

**IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

ALEXANDER HALLMAN, JEREMY  
KRAVETZ, DANIEL GREENBERG,  
NATHANIEL BEE, AND ABHIJN GUTTA,  
individually and on behalf of others similarly  
situated,

Plaintiffs,

v.

KALSHIEX LLC, KALSHI, INC., KALSHI  
KLEAR INC., KALSHI KLEAR LLC, and  
KALSHI TRADING LLC,

Defendant.

Civil Action No.: 1:26-cv-00317

**CLASS ACTION COMPLAINT**

**JURY TRIAL DEMANDED**

Plaintiffs Alexander Hallman, Jeremy Kravetz, Daniel Greenberg, Nathaniel Bee, and Abhijn Gutta bring this action on behalf of themselves, and all others similarly situated, against defendants KalshiEx LLC, Kalshi Inc., Kalshi Klear LLC, Kalshi Klear Inc., and Kalshi Trading LLC (collectively, “Kalshi” or “Defendant”) to recover billions in wagers from Defendant’s unlawful operation of an illegal, unlicensed sports betting platform and related deceptive and misleading business practices. Plaintiffs allege facts regarding themselves based on personal knowledge, and all other facts based on information and belief, following an investigation by counsel.

### **NATURE OF THE ACTION**

1. Defendant Kalshi operates an illegal and unlicensed sportsbook under the guise of a “prediction market” by offering illegal sports “events contracts.” Plaintiffs seek to recover, on behalf of themselves and a Class of similarly situated individuals, their lost wagers, as well as costs and attorneys’ fees.

2. For decades, states have used their sovereign police powers to strictly regulate sports wagering as a matter of public health, safety, and welfare. Following the Supreme Court’s decision in *Murphy v. NCAA*, 584 U.S. 453 (2018), which struck down a federal law related to sports gambling because it “was a limitation on state legislatures,” certain states passed new laws prohibiting sportsbooks from operating within their borders. According to these states, the existence of either legal or illegal sportsbooks would be detrimental to public health and welfare.

3. Meanwhile, in the wake of the Court’s *Murphy* decision, other states moved to legalize and regulate sports betting. While revenue generation is a key driver of this movement, these states also recognize the potential for expansive social harms associated with legal sports betting. To address these concerns, these states universally implemented certain requirements to

ensure operators act transparently and protect consumers from known predatory and exploitative industry. By way of example, typical guardrails in states that have legalized sports betting include:

- **Responsible Gaming Protections:** Mandatory self-exclusion lists, deposit limits, and resources for those suffering from gambling addiction.
- **Integrity and Fairness:** Oversight to prevent match-fixing, insider betting, and unfair “house” advantages.
- **Financial Security:** Requirements that player funds be held in segregated accounts and that operators possess the liquidity to pay out winnings.
- **Advertising Restrictions:** Strict rules to prevent predatory marketing targeted at minors or vulnerable individuals.

4. Since 2021, Defendant Kalshi has operated a website and mobile app prediction market platform that offers users the opportunity to speculate on peer-to-peer “event contracts” in the form of “yes-or-no” questions. Originally, these contracts focused on a specific event like whether the U.S. would fall into a recession this year (or other such economic indicators), the occurrence (or non-occurrence) of events in music and film, as well as presidential approval ratings and the passing of significant laws in Congress and Supreme Court rulings.

5. Beginning in January 2025, in its quest for profits from gambling addicts, Kalshi ignored all state sports gambling restrictions and extended its platform offerings to include single-game sports outcomes and proposition bets disguised as “event contracts.” At the same time, it marketed itself as the “First Nationwide Legal Sports Betting Platform” operating in all 50 states. Kalshi claims that these sports bets are not wagers but rather Designated Contract Markets (“DCMs”) purportedly regulated by the Commodity Futures Trading Commission (“CFTC”), and therefore lawful nationwide. This is false. In substance and operation, Kalshi is—and continues to be—an illegal, unlicensed (or “shadow”) sportsbook masquerading as a “prediction market.” By

invoking federal commodities regulation as a pretext, Kalshi unlawfully offers sports wagers in states where sports betting is prohibited and avoids state licensure, taxation, and consumer-protection requirements in states where sports betting is legal.

6. Kalshi's claim that its sportsbook is not sports betting but rather a prediction market is belied by: (1) its own public statements—prior to 2025, Kalshi acknowledged that sports futures contracts were illegal under CFTC and state laws; (2) its consumer-facing advertisements and marketing materials, which use distinct sports gambling phrases—like “moneyline” bets, “prop” bets, “over/under” bets, “odds” bets, and “parlays”—to refer to its platform offerings; and (3) its user-interface, which is functionally indistinguishable from the interface provided on regulated, established sportsbooks like DraftKings, FanDuel, and Caesars. Kalshi's shadow sportsbook and its deceptive and misleading marketing statements and interfaces, therefore, intend to, and do in fact, mislead its users into believing the sports betting is legal, safe, and regulated.

7. Kalshi further deceives sports betting users on its platform by claiming that Kalshi is a neutral, peer-to-peer exchange where trades only occur between independent participants. But this is not true. In its sportsbook, Kalshi plays the role of “the house” by utilizing its own affiliate (Kalshi Trading LLC) as well as other interested affiliates, as market makers. Specifically, Kalshi (or one of its affiliates) buys the other side of the sports bet, and if the bettor loses, then Kalshi, not some other user, collects the proceeds, just like a traditional sportsbook. By capturing the “bid-ask spread” and leveraging structural advantages in data and execution, Kalshi is not a neutral middleman, as it deceptively represents to its users, but rather, it is a conflicted participant that gains financially when its users' lose their bets.

8. Finally, Kalshi deceives sports betting users on its platform by ignoring well-established consumer protection provisions to encourage sports gambling on its platform. For example, Kalshi's platform encourages higher-risk groups (including, youth), to trade, rewards

impulsive engagement, exploits anticipation, and diminishes user perception of financial risk, presenting the platform as if a user is not participating in a highly addictive, and (in the case of Kalshi) illegal, behavior.

9. Since Kalshi expanded into sports betting, the product has grown rapidly, outpacing all of its other offerings. For January to September of 2025, approximately 77 percent of Kalshi's trading volume was sports betting, generating an estimated \$4.8 billion in trades. In recent months these numbers have compounded. In the last four months of 2025, sports bets accounted for an estimated 90% of trading volume, bringing in billions more in sports betting trades.

10. Kalshi's conduct, as described throughout this Complaint, violates state gambling and consumer protection laws. Kalshi's unlawful deception, misrepresentations, and related illegal activity enable it to unjustly enrich itself to the detriment of Plaintiffs and the putative class. Accordingly, Plaintiffs, on behalf of themselves and the putative class, bring this lawsuit to recover billions in applicable damages, Kalshi's unjust enrichment, and costs and attorneys' fees, as well as any other relief provided by statute or that the Court may award.

### **JURISDICTION AND VENUE**

11. This Court has jurisdiction over the subject-matter of this proposed class action pursuant to 28 U.S.C. § 1332(d), which, under the provisions of the Class Action Fairness Act ("CAFA"), provides for the original jurisdiction of the federal courts in any class action in which at least 100 members are in the proposed plaintiff class, any member of the plaintiff class is a citizen of a State different from any defendant, and the matter in controversy exceeds the sum of \$5,000,000.00, exclusive of interest and costs. Plaintiffs allege that the total claims of individual members of the proposed Class (as defined herein) are in excess of \$5,000,000.00 in the aggregate, exclusive of interest and costs.

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