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11 **IN THE FIRST JUDICIAL DISTRICT COURT OF
THE STATE OF NEVADA IN AND FOR CARSON CITY**

12 STATE OF NEVADA ex rel. NEVADA
13 GAMING CONTROL BOARD,

14 Plaintiff,

15 vs.

16 KALSHIEX, LLC,

17 Defendant.

Case No. 26OC00000050-1B

Dept. No. I

**PLAINTIFF'S REPLY IN SUPPORT OF
APPLICATION FOR *EX PARTE* ORDER TO
SHOW CAUSE REGARDING CONTEMPT**

18
19 Plaintiff, STATE OF NEVADA ex rel. NEVADA GAMING CONTROL BOARD (“BOARD”),
20 by and through its attorneys, files this reply in support of its application (“App.”) for *ex parte* order to
21 show cause why Defendant KALSHIEX, LLC (“KALSHI”) should not be held in contempt for violating
22 the Court’s amended preliminary injunction order dated May 18, 2026 (the “Amended PI Order”).
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1 **I. INTRODUCTION**

2 KALSHI simply is not complying with the Court’s preliminary injunction order. People located
3 within Nevada are easily able to go to KALSHI’s platform and purchase KALSHI’s sports-, election-,
4 and entertainment-related contracts. The BOARD’s investigators have confirmed it over and over again,
5 including several more times since the BOARD filed its Application.

6 KALSHI’s own submission reveals why this is so: KALSHI has spent only a small amount of
7 money (\$190,000) on a homegrown “solution” that relies *only* on internet protocol (IP) addresses (which
8 are notoriously unreliable for determining users’ locations). Accurate commercial geofencing solutions
9 are readily available, but KALSHI refuses to use them here, contending that its homegrown solution is
10 good enough.

11 Significantly, KALSHI’s assertions to this Court are *directly contrary* to what it told the federal
12 court about what would be required for an effective geofencing solution. KALSHI told the federal court
13 that an IP address-based solution would *not* be sufficient; that geofencing requires triangulating users’
14 locations using a combination of methods, including GPS; that it lacked the capacity to do this in-house;
15 and that it could cost tens of millions of dollars per year to use a commercially available solution. That
16 was all in a sworn declaration from KALSHI’s head of markets. Now KALSHI says the exact opposite:
17 It claims that it has developed a homegrown solution for only \$190,000 that effectively geofences Nevada
18 users using *only* IP addresses and *none* of the other methods that it previously claimed were necessary.
19 KALSHI’s own submissions thus confirm that it is flagrantly violating the Court’s order.

20 This is just more from the same old KALSHI playbook: delay, delay, delay. Rather than actually
21 comply with the Court’s order, KALSHI has taken only a half-hearted and ineffective measure, appar-
22 ently hoping that this Court will deem its meager efforts good enough, so that it can continue profiting at
23 the expense of the State and its citizens.

24 KALSHI’s stubborn refusal to comply with the preliminary injunction is causing severe and on-
25 going harm to Nevada, its finances, and its citizens. Every day, KALSHI takes in hundreds of millions
26 in wagers on events such as the NBA Finals, the Stanley Cup Finals, and the FIFA World Cup. At the
27 same time, KALSHI is severely harming the gaming industry, because it refuses to follow the same rules
28 as its licensed sportsbook competitors (who actually geofence).

1 This is an intolerable state of affairs. In light of the BOARD’s investigation and KALSHI’s own
2 admissions that establish its violation of the Court’s order, the Court should hold KALSHI in contempt.
3 KALSHI will never get the message otherwise.

4 **II. ARGUMENT**

5 Failure to comply with a court order is serious business. “[A]n injunction issued by a court . . .
6 *must* be obeyed,” and “disobedience” is “contempt . . . to be punished.” *Whitehead v. Nev. Comm’n on*
7 *Jud. Discipline*, 110 Nev. 128, 135, 906 P.2d at 230, 235 (1994) (internal quotation marks omitted).

8 As KALSHI’s own source explains, KALSHI has the obligation to “employ the utmost diligence”
9 to comply with the Amended PI Order. 17 Am. Jur. 2d Contempt § 116 (May 2026); *see, e.g., Gen. Signal*
10 *Corp. v. Donallco, Inc.*, 787 F.2d 1376, 1379 (9th Cir. 1986) (party must take “all reasonable steps” to
11 comply with court order). This requires “near-total compliance through the exhaustion of all reasonable
12 efforts.” *Coleman v. Newsom*, 131 F.4th 948, 956 (9th Cir. 2025); *see, e.g., FTC v. Cardflex, Inc.*, 2026
13 WL 1346641, at *2 (D. Nev. May 13, 2026).

