediction market. But participation in Kalshi's markets involves real financial risk because consumers wager real money on the outcome of sporting and entertainment events.

103. Kalshi designed its system to permit consumers to begin wagering money within minutes of signing up. A consumer can electronically fund an account and immediately use those funds to purchase "contracts" tied to the outcome of sporting or entertainment events.

104. And the purchase need not be tied to consumers' actual available funds. Defendants allow consumers to place bets with their credit card. As a result, consumers can continue gambling with money they don't have. The consequences of that arrangement are significant. A consumer

[31] Nancy Walecki, It's Not Gambling, It's "Girl Math," THE ATLANTIC, https://www.theatlantic.com/technology/2026/04/kalshi-polymarket-gambling-women/686646 (last visited Nov. 2, 2026) ("Girl math" is an internet joke describing creative ways people mentally justify spending money).

may lose the accompanying prediction while remaining responsible for repaying the underlying debt, together with any applicable interest and fees.

105. Kalshi further imposes additional transaction fees on certain deposit methods, increasing the costs associated with participation on the platform. Defendants also require a minimum deposit of $1,000 for wire transfers, thereby encouraging consumers to commit substantial sums of money at a time.

106. Near continuous access to these platforms only compounds this problem. A consumer can repeatedly purchase sports-event contracts and continuously place additional money at risk as new sporting events become available.

107. The medical community no longer treats problem gambling as a lack of self-control. In 2013, the American Psychiatric Association reclassified gambling disorder as an addiction, making it the first—and to date, only—non-substance-related addiction recognized in psychiatry's primary diagnostic framework.

108. Like substance-abuse addictions, gambling addiction often involves an escalating tolerance. That means that over time, individuals may place larger bets, take greater risks, or gamble more frequently in pursuit of the same excitement or "high."

109. These risks associated with gambling are not merely financial. In addition to debt, consumers who develop gambling problems frequently experience depression, anxiety, psychological distress, and damaged personal relationships.[32] Gambling-related harms may also affect family members through relationship conflict, emotional hardship, housing instability, and

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[32] Forrest, R., Doan, N., MacDonald-Spracklin, R., Pugliese, M., Turner, N.E. & Myran, D.T., *Emergency Department Visits for Gambling Disorders After the Legalization of Single-Event Sports Betting and Rapid Expansion of Online Gambling*, ___ Am. J. Preventive Med. ___, No. 108551 (Sept. 16, 2026), https://pubmed.ncbi.nlm.nih.gov/42747355/.

other adverse consequences.[33]

110. In severe cases, gambling-related harms can become life-threatening. Researchers have identified indebtedness and shame as principal pathways through which gambling contributes to suicidal ideation and suicide.[34] Studies have consistently found that individuals suffering from gambling disorder face substantially elevated rates of suicidal thoughts and suicide attempts compared to the general population.[35]

111. And as gambling opportunities have expanded, healthcare providers have also reported significant increases in emergency treatment related to gambling disorders, including presentations involving depression, suicidality, substance-use disorders, and other serious mental-health conditions.[36]

112. These harms are not theoretical. Approximately 2% of Arkansans are estimated to experience problem-gambling behavior.[37] The Arkansas Problem Gambling Helpline answered more than 4,500 calls during the first six months of 2026, a 22.5% increase from the same period the year before.[38]

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[33] *Id.*

[34] Virve Marionneau & Jaakko Nikkinen, *Gambling-Related Suicides and Suicidality: A Systematic Review of Qualitative Evidence*, 13 Frontiers Psychiatry 980303 (2022), https://pubmed.ncbi.nlm.nih.gov/36387006/.

[35] *Id.*

[36] Forrest et al., *Emergency Department Visits for Gambling Disorders After the Legalization of Single-Event Sports Betting and Rapid Expansion of Online Gambling*, supra note 32.

[37] *Silent Addiction: How Arkansas Is Battling Gambling Addiction in the State*, Lake Point Recovery & Wellness, https://lakepointrecovery.org/news/silent-addiction-how-arkansas-is-battling-gambling-addiction-in-the-state/ (last visited Oct. 28, 2026).

[38] https://www.facebook.com/watch/?v=1592437739175809, 5NEWS, (2026).

G. Young Adults Face Heightened Risks from Kalshi's Products

113. The rapid growth of online gambling platforms has coincided with an increase in gambling-related harms[39] among individuals under the age of 18.[40] Unlike traditional brick-and-mortar casinos, which can physically restrict access to underage individuals, online gambling websites such as Kalshi are readily accessible from a smartphone, tablet, or computer. This ease of access has contributed to increasing participation in gambling activities by minors and a rise in youth gambling addiction.[41]

114. Arkansas restricts regulated wagering accounts to individuals 21 years of age or older. Ark. Const. amend. 100, § 3(d); 23 CAR § 358-425. Yet, Kalshi expressly permits individuals as young as 18 years old to open accounts, fund those accounts, and participate in its prediction markets by wagering on event contracts.

115. Kalshi's marketing practices are particularly concerning given the well-documented risks associated with exposing young people to gambling and gambling-like activities. A national study conducted by the Lia Nower-led Rutgers University Center for Gambling Studies found that 52.5% of Americans ages 13 to 27 gambled in the prior year, including 42.7% of respondents ages 13 to 17.[42] Among those who gambled, 39.5% exhibited some level of gambling-related risk, while 10.3% screened as high-risk problem gamblers.[43] Notably, about 40% of

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[39] Forrest et al., *Emergency Department Visits for Gambling Disorders After the Legalization of Single-Event Sports Betting and Rapid Expansion of Online Gambling*, *supra* note 32.

[40] Veselka et al., *Factors Associated With Social Casino Gaming Among Adolescents Across Game Types*, 18 BMC Public Health 1167 (2018).

[41] *Id.*

[42] Lia Nower, 2026 U.S. Prevalence Study, Rutgers Univ. Sch. Of Soc. Work, https://socialwork.rutgers.edu/nationalgamblingstudy (last accessed Nov. 2, 2026).

[43] *Id.*

respondents who participated in prediction markets screened as high-risk problem gamblers.[44] The study further found that risk of gambling-related harm increases with repeated participation and engagement across multiple forms of gambling.[45]



116. Other researchers have identified individuals in their late teens and early twenties as among the populations at greatest risk for developing gambling problems and gambling disorder.[46] Recent studies have reported that gambling-disorder diagnoses have increased most sharply among young adults following the expansion of online and sports betting,[47] and young adult gamblers have also been found to experience elevated rates of mental-health and substance-use problems.[48]

117. Kalshi's failure to include appropriate age restrictions places younger consumers at greater risk. Compared to older adults, young consumers often have less established credit, fewer

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[44] *Id.*

[45] *Id.*

[46] Ning Hing, Alex Russell, Barry Tolchard & Lia Nower, *Risk Factors for Gambling Problems: An Analysis by Gender*, 32 J. Gambling Stud. 511 (2016), https://pmc.ncbi.nlm.nih.gov/articles/PMC4875054/.

