

COMMONWEALTH OF MASSACHUSETTS

SUFFOLK, ss.

**SUPERIOR COURT
BUSINESS LITIGATION SESSION**

COMMONWEALTH OF
MASSACHUSETTS,

Plaintiff,

v.

KALSHIEX LLC,

Defendant.

CIVIL ACTION NO. 2584CV02525-BLS1

DECLARATION OF XAVIER SOTTILE

1. I am the Head of Markets at KalshiEX LLC. In that role, I am responsible for the generation of new markets. I received an undergraduate degree in economics from Yale University in 2020. Before joining Kalshi, I worked at the U.S. House of Representatives, Bridgewater Associates, and the Yale Program on Financial Stability.

2. My duties include devising proposed new contracts and shepherding those proposals from inception to completion. I also facilitate the process by which our markets undergo the regulatory review cycle under the purview of the Commodity Futures Trading Commission (“CFTC”). This involves everything from personally notifying the CFTC of contracts that Kalshi has self-certified under Section 5c(c) of the Commodity Exchange Act (the “CEA”) and Section 40.2(a) of the CFTC regulations to maintaining records pursuant to their requirements, certifying that Kalshi’s contracts comply with the Act, and communicating with Commission staff over the substance of contract filings.

3. The facts set forth herein are within my personal knowledge, and if called as a witness, I could and would competently testify to them.

4. I offer this Declaration to provide additional information about Kalshi's business and to describe the extraordinary harm that Kalshi and its users will incur if the Court grants the preliminary injunction sought by the Commonwealth of Massachusetts in this case. The Commonwealth submitted a proposed order which seeks to immediately enjoin Kalshi from offering sports-related event contracts in Massachusetts. ECF No. 4. If the injunction is granted, Kalshi itself, its representatives, and its users will be exposed to a host of harms that could not be repaired even if Kalshi ultimately succeeds in this case. This Declaration reflects my preliminary analysis of Kalshi's harms. Other unanticipated harms are possible, and even likely, given the scope of the Commonwealth's proposed order and the uncharted territory into which it would lead.

I. Kalshi's Business

5. Kalshi operates as a derivatives exchange and prediction market where users can buy and sell financial products known as event contracts.

6. In 2020, the CFTC designated Kalshi as a contract market. Since then, Kalshi has been fully regulated as a financial exchange under federal law, alongside entities like the Chicago Mercantile Exchange and the Intercontinental Exchange.

7. Kalshi specializes in event contracts, offering a secure and federally approved exchange where individual, retail, and institutional participants can hedge their risks on event-based outcomes.

8. Kalshi offers many kinds of event contracts related to an array of substantive areas like climate, technology, health, crypto, popular culture, and economics. For example, Kalshi's platform currently allows users to trade on whether India will meet its 2030 climate goals, or whether the market share for electric vehicles will be above 50% in 2030. Kalshi offers contracts

on the outcomes of Supreme Court decisions, congressional votes, weather events, technological benchmarks, markers of cultural influence, and Federal Reserve interest rate decisions.

II. Kalshi's Sports-Event Contracts

9. On January 22, 2025, Kalshi self-certified, pursuant to section 7a-2(c)(1) of the CEA, the first of a number of sports contracts that are now available on its exchange. Those certifications contain extensive information, including in confidential appendices not available to the public, for the CFTC's review.

10. Kalshi's sports-related contracts allow users to place positions on, for example, which teams will advance in certain rounds of the NCAA College Basketball Championship or who will win the U.S. Open Golf Championship.

11. While the CFTC could subject these contracts to a 90-day review under 17 C.F.R. § 40.11(c) to determine whether they fall in certain enumerated categories and are "contrary to the public interest," the CFTC has not initiated such a review of any of Kalshi's sports-event contracts.

12. On January 31, 2025, the CFTC requested, pursuant to 17 C.F.R. § 38.5(b), that Kalshi submit a demonstration of compliance for two sports-event contracts with the CEA, and Kalshi responded with a memo that detailed the listings' compliance with all applicable rules and regulations.

13. Kalshi also provided the CFTC with a memorandum from its outside counsel addressing, among other things, the CFTC's authority to regulate trading of sports-event contracts on DCMs.