14 To justify an order to show cause, the BOARD need make out only a “prima facie case of con-
15 tempt.” FJDCR 3.20(c)(2). This requires showing that the Court entered a clear and unambiguous order,
16 *Cunningham v. Eighth Jud. Dist. Ct.*, 102 Nev. 551, 560, 729 P.2d 1328, 1333 (1986); that KALSHI
17 knew of the order, *see id.*; and that it refused or failed to comply, NRS 22.010(3).¹ The BOARD has
18 made that showing here. *See* App. 6–8. KALSHI has no persuasive response.

19 **A. KALSHI Continues to Flagrantly Violate the Court’s Order**

20 **1. KALSHI Allows Nevada Users to Purchase Event Contracts in Violation of** 21 **the Court’s Order**

22 The BOARD has established all elements to make out a prima facie case of contempt. First, the
23 Court entered a clear and unambiguous order. *See Cunningham*, 102 Nev. at 560, 729 P.2d at 1333. The
24 Amended PI Order requires KALSHI to geofence so that people in Nevada are not able to purchase the
25 covered contracts. The order is clear and unambiguous: It “prohibit[s]” KALSHI “from offering or
26

27 ¹ KALSHI argues (Opp. 13) that the BOARD also needed to show that KALSHI had the ability to
28 comply with the Amended PI Order. KALSHI draws that requirement from decisions involving child
support orders; the Nevada Supreme Court has not extended that requirement to other types of orders.
See Foley v. Foley, 134 Nev. 938, 432 P.3d 736 (2018). In any event, there is no question that KALSHI
can comply with the geofencing requirement; all licensed mobile gaming operators do. *See* App. 6.

1 facilitating within the State of Nevada” sports-, election-, and entertainment-related event contracts.
2 Amended PI Order 6. As the Court explained, the order “address[es] KALSHI’s transactions with indi-
3 viduals within the State of Nevada and not just with Nevada residents.” Order Granting Pl.’s Mot. for
4 Clarification 1 (May 18, 2026). KALSHI does not dispute this element is met.

5 Second, KALSHI does not dispute that it received the Amended PI Order and that it understood
6 the order to require it to employ geolocation and geofencing technology to identify users physically in
7 Nevada and prevent those users from entering into the covered contracts. *See* Def.’s Opp. to Pl.’s App.
8 for *Ex Parte* Order to Show Cause (Opp.) 5, 16–17 (June 9, 2026); Whelan Decl. in Supp. of App.
9 (Whelan Decl.) ¶ 6 (June 4, 2026). KALSHI has had ample notice and time to develop a technological
10 solution to block Nevada users. On April 3, 2026, at the preliminary-injunction hearing, the Court in-
11 formed KALSHI that it would have to geofence within thirty days, and that if it needed an extension it
12 would have to provide a sworn declaration detailing its implementation progress. Prelim. Inj. Hr’g 1:58-
13 2:01 (Apr. 3, 2026). Then on May 18, the Court issued an amended order making crystal clear that
14 KALSHI needed to geofence. Amended PI Order 6. KALSHI acknowledges that it received the amended
15 order, Opp. 5, and it never sought any extension.

16 Third, KALSHI has failed to comply with the Amended PI Order. On eight separate occasions
17 across four days—May 28, 30, 31, and June 1, 2026—BOARD investigators successfully purchased pro-
18 hibited event contracts on KALSHI’s platform while physically located in Nevada. App. 6–8; Whelan
19 Decl. ¶¶ 7–13. The investigators used standard iOS devices connected directly to cellular networks in
20 Nevada. Whelan Decl. ¶ 8. They purchased contracts on a tennis match, NBA playoff basketball games,
21 MLB baseball games, a soccer match, and the Los Angeles mayoral election. *Id.* ¶¶ 9–12. In each in-
22 stance, KALSHI’s platform accepted and recorded the trades without blocking, restricting, or otherwise
23 preventing the transactions based on the investigators’ Nevada location. *Id.* ¶ 12.

24 These transactions are not outliers. The BOARD’s investigators have continued to test KALSHI’s
25 compliance since the BOARD filed its Application, and between June 8 and June 11, 2026, they were
26 able to purchase twelve additional covered contracts from within Nevada, on events including NBA
27 playoff basketball games, MLB baseball games, a boxing match, a tennis match, and a celebrity wedding.
28

1 See Michela Decl. ¶¶ 2–6. The fact that the BOARD’s investigators repeatedly were able to purchase
2 covered event contracts demonstrates that KALSHI is systematically violating the Court’s order.