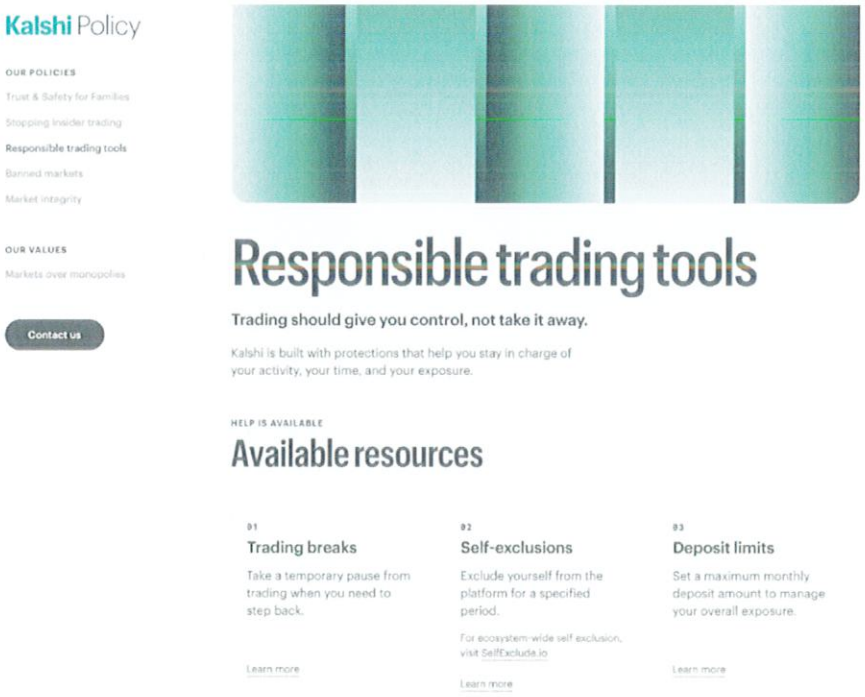
[47] K. Bartelt et al., *Gambling Disorder Diagnoses Have Risen More Than 60% in States That Legalized Sports Betting*, Epic Research, https://epicresearch.org/articles/gambling-disorder-diagnoses-have-risen-more-than-60-in-states-that-legalized-sports-betting (last visited Oct. 19, 2026).

[48] Elisabeth Sohn, *How Gambling Affects the Brain and Who Is Most Vulnerable to Addiction*, MONITOR ON PSYCH., July 1, 2023, https://www.apa.org/monitor/2023/07/how-gambling-affects-the-brain.

financial resources, less experience managing debt, and greater susceptibility to impulsive risk-taking behavior associated with gambling.[49]

H. Kalshi Knows Its Product Creates Gambling-Related Risks, Including to Users Under 21.

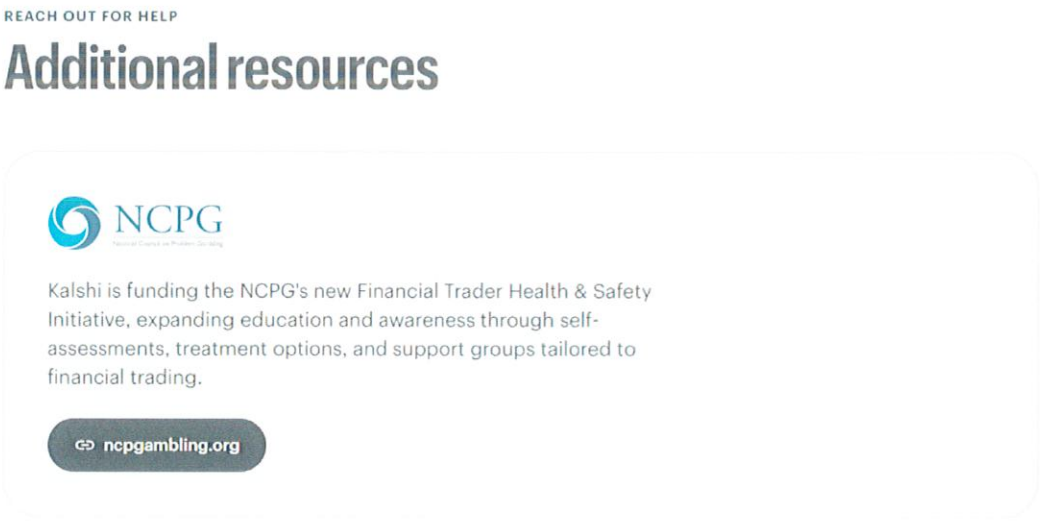
118. Kalshi may disguise its product as a derivative market, but it cannot hide the real risks its product creates. Kalshi has an entire page on its website dedicated to "responsible trading tools,"[50] which are precisely the same sort of gambling-related protections offered by retail, online sportsbooks like DraftKings and FanDuel. These tools include mechanisms like trading breaks, self-exclusion, and deposit limits, all designed to limit gambling activity.



[49] *See generally supra* notes 32–48.

[50] *Responsible trading tools*, KALSHI, https://kalshi.com/policy-center/responsible-trading (last visited Nov. 1, 2026).

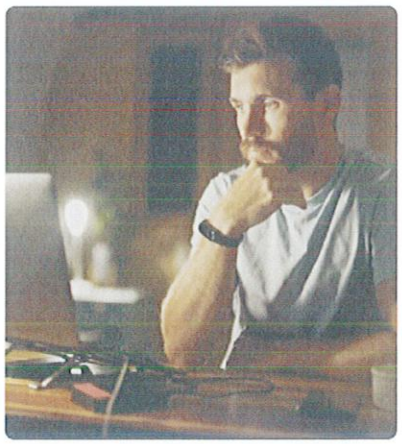
119. The reason Kalshi maintains these safeguards is obvious: it understands that participation in its products can lead to excessive gambling, loss of control, financial distress, and other gambling-related harms. That is why Kalshi also provides links to gambling addiction resources, including the National Council on Problem Gambling.[51] But Kalshi does not just provide a link to the National Council for Problem Gambling, it helps fund it. Recognizing the inherent link between the activity its platform allows and gambling-related harms, Kalshi informs consumers that "Kalshi is funding the NCPG's new Financial Trader Health & Safety Initiative, expanding education and awareness through self-assessments, treatment options, and support groups tailored to financial trading."[52]



[51] *Id.*

[52] *Id.*

120. Kalshi also maintains and advertises a partnership with Birches Health, a provider specializing in the treatment of "digital addictions and compulsive behaviors," and directs users to Birches Health's services through its website.[53]



121. The resources Kalshi provides extend beyond addiction treatment. Kalshi also directs users to the 988 Suicide & Crisis Lifeline for individuals experiencing emotional distress or crisis.[54]