14. The CFTC took no further action with respect to Kalshi's self-certifications of sports-event contracts.

III. The Commonwealth's Proposed Order

15. The Commonwealth's proposed order setting out the terms of its requested injunction contains terms which would force Kalshi to cease operations in the Commonwealth and expose Kalshi and its users to irreparable harm.

16. The proposed order prohibits Kalshi from "engaging in any activity in connection with sports wagering," which includes: (1) "offering, listing, matching, executing, clearing, settling, or otherwise facilitating any" sports wagering to anyone in Massachusetts or accessible in Massachusetts; (2) "accepting deposits, stakes, considerations, or fees" from anyone located in Massachusetts; (3) "advertising, promoting, marketing, or soliciting participation in any sports wagering contract" to anyone in Massachusetts or using a Massachusetts address; (4) "permitting account creation, verification, funding or maintenance" for anyone in Massachusetts or using a Massachusetts address "for the purpose of accessing, viewing, trading, or settling sports-wagering contracts"; and (5) "designing, launching, or operating products that are functionally similar to sportsbook wagers" for anyone in Massachusetts. I understand this to be requiring Kalshi to cease making sports-related event contracts accessible in Massachusetts. With respect to trades that are currently open (*i.e.*, where the underlying event has yet to occur), it is not clear whether this would require Kalshi to pause current trades pending the outcome of the event, or to simply liquidate user positions.

17. If the Court grants the Commonwealth's injunction and Kalshi is forced to cease operations in the Commonwealth, the company and its users, including those outside of Massachusetts, would be irreparably harmed.

18. Since Kalshi's designation as a CFTC-regulated contract market in 2020, the company has offered event contracts nationwide. As Head of Markets, I have assiduously complied with

federal regulations with regard to all our contracts, including the sports-related contracts that Massachusetts authorities have highlighted in their filings. *See* ECF Nos. 1, 5. We have done our best to run the company according to our understanding of the federal regulatory framework under which we have been governed for five years.

19. Since the Commonwealth has initiated this action and moved for injunctive relief, Kalshi's operations—which are lawful under federal law—expose the company and representatives to criminal and civil liability. It is terrifying and stressful to attempt to operate the company while this requested injunction and the risk of further criminal and civil jeopardy looms. This fear becomes all the more distressing given that Kalshi's compliance with the Commonwealth's proposed injunction would bring about a whole host of other harms to Kalshi and its users as I describe below.

IV. Harms Resulting from Attempted Compliance

20. Granting the proposed injunction would introduce barriers and challenges that would subject Kalshi and its users to irreparable harm. Technical compliance with the proposed injunction in short order would be exceedingly difficult. But even if Kalshi could implement a technical solution to comply with the proposed injunction, halting access to event contracts in Massachusetts would cause severe harm to Kalshi's existing user base. Compliance would also risk Kalshi's status as a designated contract market under the CFTC, throwing away years of efforts to earn and maintain its federal designation. All of these harms would be avoided by this Court's denial of the Commonwealth's motion.

21. Kalshi's harms from the Commonwealth's proposed injunction can be categorized as follows: (a) harms imposed by technical barriers to compliance, (b) harms to Kalshi's users from abruptly ceasing operations in Massachusetts, (c) the risk that complying with Massachusetts

law would jeopardize Kalshi's CFTC designation, and (d) economic and reputational harm to Kalshi from ceasing event-based contracts in Massachusetts. I describe each of these categories in more detail below.

a. Harms Resulting from Technical Barriers to Compliance

22. The requested relief requires Kalshi to undertake technological changes that would be either difficult or impossible for Kalshi to implement immediately. Attempting to undertake these extraordinary technological changes would impose substantial and irreparable costs that could not be recouped even if Kalshi ultimately prevails in this case.