3 The harms from KALSHI’s ongoing violation are immediate and concrete. As this Court has
4 observed, “everyday matters in this case in a literal sense.” Amended PI Order 5; *see* Order Granting
5 Pl.’s App. for TRO at 6, *Nevada v. Coinbase Fin. Mkts., Inc.*, No. 26-OC-00030-1B (Feb. 5, 2026). That
6 is especially true during this critical period for sports betting, with the Stanley Cup and NBA Finals
7 occurring and the FIFA World Cup starting up. Every day that KALSHI remains out of compliance, it
8 profits from unlawful operations to the detriment of the State, its gaming industry, and the public.

9 2. KALSHI’s Own Submission Explains Why Its “Solution” Does Not Work

10 The Amended PI Order requires KALSHI not to offer the covered contracts “within the State of
11 Nevada.” Amended PI Order 6. KALSHI argues (Opp. 6–9, 14) that it met its obligation by spending
12 \$190,000 to develop an in-house geolocation system based solely on users’ IP addresses. Far from
13 demonstrating compliance, KALSHI’s response shows that it is *not* complying with the Court’s order.

14 To start, KALSHI decided to use a homegrown technological solution, with ad-hoc testing
15 through family and friends, rather than implementing a proven solution from a third-party vendor that
16 has been rigorously tested. Commercial geofencing solutions are widely available, and they are routinely
17 used by companies that provide mobile gaming, including mobile sports-betting. *See, e.g., GeoComply*
18 *Core*, GeoComply, perma.cc/E446-U6G7 (accessed June 10, 2026) (GeoComply Core) (reporting that
19 its technology is used by DraftKings, FanDuel, Caesars, BetMGM, and Bally’s). KALSHI decided to try
20 to develop an in-house solution rather than use the tried-and-tested solutions that everyone else uses to
21 comply with state law. KALSHI can make that business choice—but then it has to establish that its sup-
22 posed solution works. So far as the BOARD can tell, KALSHI has not done any rigorous testing:
23 KALSHI’s counsel reported to the BOARD’s counsel that KALSHI tested its solution using family and
24 friends, *see* Whelan Decl. ¶ 14, and when the BOARD raised this as an issue in the Application,
25 KALSHI’s only response was to state without elaboration that it had “tested its processes” and received
26 unspecified “reports” that its system worked, Opp. 11. KALSHI did not deny that its testing was limited
27 to family and friends, and it did not provide any details of its testing to give the Court confidence that it
28 took its compliance obligation seriously. That is a red flag from the start.

1 Next, KALSHI admits that it did not make significant monetary investments in its homegrown
2 solution. It spent just \$190,000 on development, implementation, and testing. Yet it previously told the
3 federal court that it could cost “up to tens of millions of dollars annually” to implement geofencing.
4 Sottile Decl. ¶ 21, *KalshiEX LLC v. Hendrick*, No. 25-cv-575 (D. Nev. Mar. 28, 2025), ECF No. 18-1
5 (Sottile Federal Decl.) (attached as Exhibit A). While that number may have been exaggerated, it makes
6 clear that a serious, good-faith investment in geofencing should cost well more than \$190,000—which is
7 a rounding error compared to KALSHI’s trading volumes (over \$4.2 billion each week, *Prediction Mar-*
8 *ket Volume*, DeFi Rate, perma.cc/5H23-CH5X (accessed June 3, 2026)), revenues (over \$4 million each
9 day, see Michael J. de la Merced, *Kalshi, the Prediction Market, Is Now Valued at \$22 Billion*, N.Y.
10 Times (May 7, 2026), perma.cc/33AH-6GTZ), and market valuation (over \$22 billion, *id.*). Indeed,
11 \$190,000 is approximately the amount of money KALSHI makes in *one hour*. See *id.* The small amount
12 that KALSHI spent on compliance is a second red flag.

13 The third red flag is that the “solution” KALSHI chose is technologically insufficient on its face,
14 because IP address-based geolocation is notoriously inaccurate at the state level. An IP address is a series
15 of numbers that identifies a user’s device on the internet. See *IP Geolocation Fundamentals*, MaxMind,
16 perma.cc/7NL8-TWW2 (accessed June 10, 2026). When the user connects the device to the internet, the
17 user’s internet service provider (ISP) assigns the device its IP address from a pool of addresses available
18 to that ISP. See *id.* There can be geographic correlation in how an ISP assigns IP addresses, but no geo-
19 graphic correlation beyond the country level is required. See *How Accurate is IP Geolocation*, MaxMind
20 (Feb. 2, 2026), perma.cc/3EKU-QG3U (MaxMind, *How Accurate*). That is, an ISP does not have to give
21 all users in (for example) Reno IP addresses within the same range. Further, different ISPs use different
22 rules for how they assign IPs addresses; there is not a uniform set of rules. See *IP Geolocation Demysti-*
23 *fied*, BigDataCloud (July 29, 2025), perma.cc/Z2CF-44CC.

