IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

COALITION FOR FAIR MARKETS,

Proposed Plaintiff-Intervenor,

THE UNITED STATES OF AMERICA and THE COMMODITY FUTURES TRADING COMMISSION

Plaintiffs,

v.

STATE OF ILLINOIS; JB PRITZKER, the Governor of Illinois in his official capacity; KWAME RAOUL, in his official capacity as Attorney General of Illinois; DIONNE R. HAYDEN, in her official capacity as Chairperson of the Illinois Gaming Board; SEAN BRANNON, in his official capacity as Member of the Illinois Gaming Board; STEPHEN R. FERRARA, in his official capacity as Member of the Illinois Gaming Board; CALEB J. MELAMED, in his official capacity as Member of the Illinois Gaming Board; and MARCUS D. FRUCHTER, in his official capacity as Administrator of the Illinois Gaming Board,

Defendants.

Case No. 26-cv-3659

Honorable Martha M. Pacold

Oral Argument Requested

PROPOSED PLAINTIFF-INTERVENOR COALITION FOR FAIR MARKETS' MOTION FOR A PRELIMINARY INJUNCTION

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INTRODUCTION

After decades of chaotic, conflicting regulation by both the States and the federal government, Congress made a clear choice more than half a century ago: Under the Commodity Exchange Act (CEA), it vested "exclusive jurisdiction" over the trading of derivatives in the Commodity Futures Trading Commission (CFTC). 7 U.S.C. § 2(a)(1)(A). Congress did so to displace state authority and ensure uniform federal regulation of the Nation's derivatives markets. Now as the trading of a certain kind of derivative—event contracts—has grown in popularity, Illinois seeks to intrude on the CFTC's exclusive jurisdiction by imposing state-specific restrictions, a state-specific licensing regime, and state-specific taxes that single out trading on federal exchanges for disfavored treatment. But federal law remains unchanged, and the CFTC's authority remains "exclusive." The CEA does not permit States to add their own regulations or impose taxes to burden federally regulated exchanges and fracture the nationwide regulatory scheme the CFTC superintends. Illinois' effort to do so is unlawful and should be enjoined.

Illinois has threatened the Coalition's members with civil and criminal enforcement for offering their federally regulated contracts to its residents and enacted legislation that singles out CFTC-regulated activity and imposes onerous licensing requirements, discriminatory transaction fees, and a punitive transaction-by-transaction tax. Illinois' regulatory regime places the Coalition's members in an untenable position: they must choose between complying with the State requirements—which Congress expressly displaced with the CEA—by shouldering crippling and unrecoverable costs, continue to operate under the threat of enforcement, or potentially exit Illinois altogether.

With its members facing imminent irreparable harm from Illinois' unlawful regulatory efforts, *see* Pls.' Mot. Prelim. Inj., ECF No. 31 the Coalition for Fair Markets (Coalition) has

moved to intervene and now moves for a preliminary injunction.[1] Counsel for the Coalition conferred with counsel for Plaintiffs, who take no position on the Coalition's motion. Counsel for the Coalition have also conferred with counsel for Defendants. Defendants' counsel indicated that after reviewing the Coalition's motion, Defendants will promptly inform the Coalition of their position and any proposed briefing schedule should they intend to oppose.

BACKGROUND

I. Event Contracts Are Subject to Exclusive Federal Oversight by the CFTC

The Coalition seeks a preliminary injunction on behalf of its members, which include CFTC-licensed DCMs. *See* David Decl. (Coalition) ¶ 5. Each is designated and comprehensively regulated by the CFTC, and each offers event contracts—a form of derivative that allows market participants to place trades based on the occurrence or non-occurrence of real-world events—to users throughout the United States, including residents of Illinois. *See* David Decl. (Coalition), ¶¶ 4-6; Kallback Decl. (OG.com), ¶ 4; Lee Decl. (Polymarket US), ¶¶ 3-4.

The federal government's regulation of derivatives dates back more than a century, to when Congress first required grain futures to be traded on federally designated contract markets. Coalition Compl. ¶ 37, ECF No. 37-1. When Congress originally enacted the CEA, it contained a savings clause that expressly allowed for parallel state regulation. *Id.* In other words, states used to be allowed to "supplement or bolster the federal scheme." *Id.* (quoting *Rice v. Bd. of Trade of City of Chi.*, 331 U.S. 247, 255 (1947) (alterations omitted). That dual system of regulation proved to be costly. What ensued was "total chaos," where states began to subject derivatives exchanges to "different State laws" and "conflicting regulatory demands." *Id.* ¶¶ 38, 40; *see also Am. Agric.*

[1] The Court has authority to consider the Coalition's motion for a preliminary injunction while its motion for intervention is pending. *See*, *e.g.*, *Smith v. Bd. of Election Comm'rs for City of Chi.*, 586 F. Supp. 309, 312 (N.D. Ill. 1984) (ruling on motion to intervene and motion for preliminary injunction).