23. The Commonwealth's proposed injunction requires Kalshi to cease all of its event contracts in Massachusetts. If Kalshi were forced to comply with the proposed injunction, it would be required to, first, undertake efforts to geolocate which of its users are in Massachusetts, and, second, cease all event contracts for those users. I have engaged in internal discussions with our leadership and technical team to determine the feasibility of compliance at both of these steps. Compliance would be difficult to implement even under a relaxed timeline and could not be done immediately.

i. Step One – Identifying Massachusetts Users

24. Because Kalshi is subject to uniform federal regulation rather than state-by-state laws, it currently lacks a mechanism to identify which of its users are located in any particular state at any particular time. Implementing such a mechanism would be incredibly costly and could not be done immediately.

25. Traditional web-based sports pools identify their users' whereabouts through a process called geolocation (or geo-positioning). Geolocation identifies and tracks an internet-connected device's location to provide real-time data as to the geographic position of the device. This

technology is more sophisticated than merely identifying the device's IP address. Instead, geolocation uses a combination of location-identifiers like GPS coordinates, cell phone towers, WiFi access points, network connections, and Bluetooth beacons to triangulate location. While IP addresses can provide city-level location accuracy, geolocation is sensitive enough to track the exact moment that a device crosses state lines.

26. It is my understanding that geolocation is a multi-step and technically complex process even for stationary devices, and that the process is even more challenging when tracking the real-time movement of devices.

27. The reason traditional sports pools deploy geolocation is to ensure that the bets and wagers that individuals place in their pools conform to state laws governing gaming and gambling. The precision of geolocation allows sports pools to make refined geographic determinations at the transaction level rather than the user level. Through geolocation, a company can allow and disallow certain transactions that take place in restricted areas rather than bluntly denying gamblers access to their platforms based on their residence irrespective of where they are located at the time of wager.

28. Kalshi is not a sports pool. As a CFTC-regulated contract market, Kalshi has never developed or implemented geolocation on its platform because it is subject to the CFTC's exclusive jurisdiction and is not subject to individual state laws governing gambling. Like the Chicago Mercantile Exchange and the Intercontinental Exchange, Kalshi does not distinguish between users or trades on the basis of geographic location. Instead, Kalshi is subject exclusively to federal law, which does not apply different standards to users of different states.

29. Kalshi keeps Know Your Customer ("KYC") data on the traders that place positions on its platform. Kalshi knows the permanent residence and IP address of its users but does not

geolocate its users and therefore does not know where a user's device is located at any point in time. Kalshi maintains a database of its traders' KYC data, which is available for CFTC inspection upon request.

30. Kalshi has no evident way to comply immediately with the Commonwealth's proposed injunction. If Kalshi sought to use its existing KYC data to identify Massachusetts-based users on its platform, this broad-brush approach would risk being deemed both under- and over-inclusive. KYC data would capture all users who claim their permanent residence as Massachusetts even if they place positions when they are located outside of Massachusetts. Conversely, the KYC data could fail to capture users whose permanent residence is outside of Massachusetts but who travel to the state and place a position while there.

31. If, alternatively, Kalshi sought to implement geolocation services across its platform, this process would be incredibly costly and time-consuming. Kalshi lacks the capacity to implement this service in-house and would therefore need to contract with a cloud- or server-based geolocation platform. I estimate that a partnership with a geolocation service provider would cost Kalshi up to tens of millions of dollars annually. Thus, if the Commonwealth's motion is granted, Kalshi would be forced to expend enormous financial resources on geolocating services, even if the court ultimately concludes that Massachusetts law does not apply to Kalshi. Based on my prior negotiations with other key partners, moreover, I estimate that negotiating a complex contract with a geolocation service provider alone could take months. Implementing and integrating the geolocation services into our existing platform would take longer still. Thus, complying with the proposed injunction could not feasibly be done quickly and, even if it could, would subject Kalshi to massive irrevocable costs.

ii. Step Two - Geographical Cessation

32. Only after identifying Kalshi users who are physically present in Massachusetts could Kalshi cease offering its event contracts to users in Massachusetts. It would be required to do so through a technical process called “geofencing.” This process would involve creating a virtual geographic boundary, or geofence, around the state of Massachusetts. Again, this process would be technically challenging, time-consuming, and expensive.