24 KALSHI’s asserted solution is to block Nevada users using only IP addresses. KALSHI states
25 that it subscribed to a commercial vendor that provides it a weekly list of IP addresses associated with
26 Nevada locations. Lee Decl. ¶ 10. It says that it checks the IP addresses of its users’ devices against that
27 list and prevents devices with IP addresses on that list from purchasing the covered contracts. *Id.* ¶ 12.
28

1 There are four obvious problems with solely using IP addresses as a geofencing solution. First,
2 ISPs are not required to assign IP addresses based on geography within a country, and many ISPs do not.
3 *IP Geolocation Accuracy*, MaxMind, perma.cc/4TUW-LH88 (accessed June 10, 2026) (MaxMind, *Ac-*
4 *curacy*). Using IP addresses to determine physical location thus is inherently unreliable below the na-
5 tional level. *Id.* Second, an ISP can change how it assigns IP addresses at any time, so KALSHI’s list
6 could be stale. *See* MaxMind, *How Accurate*, *supra*; Diana Bocco, *IP Geolocation—How it Works*, Geo
7 Targetly (Dec. 20, 2023), perma.cc/6BZ7-YNZP. And third, these issues are heightened for mobile de-
8 vices, because IP addresses for mobile devices often do not correlate with geography. MaxMind, *Accu-*
9 *racy*, *supra*. Mobile carriers typically do not assign IP addresses in a geographically predictable way
10 because mobile devices lack fixed locations. *Id.*; *see Geolocation of IP Addresses*, DediRock (Oct. 31,
11 2024), perma.cc/FE47-TDMU. That means that a national mobile carrier could assign a particular IP
12 address to a device anywhere in the United States, and it is not possible to associate a device with that IP
13 address to any particular State. *See How Accurate is IP-Based Geolocation Lookup?*, IPLocation.net
14 (Oct. 14, 2025), bit.ly/4uAhWIX (IPLocation); Daniel Quandt, *Beyond “Trust Me”: How to Properly*
15 *Evaluate IP Data Accuracy*, IPInfo, perma.cc/PE6Y-UKWK (accessed June 11, 2026). IP address-based
16 geolocation thus is known not to be very reliable; by one estimate, determining a user’s State from an IP
17 address has only a 55% to 80% success rate. IPLocation, *supra*; *see* MaxMind, *Accuracy*, *supra*; *The*
18 *Ultimate Guide to IP Address Geolocation*, BrowserScan (Feb. 26, 2025), perma.cc/V4Y5-C97H.

19 Finally, IP address-based geolocation can easily be circumvented using “proxy” technology that
20 hides the user’s true IP address. MaxMind, *How Accurate*, *supra*. For example, a device connected to a
21 virtual private network (VPN) will appear to the broader internet to be using the IP address of the VPN
22 provider—which may be located in an entirely different State. *See id.* The use of proxy technology is
23 commonplace: many companies require VPNs to access company resources, and many vendors offer free
24 or low-cost IP-masking services to non-commercial users. *See id.*

25 There are much more accurate and reliable methods of determining a device’s location, and they
26 are used by KALSHI’s competitors. In particular, as KALSHI admits (Opp. 7), licensed sportsbooks
27 typically use GPS-based geolocation systems. GPS is a satellite-based geolocation system that is accurate
28 to within a matter of feet. *GPS Accuracy*, GPS.gov, perma.cc/AD76-NVR3 (accessed June 6, 2026). GPS

1 receivers are built into all modern smartphones, so licensed sportsbooks can easily get their users' loca-
2 tions from the users' devices. *See, e.g., BetMGM—Sportsbook & Casino*, App Store for iPhone,
3 perma.cc/355Q-SQKA (accessed June 10, 2026) (BetMGM app requiring access to device's "precise
4 location"). Typically, the sportsbook's app will ask the user to allow it to see the device's location in
5 order to offer services within that geographic area. *See, e.g., id.* KALSHI actually detailed how this works
6 in its declaration to the federal district court—a declaration that (as explained below) is directly contrary
7 to what KALSHI is saying now. *See* Sottile Federal Decl. ¶¶ 15–17.