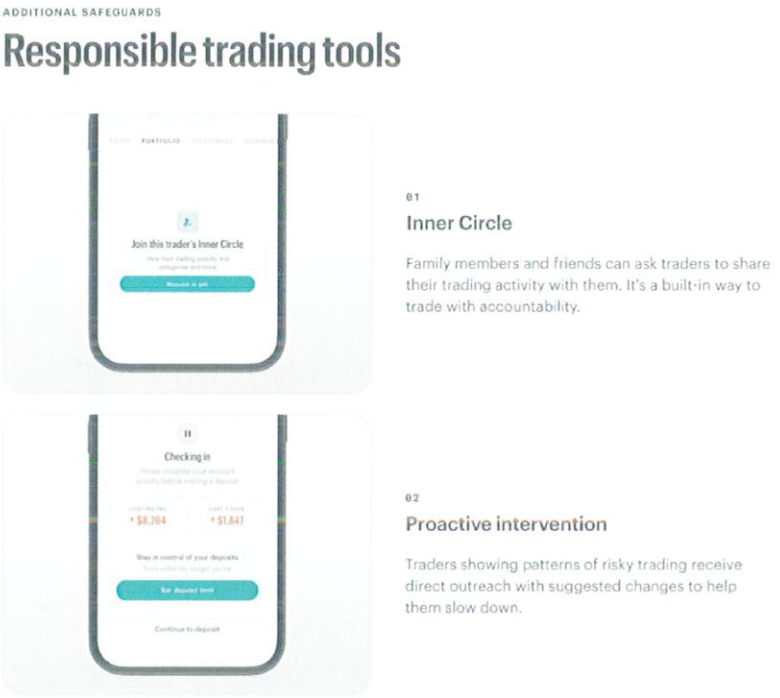
122. And Kalshi knows the risks are even more acute for users under the age of 21. While Kalshi permits individuals as young as 18 years old to participate, it publicly acknowledges the need for age-specific safeguards and has implemented various protections and monitoring measures directed at younger users.

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[53] *Id.*

[54] *Id.*

123. These tools include spending limits that allow users to restrict the amount of money deposited or traded on the platform, an "Inner Circle" feature[55] that enables trusted contacts to receive notifications relating to a user's account activity, and provides parental-alert tools intended to notify parents or guardians when a young adult user exhibits potentially concerning behavior.[56]



[55] Inner Circle, KALSHI HELP CTR., https://help.kalshi.com/en/articles/14894380-inner-circle (last accessed Nov. 2, 2026).

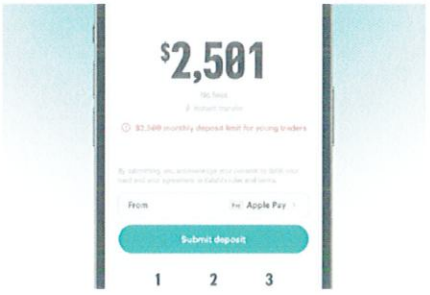
[56] Trust & Safety for Families, KALSHI, https://kalshi.com/policy-center/families?utm_campaign=kalshi-expands-protections-for-18-to-20-year-old-traders&utm_medium=referral&utm_source=news.kalshi.com (last accessed Nov. 2, 2026).

124. The concern about usage by those under 21 is not theoretical. In 2026 alone, users between the ages of 18 and 20 traded more than $5 billion on Kalshi's platform.[57]

> **Young adults under 21 traded $5 billion on Kalshi this year, amid prediction market frenzy**

125. In October 2026, Kalshi announced additional restrictions specifically targeting users between the ages of 18 and 20, imposing a $2,500 monthly deposit limit on users within that age group and automatically placing those users into what it described as "special accounts" containing features designed to curb risky behavior by young adults.[58] Kalshi further represented that users ages 18 to 20 would receive alerts when account activity suggested excessive concentration of funds in a single position. According to Kalshi, users with account balances exceeding $1,000 receive warnings encouraging diversification if they place more than 25% of their balance on a single trade.[59]

Kalshi expands protections for 18- to 20-year-old traders



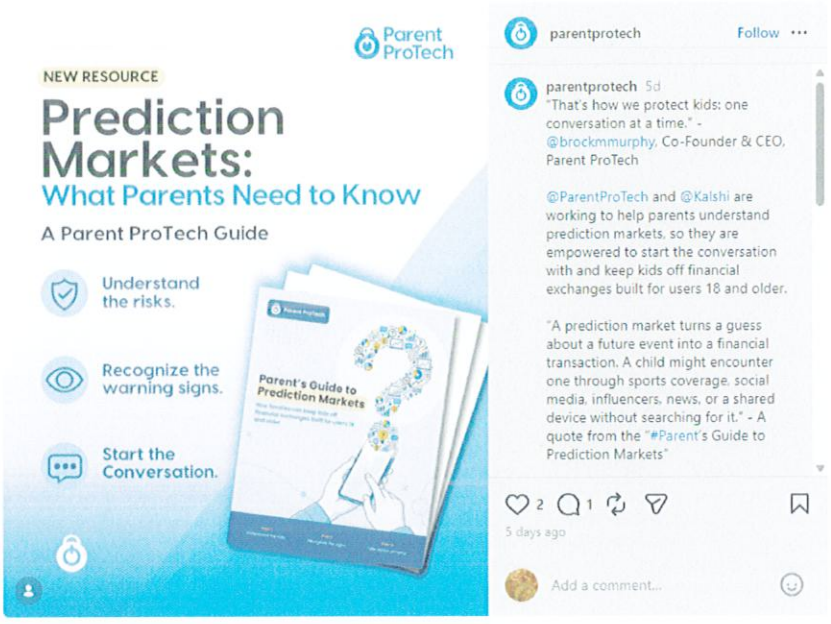
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[57] Nathaniel Meyersohn, *Young Adults Are Pouring Billions into Kalshi's Prediction Markets*, CNN (Aug. 28, 2026), https://www.cnn.com/2026/08/28/business/young-adults-trading-kalshi.

[58] *Kalshi Expands Protections for 18- to 20-Year-Old Traders*, KALSHI NEWS (Oct. 27, 2026), https://news.kalshi.com/p/kalshi-expands-protections-for-18-to-20-year-old-traders.

[59] *Id.*

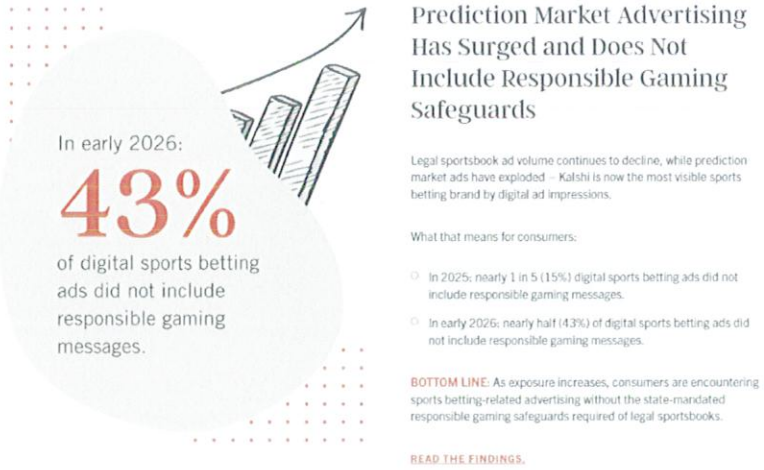
126. Kalshi also acknowledged the need for third-party oversight of younger users. The company partnered with Parent ProTech and ConnectSafely to publish youth-focused guidance materials for parents and families regarding platform use by young adults.[60] And Kalshi now monitors trading activity by younger users, and when it detects risky trading patterns will conduct direct outreach and provide recommendations designed to "slow them down."[61]



[60] Parent ProTech Instagram Post, (October 26, 2026) available at: https://www.instagram.com/p/DfCo0w5kYFa/

[61] Ben Portnoy, *Kalshi Limits Monthly Deposits for Users Under 21*, SPORTS BUS. J. (Oct. 28, 2026), https://www.sportsbusinessjournal.com/Articles/2026/10/28/kalshi-limits-monthly-deposits-for-users-under-21/.