33. While geofencing might block *newcomers* from trading on the platform from Massachusetts, geographical cessation presents a host of additional difficulties for *existing* Kalshi users. As of today, there are 45,730 accounts on Kalshi that have registered with a Massachusetts address; 36,524 of those accounts have passed KYC protocols and become full-fledged Kalshi members. While the precise numbers are not public, these accounts are parties to more than 25 million contracts on the Kalshi platform, meaning Massachusetts users have tens of millions of dollars’ worth of open positions on Kalshi markets that have not yet been settled.

34. The Commonwealth’s proposed injunction could be understood to require Kalshi to cease its contracts even with respect to these existing positions. But doing so would present intractable technical difficulties.

35. Because the Commonwealth’s proposed injunction would require Kalshi to unilaterally liquidate all trades that originated in Massachusetts, compliance would either be impossible or irreparably harmful. To explain why, it is helpful to distinguish Kalshi’s exchange from a sports pool or casino. A casino or sports pool operates by taking bets from gamblers on games where the house has a statistical advantage. In other words, gamblers bet against the “house,” and when the house loses, it must pay the gambler on demand. Casinos and sports pools therefore maintain a high level of liquidity so that they can pay out those bets.

36. But Kalshi does not operate a casino or sports pool. Instead, it manages a federally regulated contract market. In contrast to a casino, an exchange facilitates trades between different users on the platform. Traders do not bet against the house, but rather enter into contracts with other traders on an exchange. To ensure compliance with the CFTC regulations, Kalshi operates a CFTC-approved derivatives clearinghouse that holds traders' funds during the pendency of an open contract. But Kalshi does not have access to immediate liquidity like a sports pool or casino that it could use to refund the cost basis of a trader's investment. Attempting to facilitate those exits using Kalshi's own funds would be exceptionally expensive and require technical capabilities that Kalshi does not now have.

37. As a designated contract market, Kalshi has the authority to cancel trades when necessary to mitigate market-disrupting events caused by malfunctions on its platform or errors in orders submitted by traders. However, due to the fully collateralized and short-term nature of trading on Kalshi, the circumstances in which this authority may be exercised are limited, and there is generally no cancellation or adjustment of an erroneous trade except in extraordinary circumstances.

38. A closing of open positions at this magnitude could cause Kalshi to suffer staggering financial harm, not to mention the financial harm to its users, because Kalshi may be unable to compensate all of its Massachusetts traders for the cancelled trades. Pursuant to the CEA, Kalshi operates through federally regulated clearinghouses that collateralize open positions. 7 U.S.C. § 7a-1. But Kalshi is fully collateralized with the understanding that every event contract between two users will pay out \$1 in total, and there are situations in which users' buying and selling of contracts causes the value of a given contract to exceed \$1.

39. The following example is illustrative. USER A buys a contract from USER B. USER A pays 90 cents, and USER B pays 10 cents. Then the contract changes in value. USER B sells his side to USER C, and USER C pays 90 cents for it. USER B cashes out his 80-cent profit. There is currently \$1 in collateral in the clearinghouse (which will satisfy the ultimate \$1 obligation to USER A or USER C at the conclusion of the contract period), but closing the open positions to their original value would mean that Kalshi owes USER A and USER C 90 cents each, or \$1.80 total.

40. If Kalshi were required to close all open positions held by Massachusetts residents on sports events, as an exchange, it would need to declare a market emergency and restore all the involved users to their original position. But there is a significant risk that Kalshi will be unable to restore all Massachusetts residents who have entered into sports-event contracts to their original position. Because Kalshi is fully collateralized up to \$1 per contract, and any given contract may exceed \$1 in value as the market's prediction on an event fluctuates before the event occurs (as illustrated in the preceding paragraph), Kalshi would be financially liable for any excess value above \$1. However, Kalshi may lack sufficient funds to cover that difference in value, which could be substantial. As such, Kalshi would be forced to take on a significant (and unrecoverable) financial liability, and the forced exit of the positions (some of which would be more valuable at present than the opening price they would be cashed out at, causing a loss to traders) would severely damage Kalshi's reputation among users as a trustworthy and secure exchange, and could also lead to significant litigation claims.