8 Further, to improve accuracy and to combat circumvention, licensed sportsbooks typically do not
9 rely on just *one* method of determining a device's location. Instead, they combine multiple geolocation
10 methods—such as GPS, cell towers, Wi-Fi networks, and IP addresses—to generate the most accurate
11 estimate of a user's location possible. *See* Gaming Lab's Int'l, *GLI Standard Series GLI-33: Standards*
12 *for Event Wagering Systems*, § 2.7.4(c) (May 14, 2026), perma.cc/AVN5-5P2B (recommending the use
13 of GPS, Wi-Fi, and cell-tower information in addition to IP addresses); GeoComply Core, *supra* (report-
14 ing that its technology uses GPS, cell towers, Wi-Fi networks, and IP addresses). Licensed sportsbooks
15 do not have to develop these multi-method geolocation systems from scratch; instead, they can license
16 the systems from established third-party vendors. *E.g.,* GeoComply Core, *supra*.

17 Importantly, much of what KALSHI is now saying about an IP address-based solution being suf-
18 ficient is *flatly inconsistent* with what it told the federal district court. When KALSHI sought a prelimi-
19 nary injunction in federal court, its head of markets filed a sworn declaration stating that KALSHI could
20 not immediately comply with Nevada law because effective geolocation "is more sophisticated than
21 merely identifying the device's IP address," Sottile Federal Decl. ¶ 15; that effective geolocation typically
22 "uses a combination of location-identifiers like GPS coordinates, cell phone towers, WiFi access points,
23 network connections, and Bluetooth beacons to triangulate location," *id.*; that "geolocation is a multi-
24 step and technically complex process even for stationary devices," and "the process is even more chal-
25 lenging when tracking real-time movement of devices," *id.* ¶ 16; that KALSHI "lacks the capacity to
26 implement this service in-house and would therefore need to contract with a cloud- or server-based geo-
27 location platform," *id.* ¶ 21; and that effective geolocation technology could cost "up to tens of millions
28 of dollars annually" to implement, *id.* Now KALSHI is telling this Court the exact opposite: It asserts

1 that locating users based on IP addresses is fine; there is no need to triangulate users' location using
2 multiple methods; it has the capacity to implement effective geofencing itself; and it has been able to
3 develop an effective homegrown solution for \$190,000. KALSHI's newfound statements simply are not
4 credible in light of its prior sworn declaration, especially when they are contrary to what everyone else
5 in this market does to geolocate users.

6 KALSHI is thus violating the Amended PI Order because its in-house system based only on IP
7 addresses does not block all users in the State of Nevada. KALSHI has an obligation to "employ the
8 utmost diligence" (17 Am. Jur. 2d Contempt § 116) to comply with the Amended PI Order, and its own
9 statements show that it has not come close to doing so.

10 KALSHI suggests (Opp. 7, 17 n.1) that because it is a CFTC-registered designated contract mar-
11 ket, it cannot use the same geolocation technologies as sportsbooks. But all manner of companies—
12 including federally regulated banks and other financial services companies—use those same technolo-
13 gies. *See, e.g., Financial Services, GeoComply, perma.cc/6PAU-S98R* (accessed June 10, 2026).²
14 KALSHI conspicuously does not say that it contacted any third-party vendors, that those vendors refused
15 to work with KALSHI, or that their products were not suitable or cost-prohibitive. Rather, the declaration
16 from its head of engineering suggests that KALSHI immediately decided to use the lowest-cost, least
17 reliable method it could come up with. *See Lee Decl.* ¶¶ 6–15. That is not taking "all reasonable steps"
18 (*Gen. Signal Corp.*, 787 F.2d at 1379) to comply with the Court's Amended PI Order. It is not even close.

19 **3. The BOARD Has Presented Ample Competent Evidence of Noncompliance**

20 KALSHI argues (Opp. 14–16) that the BOARD did not put on sufficient evidence of noncompli-
21 ance. That is wrong. The BOARD's investigators are trained law enforcement personnel who placed a
22 variety of bets on KALSHI's app while in Nevada. Before the BOARD filed the Application, those in-
23 vestigators entered into covered contracts eight times across four separate days from within Nevada. App.
24 7. Since the BOARD filed the Application, the investigators entered into twelve additional covered

25
26 ² KALSHI contends that using GPS-based geolocation could introduce delays in executing trans-
27 actions that could interfere with the "real-time" operation of its market. Sottile Decl. ¶¶ 9–10. KALSHI
28 does not explain why it would be impossible to implement GPS-based geolocation without introducing
delays. For example, KALSHI could perform the geolocation check at the time the user's device connects
to the KALSHI platform and periodically thereafter, rather than at the time the user tries to enter into a
transaction.