127. But responsible-gambling tools are of little use if consumers hardly see them. The American Gaming Association found that prediction-market advertising accounted for a sharp increase in sports-betting advertisements that lacked responsible-gaming messaging, rising from approximately 15% in 2025 to 43% in early 2026. The Association identified Kalshi as the most visible sports-betting brand by digital impressions during this period.[62]



128. These hotlines and self-help tools—for both adults and young users—are not the type of safeguards associated with information products, news services, or forecasting tools. They are the types of resources associated with activities that create risks of gambling addiction and gambling-related harm.

129. If Kalshi truly believed its products were not gambling or posed no gambling-related risks, there would be no reason to offer gambling-addiction resources, self-exclusion tools, cooling-off periods, and spending controls.

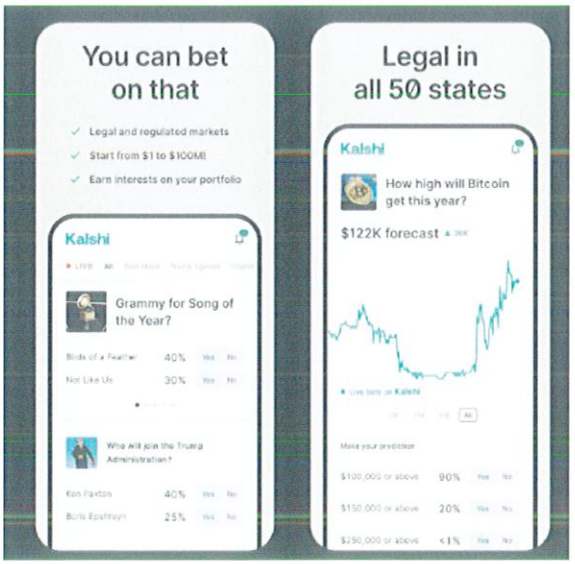
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[62] *Sports Event Contracts*, AM. GAMING ASS'N, https://www.americangaming.org/sports-event-contracts/ (last visited Nov. 3, 2026).

I. Through its Platform and Advertising, Kalshi Has Deceptively Misrepresented the Legality of its Gambling Platform.

130. Kalshi has marketed wagering to people in Arkansas through its websites, mobile apps, advertisements on streaming videos and television (especially during or surrounding sports broadcasts), and through social media platforms.

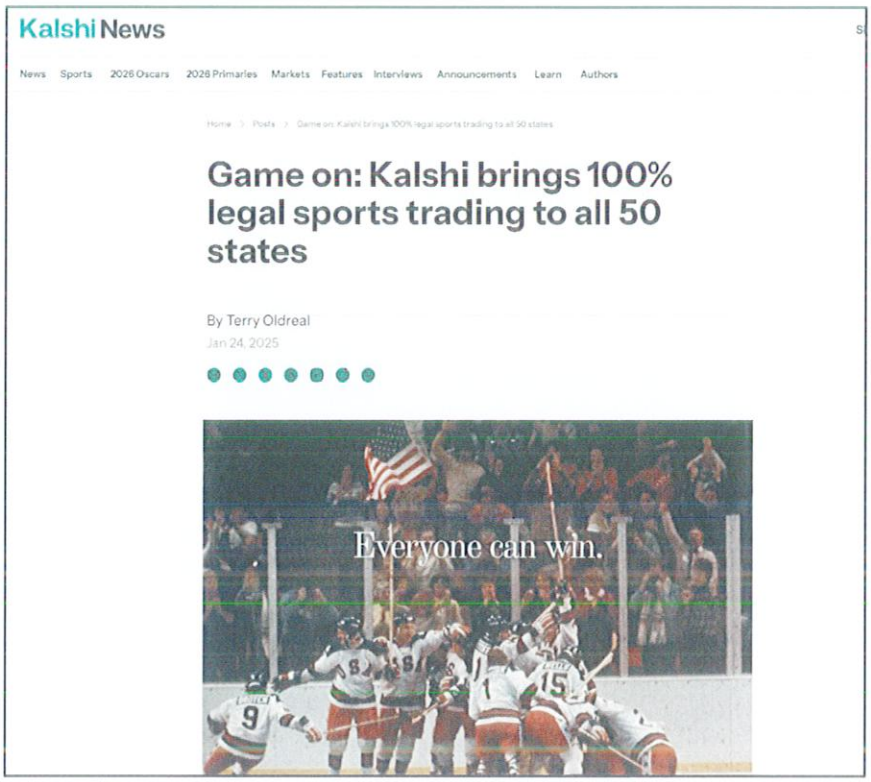
131. Kalshi has regular and sports-focused social media accounts that it made available to people in Arkansas, including Instagram (@kalshi and @kalshisports), TikTok (@kalshi_markets), and X (@kalshi). Kalshi advertised across these platforms, including to people in Arkansas, that Kalshi's customers can "bet" on a variety of events. For example, on mobile application stores such as the "App Store" for iOS (Apple) devices and "Google Play" for Android devices, Kalshi's taglines have included: "You can bet on that"[63] and "Legal in all 50 states."[64]



[63] Appshot.Gallery is a company that describes itself as a resource for developers and designers trying to optimize mobile application store listings. The website's gallery of curated screenshots includes these from Kalshi. *See* APPSHOT.GALLERY, https://www.appshot.gallery/app/kalshi-bet-on-the-headlines (last visited Apr. 2, 2026).

[64] *Id.*

132. When Kalshi opened its platform to sports wagering in January 2025,[65] Kalshi's announcement read, "Game on: Kalshi brings 100% legal sports trading to all 50 states."[66]



[65] Stuart Dyos, *Prediction market Kalshi enters sports betting ahead of Super Bowl, days after naming Donald Trump Jr. as an advisor,* FORTUNE (Jan. 25, 2025), https://fortune.com/2025/01/25/kalshi-sports-betting-donald-trump-jr-super-bowl-prediction-market/.

[66] Terry Oldreal, *Game on: Kalshi brings 100% legal sports trading to all 50 states,* KALSHI (Jan. 24, 2025), *available at: https://news.kalshi.com/p/game-on-kalshi-sports-trading-is-now-100-legal-in-all-50-states-2.*

133. Through Instagram, Kalshi has proclaimed that it is "The First Nationwide Legal Sports Betting Platform,"[67] evidencing Kalshi's strategy to operate and market like a gambling entity rather than a risk management platform. It also has other social media posts using the terms "odds"[68] and chances,[69] which are associated with traditional gambling.