Movement, Inc. v. Bd. of Trade of City of Chi., 977 F.2d 1147, 1156 (7th Cir. 1992). Recognizing the need for a "comprehensive regulatory structure" and complete federal preemption, Congress amended the CEA in 1974 to grant the CFTC "exclusive jurisdiction" over derivatives. Coalition Compl. ¶¶ 38-39; *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Curran*, 456 U.S. 353, 356 (1982); 7 U.S.C. § 2(a)(1)(A). Courts immediately recognized that the newly amended CEA preempted state law. Coalition Compl. ¶ 40. Congress later broadened the CFTC's "exclusive jurisdiction" to reach swaps—a category that encompasses event contracts listed on CFTC-designated DCMs like the Coalition's members. *Id.* ¶¶ 42-45.

II. Illinois Seeks to Regulate and Subject Federally Designated Exchanges to Discriminatory Taxation

Illinois bans gambling, subject to limited exceptions. *See* the Illinois Gambling Act, 230 ILCS 10/1, *et seq*., the Illinois Sports Wagering Act, 230 ILCS 45/25-1, *et seq*., the Illinois Criminal Code, 720 ILCS 5/28-1(a), and the Illinois Administrative Code, 11 Ill. Admin. Code 1900.1210(a) (collectively, the Challenged Provisions). Defendants, in applying Illinois law, have adopted the position that the trading of event contracts on CFTC-designated exchanges is nothing more than unlawful gambling. *See* David Decl. (Coalition), ¶ 7; Kallback Decl. (OG.com), ¶¶ 8-9; Lee Decl. (Polymarket US), ¶¶ 6-7. Therefore, unless these exchanges conform with the strictures of Illinois law, Defendants seek to ban trading under State law. Coalition Compl. ¶¶ 56-60.

Defendants assert that Illinois law provides only one exception to its ban on the trading of event contracts on CFTC-designated DCMs: an Illinois-specific license to trade sports-related event contracts. 720 ILCS 5/28-1(b)(15) ("Participants in any of the following activities shall not be convicted of gambling: . . . Sports wagering when conducted in accordance with the Sports Wagering Act."). On June 16, 2026, Governor Pritzker signed Senate Bill 3019 (SB 3019), which,

in relevant part, amends the Illinois Sports Wagering Act to impose onerous licensing requirements on CFTC-designated DCMs. The amended Illinois Sports Wagering Act defines an "exchange wager" to include any "agreement, contract, transaction, or swap that is offered, traded, or executed on a prediction market or exchange tied to a sporting contest or sporting event." Coalition Compl. ¶ 63; 230 ILCS 45/25-10; *id*. 45/25-90(d-20). The amended Act makes clear that, because the Coalition's members offer what Illinois defines as "exchange wagers," they must obtain a "master sports wagering license" before facilitating the trading of any sports-related event contracts by Illinois residents. 230 ILCS 45/25-20; *id*. 45/25-45. An application for a license requires payment of a $250,000 fee to apply and $15,000,000 for the license itself. 230 ILCS 45/25-45(b).

As a condition of licensure, the State imposes trading restrictions and singles out prediction markets for disfavored tax treatment. For example, a "licensee … may only accept a wager from a person physically located in the State." 230 ILCS 45/25-25(e). Licensees also cannot accept wagers tied to Illinois collegiate teams or minor-league sports events. 230 ILCS 45/25-25(c)-(d). In addition, the amended Act requires CFTC-regulated DCMs to remit to Illinois a transaction fee of 1.75% to 3.5% of the value of each sports-related event contract traded on their markets, on top of the taxes imposed on gambling operators. Coalition Compl. ¶ 68. That fee may meet or exceed the transaction fees that Coalition members charge. *Id*.