1 contracts. Michela Decl. ¶¶ 2–6. And as just discussed, KALSHI’s own submission reveals the basic
2 deficiencies in its supposed technological solution. *See* pp. 4–8, *supra*.

3 KALSHI tries to nitpick the BOARD’s evidence, but its arguments fall flat. First, KALSHI argues
4 (Opp. 15) that the BOARD’s evidence of trades is inadmissible hearsay because Ms. Whelan’s declara-
5 tion relied on reports from the BOARD’s investigators. But the reports “are not inadmissible under the
6 hearsay rule” in civil cases, because they set out “factual findings resulting from an investigation made
7 pursuant to authority granted by law.” NRS 51.155(3); *see Griffith v. State*, 132 Nev. 974, 2016 WL
8 4546998, at *5 (2016). The BOARD thus was entitled to rely on the investigators’ reports, and they are
9 competent evidence of noncompliance.

10 Next, KALSHI argues (Opp. 18) that eight instances of noncompliance are insufficient. It asserts
11 (Opp. 15) that these eight transactions are the only covered transactions that its platform ever has failed
12 to block, claiming a “99.999% accuracy rate.” That is preposterous on its face. The BOARD has now
13 documented twelve additional prohibited transactions, bringing the total to twenty. Michela Decl. ¶¶ 2–
14 6. The fact that the BOARD’s investigators are able to regularly place prohibited wagers on KALSHI’s
15 platform, over a series of many days, shows that KALSHI’s supposed solution is not adequate. And that
16 is confirmed by KALSHI’s own explanation of its solution—especially when compared to KALSHI’s
17 submission to the federal court, which detailed exactly what KALSHI would need to do to comply with
18 Nevada law. *See* Sottile Federal Decl. ¶¶ 15–21. The BOARD is not required to document some magic
19 number of violations to demonstrate noncompliance with the Court’s order. *See Pounders v. Watson*, 521
20 U.S. 982, 989 (1997) (“Nothing in our cases supports a requirement that a contemnor ‘engage in a pattern
21 of repeated violations . . .’ before she may be held in summary contempt.” (citation omitted)); *Rainbow*
22 *Sch., Inc. v. Rainbow Early Educ. Holding LLC*, 887 F.3d 610, 618 (4th Cir. 2018) (“[A] single violation
23 of the injunction is sufficient to support a finding of contempt.”).

24 Finally, KALSHI argues (Opp. 18–19) that the BOARD’s evidence is insufficient because the
25 BOARD did not provide the full details of each successful transaction. But the BOARD explained why
26 it redacted some information: If the BOARD discloses the exact accounts used, then KALSHI can disable
27 those accounts in Nevada and come back and say that it has “fixed” the problem, without ever addressing
28

1 the systemic issues with its platform. Providing additional information thus would compromise the
2 BOARD's ability to monitor KALSHI's compliance.

3 Besides, the BOARD has provided all of the information that is needed to know that users in
4 Nevada are able to purchase KALSHI's sports-, election-, and entertainment-related contracts. The
5 BOARD showed that the transactions occurred; that they occurred after the date of the Amended PI
6 Order; that they were within the covered categories; and that the users were in Nevada. KALSHI does
7 not dispute any of those critical facts. KALSHI argues (Opp. 19) that it needs more information to deter-
8 mine why the transactions occurred to attempt to prevent them from occurring. But KALSHI could figure
9 that out through its own testing, if it approached testing in any kind of systematic way.

10 It is KALSHI's obligation to "exhaust[] all reasonable efforts" (*Coleman*, 131 F.4th at 956) to
11 comply with the Court's order, and it has not done so. KALSHI's protestations ring especially hollow
12 because it told the federal district court that it knows exactly what is required for an effective geofencing
13 solution: "tringulat[ing] [users'] location" based on "a combination of location-identifiers like GPS co-
14 ordinates, cell phone towers, WiFi access points, network connections, and Bluetooth beacons." Sottile
15 Federal Decl. ¶ 15. As KALSHI admitted, *id.* ¶¶ 15, 17, this is what licensed sportsbooks do. KALSHI
16 just refuses to follow the same rules as everyone else.

17 In light of KALSHI's own admissions about the little it has done to comply with the Court's
18 Amended PI Order, it is clear that KALSHI is violating the Amended PI Order. Accordingly, although
19 the BOARD asked only for the Court to enter an order for KALSHI to show cause why it should not be
20 held in contempt (and not for the Court to find contempt directly), *see* Proposed Order 3, the Court now
21 has the information it needs to find KALSHI in contempt. *See Dep't of Health & Hum. Servs. v. Eighth*
22 *Jud. Dist. Ct.*, 139 Nev. 254, 258, 534 P.3d 706, 711 (2023) (court may enter a finding of contempt based
23 on the response to an application for order to show cause, without a hearing, when the material facts are
24 undisputed). The Court should do that here to prevent any additional delay. But if the Court wishes in-
25 stead to receive additional evidence of noncompliance, the Court should issue an order to show cause
26 and set a hearing. *See id.* The BOARD requests only that the Court implement reasonable procedures at
27 that hearing to safeguard the investigators' accounts.