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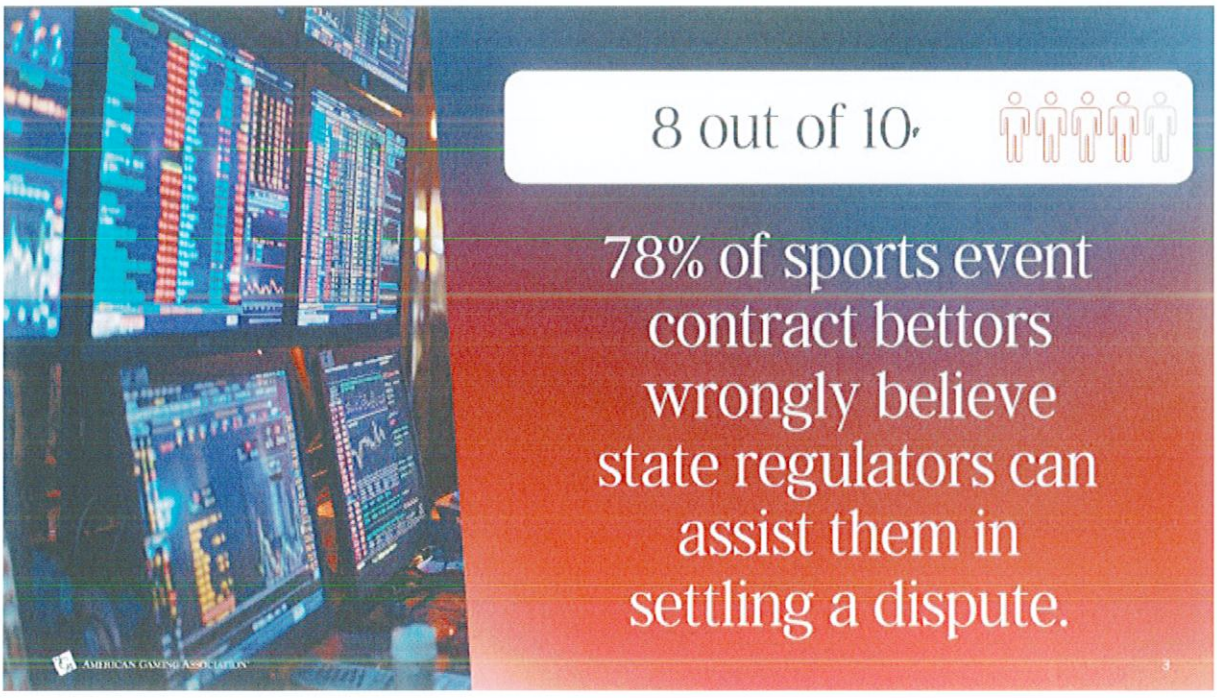
[67] Dustin Gouker, *Ten Times Kalshi Said People Could Bet on Things*, EVENT HORIZON (Apr. 3, 2025), *available at:* https://nexteventhorizon.substack.com/p/ten-times-kalshi-said-people-could.

[68] Kalshi Instagram post from May 13, 2025, *available at: https://www.instagram.com/p/DJm5EaTPpYA/?utm_source=ig_web_copy_link&igsh=MzRlODBiNWFlZA==.*

[69] Kalshi Instagram post from May 13, 2025, *https://www.instagram.com/p/DKU5SUPgtP4/?utm_source=ig_web_copy_link&igsh=MzRlODBiNWFlZA==.*

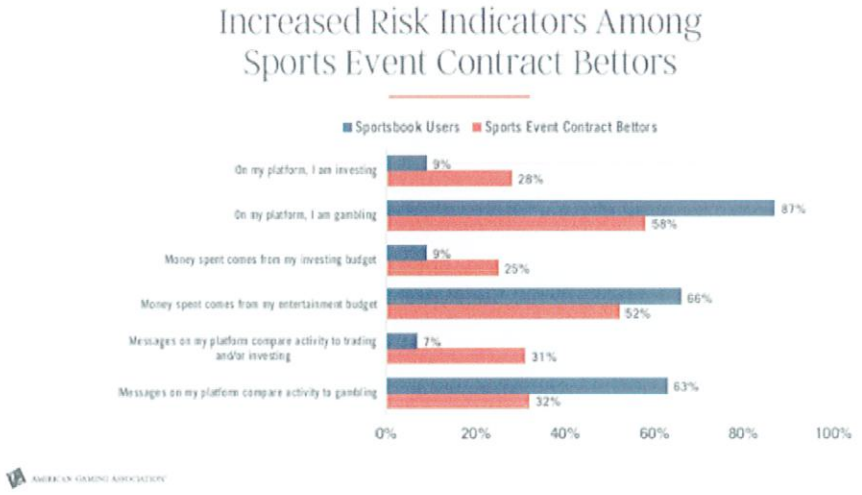
134. Kalshi has similarly promoted wagering opportunities through its website, including to Arkansas consumers. At no point in these advertisements has Kalshi disclosed that it is not licensed or otherwise authorized under Arkansas law to conduct sports wagering or accept other unlawful wagers from Arkansas residents.

135. And Kalshi's legality marketing has been successful. Research has found that when consumers encounter problems with gambling operators, a substantial majority expect state regulators to oversee those operators and provide consumer protection. One study found that 78% of consumers would contact a state regulator if they experienced a problem with a gambling operator.[70]



[70] *Sportsbook Bettors vs. Prediction Platform Bettors*, AM. GAMING ASS'N (Feb. 2026), https://www.americangaming.org/wp-content/uploads/2026/02/Sportsbook-bettors-vs-Prediction-platform-bettors_RELEASE.pdf.

136. The same study found that while nearly 9 in 10 traditional sportsbook users considered their activity to be gambling, only 58% of sports-event-contract users did so. And, given the advertising as a prediction market, roughly 25% of users placed wagers with investment funds, compared to 9% of traditional sportsbook users.[71]



137. These findings are consistent with Kalshi's repeated use of terms such as "markets," "trading," and "investing" to describe activity that consists of risking money on uncertain future events in hopes of receiving a greater return. And they further demonstrate why Kalshi's repeated representations regarding legality and the nature of its products are material. By representing that its platform is "100% legal" Kalshi conveys that Arkansas consumers may lawfully place wagers and that Kalshi is authorized to conduct such activity in Arkansas. Because consumers reasonably expect lawful gambling operators to be subject to state oversight and consumer-protection requirements, those representations are likely to influence consumers' decisions whether to participate on the platform.

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[71] *Id.*

J. Kalshi Has Failed to Adequately Disclose the Risks of Loss Arising From Insider Trading and Professional Traders.

138. Kalshi markets and operates the Kalshi platform as a place where ordinary consumers can participate in event-based markets and sports wagering against other users. In doing so, Kalshi creates the misleading impression that consumers are merely trading against other ordinary individuals. In reality, many participants on Kalshi possess significant informational, technological, and financial advantages over ordinary consumers.

139. Kalshi uses so-called "market makers," including its own affiliated entity, Kalshi Trading LLC ("Kalshi Trading"), to place bets and provide liquidity on the platform.

140. Moreover, one recent analysis found that sophisticated traders on Kalshi often utilize proprietary data feeds, predictive models, algorithmic trading systems, artificial-intelligence tools, and other expensive resources unavailable to ordinary consumers. One firm reportedly spent more than $200,000 annually on data feeds and AI tools used to support prediction-market trading.[72]

141. The advantages enjoyed by sophisticated traders are not theoretical. One analysis found that ordinary Kalshi users lost approximately $583.5 million, including approximately $371.6 million on sports-event contracts alone, while a comparatively small group of sophisticated traders captured a disproportionate share of profits.[73]

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[72] Lipton, *supra* note 2.