41. Kalshi, moreover, would want to give its users reasonable notice to allow them to exit their positions voluntarily if they so choose. But the immediate threat of criminal and civil

liability from Massachusetts state authorities and the Court raises serious questions about whether Kalshi could even engage in that basic diligence.

b. Irreparable Harms to Kalshi's Users

42. The Commonwealth's proposed injunction would essentially require Kalshi to cease operations in Massachusetts. But ceasing operations in Massachusetts would impose irreparable harm on Kalshi's existing user base. Ceasing operations could be understood to require either pausing current trades pending the outcome of the event that is the subject of the contract, or else liquidating user positions. Either option would impose severe harms on users.

i. Pausing Positions

43. Pausing current positions on Kalshi pending the outcome of the event at issue would deny traders access to their property and threaten their economic expectations.

44. Pausing positions pending the outcome of the event would deny Massachusetts users access to their property. Users' capital would be locked on the Kalshi platform and users with significant investments on the platform would be unable to retrieve it. If the event at issue is months or years in the future, users' assets would be locked up for the duration. Given current market conditions and uncertainty, this lack of access to funds could result in substantial losses.

45. Pausing positions would also cause a massive disruption to users' investment-backed expectations. Financial traders on Kalshi, like investors in other markets, expect to be able to alter their investments as facts on the ground change. Due to the unique market sensitivity of event contracts and the ease with which exchanges allow traders to place positions, traders capitalize on the opportunity to enter and exit their positions during the pendency of the contract. Traders also deploy well-recognized strategies like stop-loss orders and portfolio-wide loss mitigation strategies. Investors may invest in a contract expecting to sell if the contract price

falls below a certain value or expecting to reinvest more if the investment proves especially sound. And while some contracts operate on short timelines, many of the contracts that Kalshi offers are long-term. For example, one of Kalshi's event contracts allows traders to place positions on whether the electric vehicle market share will rise above 30% by 2030. Traders who have placed a position on this contract may be mitigating their risk on other investments by placing a position that effectively balances out the investment portfolio. As the market for electric vehicles changes, so does the price of the event contract. A trader may make an investment at 45 cents on the electric vehicle contract and institute a stop-loss order to sell the contract when the price dips below 30 cents because 30 cents is the breakeven point on the investment.

46. Traders are constantly engaged in the practice of ascertaining risk. As facts on the ground change, so do traders' strategies. Indeed, traders often do not place a position on a contract with the intent of seeing that contract through to its expiration date and risking the full amount of the entry price. Instead, they monitor market fluctuations during the lifetime of the event contract to determine when to cash out. In other words, traders do not necessarily value event contracts based on the ultimate value of the contract at its expiration date. They also value the flexibility that event contracts provide as a financial tool to mitigate risk in real-time.

47. Hitting pause on all Massachusetts-based trades would completely upend this investment strategy and destroy traders' expectations. If Kalshi were to pause all trades in Massachusetts, traders would no longer be able to take action on their existing contracts in accordance with their investment models. The flexible investment opportunity on which Kalshi users relied when entering into these contracts would be lost. A Kalshi user that entered into a contract on whether the federal government will shut down on January 31, 2026, for example,

would not be able to exit that contract even if facts on the ground change dramatically in the meantime.¹ Traders would be forced either to leave the state to change positions or suffer whatever losses they may endure as a result of being locked out.

48. Pausing all Massachusetts-based trades also would not solely affect Massachusetts-based users and transactions; it would wreak havoc on the entire Kalshi exchange ecosystem. Again, exchanges do not operate like casinos where gamblers bet against the house. Instead, exchanges facilitate contracts between individual traders on the market. Traders on either side of a contract are often from different states, given that Kalshi does not distinguish between the geographic location of traders. If traders in Massachusetts are locked out of their positions, then their trading counterparts in other states will likewise be limited in whether and how often they can enter and exit their positions on the Kalshi exchange. Traders in California, for example, may expect to rely on traders in Massachusetts on contracts related to water availability in the American Southwest. But if the Massachusetts-based traders and transactions are all of a sudden restricted on the platform, that will have an equal and opposite effect on the market for traders in other states. Pausing transactions in Massachusetts would thus disrupt users' positions on the exchange nationwide, which they placed in reliance on their ability to flexibly enter and exit. This could wreak havoc on the approximately \$650 million in open interest currently on the exchange from open transactions.