This new transaction fee is in addition to "per wager" taxes of $0.25 and $0.50 (depending on volume) that the State already imposes on sports-wagering licensees and now appears to seek to impose on CFTC-designated exchanges. 230 ILCS 45/25-90(d-7). A $100 sports bet is one wager, incurring a single $0.25 tax. But event contracts are sold in individual units with a maximum value of $1. If a trader takes a $100 position in event contracts priced between $0.01 and $0.99, the trader would need to purchase potentially hundreds of event contracts. Illinois could

broadly interpret this requirement to mean that each event contract is considered a separate "wager" that would incur a separate $0.25 tax. If Illinois interprets this provision in this manner, that means for a $100 investment, a 25-cent tax could add up quickly. For example, if a trader purchases $100 worth of event contracts at $0.25 (400 contracts), the tax liability could amount to $100, or 100% of the trade value. And if a trader purchases $100 worth of event contracts at $0.01, the tax liability could amount to as much as an absurd 2,500% of the trade value. And because event contracts can be traded multiple times—just like other financial products like stocks—after just four trades at $0.01, the effective tax rate on the "wager" would equal 10,000%.

In sum, the State's amended law establishes a restrictive regulatory framework that bans many event contracts outright, and, through onerous licensing requirements and crippling taxes and fees, imposes a de facto ban on sports-related event contracts as well.

III. The Coalition Seeks to Intervene

The United States and the CFTC initially filed suit seeking to enjoin Illinois from enforcing the Challenged Provisions against CFTC-designated contract markets on April 2, 2026. *See* Compl., ECF No. 1. On June 17, 2026, Plaintiffs amended their complaint to seek relief relating to amendments to the Illinois Sports Wagering Act. *See* Am. Compl., ECF No. 30. That same day, Plaintiffs moved for a preliminary injunction prohibiting Defendants from enforcing those Challenged Provisions. Pls.' Mot. Prelim. Inj., ECF No. 31. Because the application of Illinois' recently amended regulatory scheme inflicts immediate, non-compensable harm on the Coalition's members, the Coalition sought to intervene on July 1, 2026 and now seeks preliminary injunctive relief. Coalition's Mot. Intervene, ECF No. 37.

ARGUMENT

A plaintiff seeking a preliminary injunction must establish that it "is likely to succeed on the merits, that [it] is likely to suffer irreparable harm in the absence of preliminary relief, that the

balance of equities tips in [its] favor, and that an injunction is in the public interest." *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008). The last two factors merge where injunctive relief is sought against State government officials. *Nken v. Holder*, 556 U.S. 418, 435 (2009); *United States v. Abbott*, 110 F.4th 700, 719 (5th Cir. 2024). All factors support a preliminary injunction here.

I. The Coalition Is Likely to Succeed on the Merits of Its Claims

The Coalition is likely to succeed on its claims that the Challenged Provisions are preempted by the CEA and that they violate the dormant Commerce Clause.

A. Illinois' Enforcement of the Challenged Provisions Is Preempted by the CEA

Federal law preempts the State's regulation of the trading of event contracts. As Plaintiffs explain in their motion, Illinois' regulatory efforts are preempted by the CEA, whether viewed through the lens of express, field, or conflict preemption. Pls.' Mot. Prelim. Inj. at 15-24. In particular, the State's efforts to single out CFTC-registered DCMs for disfavored tax treatment are unlawful: the discriminatory tax is exactly "the type of state law that Congress intended" the CEA "to supersede." *De Buono v. NYSA-ILA Med. & Clinical Servs. Fund*, 520 U.S. 806, 814 (1997).

Express Preemption. When a statute "contains an express pre-emption clause," courts "begi[n] and en[d]" with the "plain text." *Puerto Rico v. Franklin Cal. Tax-Free Tr.*, 579 U.S. 115, 125 (2016). That is the case here. The CEA provides that the CFTC "shall have *exclusive jurisdiction* . . . with respect to," among other things, "accounts, agreements, . . . and transactions involving swaps . . . traded or executed on a [designated] contract market." 7 U.S.C. § 2(a)(1)(A) (emphasis added). Event contracts are swaps, and they are traded on the Coalition's members' designated contract markets. Thus, they fall within the CFTC's exclusive jurisdiction. *See KalshiEX, LLC v. Flaherty*, 172 F.4th 220, 229 (3d Cir. 2026). The grant of "exclusive jurisdiction" demonstrates Congress's "clear and manifest purpose" to "supersede[]" the powers

of the States—even in areas where States may traditionally exercise authority. *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947); *accord De Buono*, 520 U.S. at 813 n.8.

That Congress granted the CFTC exclusive jurisdiction "*with respect to* accounts, agreements, . . . and transactions involving" derivatives traded on DCMs further underscores Congress's intent to circumscribe State authority. The Supreme Court has long interpreted the term "with respect to" to mean "'referring to,' 'concerning,' or 'regarding.'" *Montgomery v. Caribe Transp. II, LLC*, 146 S. Ct. 1199, 1204 (2026). "Putting the pieces together," States may not permissibly legislate "concerning" or "regarding" accounts, agreements or transactions involving derivatives (here, event contracts). *Id.* at 1204-05. That, instead, is the CFTC's "exclusive jurisdiction." 7 U.S.C. § 2(a)(1)(A).