[73] Dirk van Haaster, *Insider Trading Claims Rock Super Bowl Halftime Markets, Prompt Calls for Action*, DEFI RATE (Feb. 9, 2026, 7:23 AM PDT), https://defirate.com/news/insider-trading-claims-hit-super-bowl-prediction-markets/; David Purdum, *NFL Asks Prediction Markets to Stop Manipulable Trading*, ESPN (Mar. 30, 2026, 9:00 AM ET), https://www.espn.com/nfl/story/_/id/48338843/nfl-asks-prediction-markets-stop-manipulable-trading; David I. Miller, Director of Enforcement, Commodity Futures Trading Comm'n, *Remarks at NYU Law School: CFTC Enforcement Priorities, Insider Trading in the Prediction Markets, and Cooperation with the CFTC* (Mar. 31, 2026), https://www.cftc.gov/PressRoom/SpeechesTestimony/opamiller1.

142. Kalshi itself recently admitted that there are nearly three times as many people losing money as making it on its platform.[74]

143. Indeed, the evidence suggests that ordinary participants in prediction markets lose more money than participants in other forms of gambling, such as sportsbooks or casinos.[75]

144. Kalshi has likewise failed to adequately disclose material facts concerning the extent and nature of risks associated with insider trading, manipulation, and trading based on advance knowledge of contract outcomes in the markets offered through its platform.

145. Further, many of the contracts offered through Kalshi's platform concern events for which material information may be known in advance by a limited number of people before that information becomes publicly available.

146. Public reports, industry participants, sports leagues, and federal regulators have repeatedly raised concerns regarding insider trading, manipulation, and trading based on advance knowledge of contract outcomes in prediction markets.[76]

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[74] Neil Mehta, Katherine Long & Caitlin Ostroff, *Why Almost Everyone Loses—Except a Few Sharks—on Prediction Markets*, Wall St. J. (May 3, 2026, 9:00 PM ET), https://www.wsj.com/finance/investing/polymarket-kalshi-betting-profits-prediction-markets-eb23ac11.

[75] Lipton, *supra* note 2 (further noting that "[p]rediction markets advertise that their platforms are better than traditional gambling because users are betting against each other rather than against a 'house.' But the reality is that ordinary people participating in prediction markets are largely betting against professional traders using sophisticated methods…[t]he key point is that the deck is systematically stacked against everyday users participating in these markets… it isn't clear that everyday participants in prediction markets know how sophisticated the person or the methods on the other side of the transaction are.").

[76] *See Supra,* note 73.

147. Leading up to and during the 2026 Super Bowl, traders on Kalshi and other prediction-market platforms publicly identified trading activity that they believed reflected advance knowledge of halftime-show plans. For instance, one trader placed approximately $500,000 on Lady Gaga appearing during the halftime show before any public confirmation of her appearance. Public reporting further described accounts that appeared to trade successfully on multiple Super Bowl halftime-show markets before relevant information became publicly available, sparking allegations that the traders possessed advance knowledge of halftime-show plans and performers.[77]

148. The National Football League has also publicly warned that certain prediction-market contracts are particularly susceptible to insider trading and manipulation. In March 2026, the NFL asked prediction-market operators to refrain from offering contracts involving matters that can be known in advance or influenced by individuals connected to the event, including announcer statements, celebrity appearances, draft selections, player signings, and coaching decisions.[78]

149. More than $47 million was traded on Kalshi contracts tied to announcer statements during the Super Bowl, leading the NFL to express concerns that individuals possessing advance information could use that knowledge to profit in those markets.[79]

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[77] van Haaster, *Insider Trading Claims Rock Super Bowl Halftime Markets, Prompt Calls for Action*, DEFI RATE (Feb. 9, 2026, 7:23 AM PDT), https://defirate.com/news/insider-trading-claims-hit-super-bowl-prediction-markets/.

[78] Purdum, *NFL Asks Prediction Markets to Stop Manipulable Trading*, ESPN (Mar. 30, 2026, 9:00 AM ET), https://www.espn.com/nfl/story/_/id/48338843/nfl-asks-prediction-markets-stop-manipulable-trading.

[79] David Purdum, *Bettors Raising Stakes on What Super Bowl Announcers Say*, ESPN (Feb. 2, 2026, 8:01 AM ET), https://www.espn.com/nfl/story/_/id/47781111/super-bowl-nfl-betting-kalshi-mention-markets-announcers.

150. Federal regulators have likewise recognized insider trading in prediction markets as a significant concern. In March 2026, the Director of Enforcement for the Commodity Futures Trading Commission publicly identified insider trading in prediction markets as an enforcement priority and warned that certain event contracts create heightened risks that persons possessing material nonpublic information may trade against other market participants.[80]

151. Public reporting has further indicated that, in the first quarter of 2026 alone, Kalshi flagged more than 400 suspicious trades, more than twice the number of trades it reportedly investigated during all of 2025.[81]

152. Information concerning risks associated with insider trading, manipulation, and advance knowledge of contract outcomes is material to consumers. A reasonable consumer deciding whether to place a wager through Kalshi's platform would consider it important to know that certain contracts may be especially vulnerable to insider trading, manipulation, or trading based on advance knowledge of contract outcomes.

153. A reasonable consumer would also consider it important that they may be trading against sophisticated and professional traders who use proprietary data, predictive

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[80] Miller, Director of Enforcement, Commodity Futures Trading Comm'n, *Remarks at NYU Law School: CFTC Enforcement Priorities, Insider Trading in the Prediction Markets, and Cooperation with the CFTC* (Mar. 31, 2026), https://www.cftc.gov/PressRoom/SpeechesTestimony/opamiller1.

[81] Suzanne McGee, *Prediction Markets See Surge in Suspicious Trades as Popularity Explodes*, U.S. NEWS & WORLD REP. (May 15, 2026), https://www.usnews.com/news/top-news/articles/2026-05-15/prediction-markets-see-surge-in-suspicious-trades-as-popularity-explodes.

models, advanced technology, and other resources unavailable to most consumers, and who capture a disproportionate share of profits on prediction-market platforms.[82]

154. Despite promoting Kalshi as a platform where users are trading against peers rather than against a traditional sportsbook or casino, Kalshi has not adequately disclosed the extent to which ordinary consumers may be trading against traders who possess advantages such as access to proprietary data, predictive models, advanced technology, material nonpublic information, and other resources unavailable to ordinary users. Kalshi has also not adequately disclosed the extent to which those participants capture a disproportionate share of profits on prediction-market platforms, particularly compared to traditional sportsbooks or casinos.

155. Taken together, these omissions mislead consumers in a variety of ways, particularly as it pertains to sports betting.[83]



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[82] Lipton & Odusola, *Since Kalshi's Launch, Ordinary Users Have Lost Half a Billion Dollars*, ROOSEVELT INSTITUTE (July 7, 2026), https://rooseveltinstitute.org/blog/since-kalshis-launch-ordinary-users-have-lost-half-a-billion-dollars/.

[83] *Sports Event Contracts*, AM. GAMING ASS'N, https://www.americangaming.org/sports-event-contracts/ (last visited Nov. 3, 2026).