ii. Liquidating Positions

49. Liquidating Massachusetts-based positions on Kalshi would similarly subject users to irreparable harm. This would require Kalshi to refund either the current value of users' existing

¹ This is a politics-based event contract that is currently offered through the Kalshi exchange. KalshiEX, *Will government shut down on January 31, 2026?*, <https://kalshi.com/markets/kxgovshut/government-shutdown/kxgovshut-26jan31>.

positions or the original cost of their existing positions on their respective open contracts. Unilaterally settling traders' positions based on current market conditions or the original cost of the positions could lead to significant losses for users. A trader, for example, may have entered a long-term event contract at 80 cents, but market conditions may have caused his position to decline in value to 30 cents. Rather than allowing the trader to ride out the market dip, immediate liquidation at the market rate would force the trader to take a 50-cent loss on the contract through no fault of his own. Likewise, a trader who bought a contract during a market dip and is forced to exit at the original contract price would not be able to realize any gains that he earned over his holding period for the contract. And in either event, refunding users based either on the cost of their positions or the position's current value would be prohibitively expensive for Kalshi to execute.

50. By the same token, immediately liquidating Massachusetts-based users' positions would disrupt the market for out-of-state users by causing a false signal in the market. Event contract markets respond to market fluctuations. The immediate exit of a large portion of investors on a particular contract would have a distorting effect on the value of the contract, impairing other investors' ability to predict market changes and act accordingly. If, for example, Massachusetts traders make up a plurality of the trades on a particular contract, the immediate liquidation of all Massachusetts positions would indicate to the market that the contract's value has changed, causing a price change in response. Remaining traders would suffer from the market distortion, resulting in substantial financial losses even for Kalshi's non-Massachusetts users. Alternatively, Kalshi could liquidate the entire market for both Massachusetts and non-Massachusetts users by settling prices at either the current market price or the original contract

price, but this would, again, be prohibitively expensive and likely occasion the end of our federally-regulated company.

c. Harms to Kalshi Resulting from the Risk of CFTC Decertification

51. Compliance with Massachusetts' proposed injunction would jeopardize Kalshi's status as a CFTC-designated contract market. It is difficult to overstate how harmful this would be to Kalshi.

52. As the Head of Markets at Kalshi, I oversee the entire regulatory review process for Kalshi's contract markets. In that role, I am responsible for ensuring that each of Kalshi's contracts complies with the nearly two dozen CFTC Core Principles that govern event contracts traded on CFTC-regulated exchanges. Complying with Massachusetts state law and/or the proposed injunction could be understood to put Kalshi out of compliance with these Core Principles, imperiling Kalshi's designation as a contract market under the CFTC's purview.

53. CFTC Core Principle 4 charges designated contract markets with the "responsibility to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlement process." 17 C.F.R. § 38.250. Immediately liquidating or pausing traders' positions could be understood to lead to the very sort of price distortion and market manipulation that the CFTC regulations guard against. Pausing trades could cause "disruption[] of the delivery or cash-settlement process" and immediate liquidation could cause "price distortion."

54. CFTC Core Principle 2 requires that designated contract markets provide their "members, persons with trading privileges, and independent software vendors with impartial access to its markets and services." 17 C.F.R. § 38.151(b). Pursuant to this regulation, "[a]ccess criteria" must be "impartial, transparent, and applied in a non-discriminatory manner." *Id.* Discrimination based on geographic location would conflict with this requirement, but that is

exactly what Kalshi would have to do if the Court grants the Commonwealth's motion. Traders who execute positions in Massachusetts would be barred from accessing Kalshi's exchange and placing positions on Kalshi's contracts, whereas traders in any other state would have unlimited access to the platform.

55. Violation of these Core Principles could subject Kalshi to the panoply of enforcement mechanisms that the CFTC has at its disposal. Those tools range from civil monetary penalties to restitution to criminal liability.