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1 **B. The BOARD’s Proposed Sanctions Are Permissible and Appropriate**

2 The BOARD proposed that, if the Court finds KALSHI to be in contempt, the Court should im-
3 pose a sanction to ensure compliance—either disgorgement of all ill-gotten gains or a sanction of at least
4 \$120,000 each day until KALSHI is in compliance, along with the BOARD’s attorneys’ fees. App. 8–
5 10. KALSHI’s objections lack merit.

6 KALSHI first argues (Opp. 19–20) that disgorgement is not available here. But disgorgement is
7 a well-established sanction for violating court orders. *See, e.g., In re Sherman*, 491 F.3d 948, 954 (9th
8 Cir. 2007); *see also* App. 9. KALSHI fails to address any of the BOARD’s cited cases. Instead, it argues
9 (Opp. 19–20) that disgorgement is not available here because a contempt sanction is limited to compen-
10 sating the complainant for its loss, and the BOARD has not established any loss. KALSHI is wrong: A
11 contempt sanction can serve *either* to “compensate the complainant for losses sustained” *or* to “coerce
12 the defendant into compliance.” *Int’l Union, United Mine Workers of Am. v. Bagwell*, 512 U.S. 821, 829
13 (1994) (internal quotation marks omitted). Disgorgement serves the latter function, by removing the in-
14 centive to continue violating the Court’s order. *See Lathigee v. Brit. Columbia Sec. Comm’n*, 136 Nev.
15 670, 674, 477 P.3d 352, 356 (2020). Indeed, the U.S. Supreme Court has just reaffirmed that under tra-
16 ditional equitable principles, a government agency can seek disgorgement from a wrongdoer without
17 proving harm to anyone else. *Sripetch v. SEC*, No. 25-466, 2026 WL 1593329, at *6 (U.S. June 4, 2026).³

18 Disgorgement is especially warranted in this case. KALSHI’s violations of the Amended PI Order
19 are repeated and flagrant. KALSHI knows exactly what the order requires, and it knows what it takes to
20 comply. In fact, it documented what compliance would require in detail to the federal district court. So-
21 tile Federal Decl. ¶¶ 15–21. KALSHI just stubbornly refuses to comply. It apparently has made a judg-
22 ment that it is better to feign compliance so it can keep racking up enormous profits for as long as it can
23 get away with it—through the Stanley Cup Finals, the NBA Finals, and the FIFA World Cup. Disgorge-
24 ment is meant for the situation when a party is profiting from its violations and should not be allowed to
25 retain its ill-gotten gains. *See, e.g., Kokesh v. SEC*, 581 U.S. 455, 464 (2017); *Lathigee*, 136 Nev. at 674,
26 477 P.3d at 356. That is precisely the situation here.

27
28 ³ KALSHI notes (Opp. 20) that disgorgement should be based on its profits from transactions that
violate the Court’s order, not its revenues from those transactions. The BOARD agrees that gross profits
is the appropriate measure for disgorgement. *See* App. 9.

1 KALSHI also argues (Opp. 20–22) that a \$120,000 per day sanction would be excessive. But that
2 amount is commensurate with the scale of KALSHI’s daily operations. Every day, KALSHI processes
3 approximately \$600 million in trading volumes, earns approximately 1% on those trades, and Nevada’s
4 population is roughly 1/50th that of the United States. App. 9 n.2. \$120,000 is thus a reasonable estimate
5 of KALSHI’s profits from Nevada each day. Indeed, that number may be too low, because now is such
6 a particularly busy time for sports betting, given ongoing hockey and basketball championships and soc-
7 cer tournament in the United States. Without a sanction of sufficient magnitude, KALSHI would have
8 every incentive to treat the Court’s order as merely a cost of doing business—precisely what contempt
9 sanctions are designed to prevent. *See Dep’t of Health & Hum. Servs.*, 139 Nev. at 257–59.