K. Kalshi Affirmatively Represented That its Markets Were Trustworthy, Safe, and Protected Against Insider Trading.

156. Despite its obvious awareness of the health and financial harms its product poses to users, Kalshi has repeatedly promoted its platform as trustworthy, transparent, safe, and protected against insider trading and market manipulation.

157. Through its website, marketing materials, public statements, and media appearances, Kalshi has misrepresented that consumers can participate in its markets with confidence because the platform is subject to extensive integrity protections.

158. For example, Kalshi has misrepresented that consumers may trade on its platform with "100% confidence," that Kalshi is built on a foundation of "trust, transparency, and top-tier regulation," and that it provides a "safe environment for traders."[84]

159. Kalshi has also misrepresented that its markets operate with "maximum trust, safety, and oversight,"[85] and that its protections and standards are "stricter than stock exchanges."[86]

160. These statements simply cannot be squared with the risks Kalshi has acknowledged elsewhere. Through its own policies, partnerships, and consumer-protection

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[84] *How Kalshi Creates a Safe Environment for Traders: Building Trust Through Regulation, Surveillance, and Strict Integrity Standards*, KALSHI NEWS (Jan. 6, 2026), https://news.kalshi.com/p/how-kalshi-keeps-traders-safe; Kalshi News, *Kalshi Is Fully Regulated and Trustworthy* (June 4, 2025), https://news.kalshi.com/p/kalshi-fully-regulated-trustworthy-not-a-scam.

[85] *How Kalshi Creates a Safe Environment for Traders: Building Trust Through Regulation, Surveillance, and Strict Integrity Standards*, KALSHI NEWS (Jan. 6, 2026), https://news.kalshi.com/p/how-kalshi-keeps-traders-safe.

[86] *Stopping Insider Trading*, KALSHI, https://kalshi.com/policy-center/insider-trading (last visited Oct. 8, 2026).

initiatives, Kalshi has recognized that participation on its platform can lead to excessive losses, compulsive behavior, and other gambling-related harms. Kalshi has also recognized the need for enhanced protections for younger users and extensive monitoring of platform activity.

161. By emphasizing trust, safety, transparency, and oversight while minimizing those risks, Kalshi presents consumers with a materially misleading picture of its platform and the risks associated with participation.

V. CLAIMS FOR RELIEF

ADTPA VIOLATIONS

162. The State of Arkansas hereby repeats and incorporates by reference all other allegations of this Complaint. Ark. R. Civ. P. 10(c).

163. The ADTPA sets forth the State's regulatory program prohibiting deceptive and unconscionable practices in business, commerce, or trade. Ark Code Ann. §§ 4-88-101, et seq. It is based on Section 5 of the Federal Trade Commission Act, which likewise prohibits unfair and deceptive business practices. 15 U.S.C. § 45(a)(1), Unfair methods of competition unlawful; prevention by Commission.[87]

164. Defendants' online service platform constitutes the sale of services subject to the ADTPA. Ark. Code Ann. § 4-88-102(8). Furthermore, Defendants have engaged in "business, commerce, or trade" within the meaning of the ADTPA by advertising, marketing, offering, and selling event contracts to consumers, including consumers in Arkansas.

165. The Attorney General may bring a civil action to prevent persons from engaging

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[87] *See* FEDERAL TRADE COMMISSION, FTC Policy Statement on Deception, appended to Cliffdale Assocs., Inc., 103 F.T.C. 110, 174 (1984) at pp. 1–6.

in the use or employment of prohibited practices and hold individuals and companies liable for past violations. Ark. Code Ann. § 4-88-113(a)(1).

166. A business practice violates the ADTPA if it is likely to mislead a reasonable consumer acting normally under the circumstances and is material to the transaction. A practice is material if it is likely to affect the consumer's conduct or decision with regard to the product or service at issue. Materiality is presumed if the practice involves the health, safety, or other significant area where a reasonable consumer would be concerned.

167. Unlike private plaintiffs, the Attorney General is not required to prove harm to sustain an ADTPA claim for civil penalties. Instead, if the practice is material, harm is presumed because consumers would have chosen differently but for the deceptive practice.

168. Likewise, the Attorney General does not have to prove reliance or actual deception. A business practice violates the ADTPA if it is likely to mislead a reasonable consumer.

169. Unless the specific provision of the ADTPA claim requires scienter, the Attorney General is not required to prove intent.

170. Any person (the definition of which includes a company) who violates the provisions of the ADTPA may be assessed a civil penalty of up to $10,000 per violation. Ark. Code Ann. § 4-88-113(a)(3). Depending on the circumstances, "violation" can mean per sale, per advertisement, per letter, per product, or other similar individual basis.

171. The State can also recover additional civil penalties of up to $10,000 for every violation of the Arkansas Deceptive Trade Practices Act committed against an elder person or person with a disability.

172. Finally, the State may seek restitution, declaratory and injunctive relief, and

recover attorneys' fees and all expenses reasonably incurred in the investigation and prosecution of this action. Ark. Code Ann. §§ 4-88-113(a), (e).

ADTPA Count 1: Kalshi knowingly made false representations to consumers in violation of Ark. Code Ann. § 4-88-107(a)(1).

173. The State repeats and incorporates by reference the allegations contained in paragraphs 1–161. Ark. R. Civ. P 10(c).

174. The Arkansas Deceptive Trade Practices Act ("ADTPA") prohibits deceptive practices, including "[k]nowingly making a false representation as to the characteristics, ingredients, uses, benefits, alterations, source, sponsorship, approval, or certification of goods or services or as to whether goods are original or new or of a particular standard, quality, grade, style, or model." Ark. Code Ann. § 4-88-107(a)(1).

175. The ADTPA also broadly prohibits false or deceptive acts in business, commerce, or trade; and the act, use, or employment of any deception, fraud, or false pretense in the sale or advertisement of goods and services. Id. §§ 4-88-107(a)(10), 4-88-108(a)(1).

176. As alleged herein, Kalshi has violated the ADTPA through false representations, deceptive representations, and statements made in false pretense.

177. Through the promotion of wagering on its websites and mobile apps, Kalshi has repeatedly conveyed the false, deceptive, and misleading impression that the wagers it offers through its prediction market are lawful in Arkansas.

178. Through its advertising, including on social media and on mobile application stores, Kalshi has repeatedly conveyed the false, deceptive, and misleading impression that the wagers it offers through its prediction market are lawful in Arkansas.

179. Through statements on its website and mobile apps, Kalshi has also misrepresented that Kalshi's markets are trustworthy, transparent, safe, and protected against

insider trading and market manipulation.

180. Kalshi's misrepresentations and false statements had the capacity, tendency, and effect of deceiving and misleading consumers concerning both the legality of Kalshi's products and the nature, safety, integrity, and risks of those products.

181. The State is entitled to an injunction to prevent Kalshi's continued violation of the ADTPA. Ark. Code Ann. §§ 4-88-104, 4-88-113(a)(1).

182. Pursuant to Ark. Code Ann. § 4-88-113, the State seeks a declaratory judgment that Kalshi violated the ADTPA, an injunction enjoining Kalshi's misrepresentations, civil penalties of $10,000 per violation, costs, attorneys' fees, and all other relief available under the ADTPA in an action brought by the State in a *parens patriae* capacity. Ark. Code Ann. § 4-88-113(a)(3), (e).