56. Violating these principles could even jeopardize Kalshi's federal-contract-market status with the CFTC. The CFTC is authorized to suspend or revoke Kalshi's designation if Kalshi fails to comply with federal regulations. Kalshi has spent the better part of the last decade working to gain federal registration as a contract market under the CFTC and has scrupulously endeavored to comply with CFTC regulations to maintain that registration. Losing our federal license would be catastrophic for the company, even if Kalshi were to ultimately succeed in this suit against the state authorities in the long-term.

57. CFTC enforcement is not a mere theoretical risk. Several years ago, a CFTC-regulated exchange was charged with offering contracts on a discriminatory basis because it only allowed sportsbooks to trade on its platform. Discriminating on the basis of state residence could likewise subject Kalshi to federal repercussions. It is inconceivable, for example, to imagine a CFTC-designated contract market like the Chicago Mercantile Exchange abruptly closing its exchange to users in a particular state without serious federal repercussions. Yet that is what compliance with the proposed injunction would require Kalshi to do.

d. Economic and Reputational Harms to Kalshi

58. Granting the proposed injunction would also cause economic and reputational harm to Kalshi. Losses on both fronts would be irreparable even if Kalshi ultimately wins this case.

59. Kalshi has more than 36,000 verified users in Massachusetts with more than \$18 million invested on the exchange. The market uncertainty created by abruptly closing its contracts in Massachusetts could lead many users to leave the platform—even users outside of Massachusetts. Traders must have confidence in the integrity of the market to invest in it, but market confidence would be deeply shaken if the Court were to grant the proposed injunction and it could prompt other states to follow suit. Even if Kalshi were to prevail in this lawsuit, regaining that market confidence would be difficult. Kalshi has expended enormous resources to advertise its platform, onboard traders, and maintain their business. Losing those traders would mean that many of those efforts were for naught. Thus, compliance would impose significant and irrevocable economic harm on the company.

60. The proposed injunction also endangers Kalshi's established partnerships and relationships. One of Kalshi's banner partners, Robinhood, has already chosen not to list Kalshi's event contracts in Maryland because of a cease-and-desist letter, and would presumably follow the same course elsewhere if other state enforcement efforts are not enjoined or unsuccessful. This is a significant disruption for Kalshi given that Robinhood had agreed to list Kalshi's contracts to its millions of active users, but chose to deviate from that plan in direct response to a cease-and-desist letter similar to the proposed injunction the Commonwealth requests here. Other partners that help us comply with CFTC regulations by facilitating our digital investment platform and helping detect improper trading behavior may also seek to limit their exposure given the uncertainty of the application of state law to Kalshi.

61. The effects of the Commonwealth's proposed injunction would not be limited to the state but instead threaten to open a Pandora's box of regulation for the 49 other states that may wish to impose their local laws on Kalshi's exchange. In the absence of a temporary restraining order and preliminary injunction, partners and users alike will be hesitant to engage with Kalshi given this potential for state litigation.

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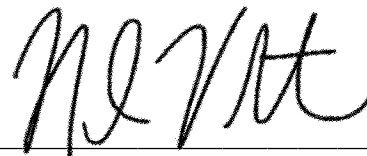
62. The Commonwealth's proposed order, if entered, would impose irreparable harms that Kalshi cannot avoid. Compliance would cause Kalshi to incur massive unrecoverable costs, and its users would be harmed, its federal registration would be imperiled, and user confidence in the integrity of its market would be shaken. All of these harms are compounded by the real risk that other states will be emboldened to follow the Commonwealth's lead and Kalshi will have the possibility of being subjected to multiple, inconsistent regulatory schemes. And there are serious questions about whether Kalshi could implement the technical solutions on an expedited timeline as would be required by the injunction. Kalshi has spent years cultivating its reputation and developing its user base. Compliance with the injunction would lead to economic and reputational harm that will be difficult to regain.

63. I certify under penalty of perjury that the foregoing is true and correct.

At New York, New York, this 18th day of November, 2025.

/s/ Xavier Sottile

Xavier Sottile, signed with approval

A handwritten signature in black ink, appearing to read "NDV" followed by a stylized flourish.

Nicole D. Valente
(pro hac vice)