10 KALSHI notes (Opp. 21) that the fine in *Department of Health and Human Services* was only
11 \$500 a day. But that case involved a government agency—not a defendant with \$4.2 billion in weekly
12 trading volume and a \$22 billion valuation. *See p. 5, supra*. What constitutes an adequate sanction de-
13 pends on the circumstances, and the circumstances here warrant a significant sanction. KALSHI also
14 argues (Opp. 21) that the BOARD’s estimate of its daily Nevada profits is inaccurate. But it provides no
15 contrary numbers, and the Court does not need to calculate a contempt sanction with mathematical pre-
16 cision—it just has to be enough to ensure compliance. *See Shell Offshore Inc. v. Greenpeace, Inc.*, 815
17 F.3d 623, 629 (9th Cir. 2016).

18 Finally, the BOARD also is entitled to its reasonable attorneys’ fees and costs incurred in bringing
19 this Application, as expressly authorized by NRS 22.100(3) and FJDCR 1.12(b)(10). KALSHI argues
20 (Opp. 22) that fees are unwarranted because the Application was “entirely unnecessary,” but that argu-
21 ment is circular—it assumes the very conclusion in dispute. Plainly, the BOARD only sought the Court’s
22 intervention because it cannot get KALSHI to comply with the Amended PI Order without it.

23 **C. KALSHI’s Unjustified Attacks on the BOARD Need to Stop**

24 KALSHI makes various accusations against the BOARD, arguing (for example) that the BOARD
25 has acted in bad faith because the BOARD declined to provide additional details about its investigators’
26 trades. Opp. 22–24. Those accusations are outrageous and unjustified, and they need to stop. KALSHI
27 has the obligation to take every reasonable measure to comply with the Court’s order, yet instead of doing
28 that, it baselessly attacks the BOARD for discovering its noncompliance.

1 KALSHI admits that it knows that it needs to geofence and that it has been on notice of that
2 requirement for months. The BOARD obtained direct evidence from trained law enforcement investiga-
3 tors that KALSHI allows individuals physically located in Nevada to place bets on its platform in viola-
4 tion of this Court’s order. Whelan Decl. ¶¶ 8–13. The BOARD then provided information about those
5 transactions to KALSHI, including the dates, contracts, and method of access. Opp. 10. That information
6 should have been more than sufficient for any competent technology company to investigate issues with
7 its geolocation technology. The BOARD even went so far as to provide KALSHI with an advance copy
8 of Ms. Whelan’s declaration before it filed the Application—giving KALSHI as much information as it
9 could without compromising the investigators’ accounts. *See* p. 9, *supra*. To suggest that the BOARD
10 was acting in bad faith in attempting to enforce state law against KALSHI—a company that is hurting
11 the State, its economy, and its citizens every day—is beyond the pale.

12 KALSHI also accuses (Opp. 23) the BOARD of bringing this Application as retaliation for
13 KALSHI’s exercise of its legal rights. That accusation is baseless. The BOARD brought this Application
14 because KALSHI is violating the Court’s Amended PI Order. Seeking enforcement of that order is not
15 retaliatory—it is the BOARD’s statutory duty. *See* NRS 463.673(1)(a). It is the height of chutzpah for
16 KALSHI to act as though it has been wronged, when multiple courts—including this Court—have deter-
17 mined that its unlicensed and illegal gaming operations harm the State every day. *See* Amended PI Order
18 5; *KalshiEX, LLC v. Hendrick*, 817 F. Supp. 3d 1014, 1035–36 (D. Nev. 2025), *appeal pending sub nom.*
19 *KalshiEX, LLC v. Assad*, No. 25-7516 (9th Cir. argued Apr. 16, 2026).

20 Enough is enough. KALSHI needs to stop trying to deflect from its own bad actions and take
21 seriously its obligation to comply with the Court’s order. It plainly will not do that unless this Court
22 makes the consequences for noncompliance clear. The Court should hold KALSHI in contempt.

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1 **III. CONCLUSION**

2 For the foregoing reasons, the Court should hold KALSHI in contempt for violating the Court's
3 Amended Order Granting Plaintiff's Motion for Preliminary Injunction and impose sanctions for
4 KALSHI's noncompliance. In the alternative, the Court should grant this Application and order KALSHI
5 to appear and show cause why it should not be held in contempt for failing to comply with the order and set a hearing.

6 DATED: June 12, 2026

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CERTIFICATE OF SERVICE

I certify that I am an employee of the Office of the Attorney General, State of Nevada, and that on June 12, 2026, I deposited for mailing in the United States Mail, first-class postage prepaid, at Carson City, Nevada, a true and correct copy of the foregoing document, **PLAINTIFF'S REPLY IN SUPPORT OF APPLICATION FOR EX PARTE ORDER TO SHOW CAUSE REGARDING CONTEMPT** addressed to the following:

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