ADTPA Count 2: Defendants engaged in unconscionable, false or deceptive acts or practices in business in violation of Ark. Code Ann. § 4-88-107(a)(10).

183. The State repeats and incorporates by reference every allegation contained in the preceding paragraphs as if fully set forth herein. Ark. R. Civ. P. 10(c).

184. The ADTPA prohibits unconscionable behavior in consumer transactions. Ark. Code Ann. § 4-88-107(a)(10).

185. The Arkansas Supreme Court has defined unconscionable as conduct that affronts the sense of justice, decency, or reasonableness, including conduct that violates public policy or another statute.[88]

186. A legal violation committed in the course of a consumer transaction is a *per se* violation of the ADTPA's unconscionability clause.

187. Arkansas permits gambling and sports wagering only within the casino-

[88] *Baptist Health v. Murphy*, 365 Ark. 115, 128 n.6, 226 S.W.3d 800, 811 n.6 (2006).

licensing framework and the ARC's implementing rules. Ark. Const. amend. 100, §§ 2–4; 23 CAR §§ 358-2001, 358-2002.

188. Kalshi has engaged in unconscionable practices through its unauthorized offering and facilitation of wagering in Arkansas.

189. Through its unauthorized offering and facilitation of wagering within Arkansas, Kalshi has caused substantial consumer injury in the form of monetary losses.

190. Kalshi's unconscionable practices have exposed consumers, including persons aged 18 through 20 who cannot lawfully engage in casino gaming in Arkansas, to monetary losses in disregard of Arkansas's wagering safeguards.

191. Kalshi's unauthorized offering and facilitation of wagering within Arkansas contravenes Arkansas's public policy against unlawful gambling.

192. The State is entitled to an injunction to prevent Kalshi's continued violation of the ADTPA. Ark. Code Ann. §§ 4-88-104, 4-88-113(a)(1).

193. Pursuant to Ark. Code Ann. § 4-88-113, the State seeks a declaratory judgment that Kalshi violated the ADTPA, an injunction enjoining Kalshi's unconscionable conduct as described throughout this Complaint, civil penalties of $10,000 per violation, costs, attorneys' fees, and all other relief available under the ADTPA in an action brought by the State in a *parens patriae* capacity. Ark. Code Ann. § 4-88-113(a)(3), (e).

ADTPA Count 3: Defendants utilized deception, fraud, or false pretenses during interactions with consumers in violation of Ark. Code Ann. § 4-88-108(a)(1).

194. The State repeats and incorporates by reference every allegation contained in the preceding paragraphs as if fully set forth herein. Ark. R. Civ. P. 10(c).

195. Ark. Code Ann. 4-88-108(a)(1) prohibits the use of any deception, fraud, or false pretense during the sale or advertisement of any goods or services.

196. The ADTPA also prohibits, in connection with the sale or advertisement of goods or services, the concealment, suppression, or omission of any material fact with the intent that others rely on the concealment, suppression, or omission. Ark. Code Ann. § 4-88-108(a)(2).

197. Kalshi deceptively omitted and concealed the material fact that wagers offered on its website are illegal in Arkansas with the intent that persons in Arkansas would rely on the omission and concealment of that fact.

198. Kalshi deceptively omitted and concealed the risks associated with insider trading, manipulation, trading based on advance knowledge of contract outcomes, and the extent to which consumers may be trading against sophisticated participants possessing significant informational, technological, financial, or other advantages. These material omissions were intended to induce Arkansas consumers to use Kalshi's wagering platform and pay transaction fees.

199. Kalshi's omissions had the capacity, tendency, and effect of deceiving and misleading consumers concerning both the legality of Kalshi's platform and the nature, safety, integrity, and risks of wagering on its platform.

200. The State is entitled to an injunction to prevent Kalshi's continued violation of the ADTPA. Ark. Code Ann. §§ 4-88-104, 4-88-113(a)(1).

201. The State seeks a declaratory judgment that Kalshi violated the ADTPA, an injunction enjoining Kalshi's omissions, concealments, and suppressions described throughout this Complaint, civil penalties of $10,000 per violation, costs, attorneys' fees, and all other relief available under the ADTPA in an action brought by the State in a *parens patriae* capacity. Ark. Code Ann. § 4-88-113(a)(3), (e).

B. Common Law Claims: Unjust Enrichment

202. The State repeats and incorporates by reference the allegations contained in paragraphs 1–161. Ark. R. Civ. P. 10(c).

203. Under Arkansas law, unjust enrichment occurs when a party has received something of value, to which it is not entitled, by some operative act, intent, or situation to make the enrichment unjust and compensable.

204. Unjust enrichment can be found when a party has received money or its equivalent under circumstances in which, in equity and good conscience, it ought not to retain that money or its equivalent.

205. Kalshi has received and retained transaction fees and other revenues from Arkansas consumers through the unlawful wagering practices alleged in this Complaint.

206. Kalshi is not authorized to offer wagering in Arkansas and should not be able to retain benefits reaped from operating an unauthorized wagering platform.

207. Kalshi has additionally obtained transaction fees and other revenues by misleading Arkansas consumers about the legality of its offered wagering and inadequately disclosing the material risks described above.

208. Kalshi knowingly accepted and retained those benefits at the expense of persons in Arkansas.

209. It would be unjust and inequitable for Kalshi to retain those benefits because Kalshi would not have received those benefits absent its violations of Arkansas law.

210. Equity cannot in good conscience permit Kalshi to retain the benefits derived from people in Arkansas through its unjust and unlawful acts, and therefore restitution or disgorgement of the amount of its unjust enrichment is required.

211. There is no valid, legal, and binding contract governing this dispute.

VI. JURY DEMAND

212. The State demands a trial by jury on questions so triable.

VII. REQUEST FOR RELIEF

213. The State respectfully requests that the Court enter judgment in its favor and grant the following relief:

a. Declare that Kalshi violated the ADTPA, Ark. Code Ann. § 4-88-101, et seq.;

b. Enjoin Kalshi and any agents, successors, assigns, and employees acting directly or through any corporate or business device from engaging in acts and practices alleged in this Complaint and any other acts and practices that violate the ADTPA;

c. Direct Kalshi to restore to any purchaser who has suffered any ascertainable loss by reason of the use or employment of the prohibited practices any monies which may have been acquired from the deceptive or unconscionable practices pursuant to Ark. Code Ann. § 4-88-113(a)(2)(A);

d. Award restitution pursuant to Ark. Code Ann. § 4-88-104, and restitution in the sum by which Kalshi has been unjustly enriched;

e. Award the State actual and compensatory damages;

f. Award the State the maximum civil penalties in accordance with Ark. Code Ann. § 4-88-113(a)(3) and § 4-88-202, where appropriate;

g. Order Kalshi to pay unpaid taxes for all applicable years owed to the State of Arkansas;

h. Award reasonable attorneys' fees and costs;

i. Award pre-judgment and post-judgment interest;

j. Grant such other and further relief as this Court deems just and proper.

DATED: November 4, 2026

Respectfully submitted,

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