Congress's grant of "exclusive jurisdiction" to the CFTC "excludes all state regulation, no matter how complementary, of those subjects touched by the federal regulatory scheme." *Rice v. Bd. of Trade of Chi.*, 331 U.S. at 254 n.6. In fact, the "thrust of the provision was to ensure that regulatory bodies other than the CFTC would not interfere with the orderly development and enforcement of commodities regulation." *Curran v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 622 F.2d 216, 232 (6th Cir. 1980), *aff'd*, 456 U.S. 353 (1982). To that end, the State's efforts to regulate the trading of event contracts—either by purporting to ban them as unlawful gambling under the Challenged Provisions or purporting to subject sports-related event contracts to licensing—"concern[]" or "regard[]" transactions involving event contracts. The CEA's express preemption thus "overrides" these laws. *Hoagland v. Town of Clear Lake*, 415 F.3d 693, 696 (7th Cir. 2005); *see Flaherty*, 172 F.4th at 229; Pls.' Mot. Prelim. Inj. at 18-21.

The CEA also preempts Illinois' imposition of onerous financial burdens to obstruct trading of event contracts on CFTC-designated DCMs. These too are barred by Congress's "clear

and manifest purpose" to displace State regulatory authority. *De Buono*, 520 U.S. at 815. True, notwithstanding federal preemption, a State may still impose a tax "of general applicability." *Id.*; *see* Coalition Compl. ¶¶ 94-95. That is not what Illinois has done, however. Instead, the State's specific targeting of CFTC-designated exchanges with the imposition of transaction fees and "per wager" taxes is exactly the kind of law the CEA "supersede[s]." *De Buono*, 520 U.S. at 814-15 (holding that ERISA did not preempt New York's "gross receipts" tax, as it applied to all hospitals and was therefore generally applicable). Illinois' taxes and fees apply *only* to derivatives qualifying as "exchange wagers," defined to include event contracts. 230 ILCS 45/25-10. So, the Illinois Sports Wagering Act is *not* a law of "general applicability." *De Buono*, 520 U.S. at 815. For example, these taxes and fees do not apply to any other kind of exchanges operating in the State or any other kind of derivatives traded in the State. That means that favored Illinois-based incumbents who deal primarily in non-sports derivatives are not burdened by the law's taxes and fees. Further, the transaction fees themselves apply *only* to federally regulated activity. The Act defines "exchange wager" as "an agreement, contract, transaction, or swap that is offered, traded, or executed *on a prediction market or exchange* tied to a sporting contest or sporting event." 230 ILCS 45/25-10 (emphasis added). It thus "contains [a] provision[] that expressly refer[s] to" conduct that is solely within the exclusive jurisdiction of the CEA. *De Buono*, 520 U.S. at 815. That is the hook for its application.

Illinois' taxes and fees discriminate against Federal interests. These taxes and fees impose disfavored treatment on an area of exclusive federal jurisdiction, compared to what the State treats as its non-federally regulated equivalent. That is the oldest Supremacy Clause violation in the book. *See McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 436-37; *cf. Dawson v. Steager*, 586 U.S. 171, 173-74 (2019). Illinois' law would impose a higher financial burden than the tax rate

the State imposes on its favored in-state industry (which by Illinois' lights is akin to prediction markets): federally regulated prediction markets are subject to the same "per wager" tax as licensed gambling operators but, because of the fundamental differences between traditional sports wagering and trading event contracts, this tax likely presents a markedly more onerous burden to the latter. *See supra*, II (describing potential 100% or 2,500% burden on event contracts by "per wager" tax). This is in addition to the 1.75% or 3.5% transaction fee, depending on the volume, which applies to trading on CFTC-designated DCMs alone. The "critical element" for application of these discriminatory burdens is trading on a federally regulated prediction market. *De Buono*, 520 U.S. at 815.

By specifically targeting the very event contracts and markets that are subject to the CFTC's exclusive jurisdiction and discriminating against them, Illinois has enacted a regulatory framework that the CEA was "intend[ed] to supplant." *De Buono*, 520 U.S. at 814.

Field Preemption. The CEA also reflects Congress's intent to "preempt[] state law" by occupying the "field" with respect to derivatives, including event contracts, traded on DCMs. *Flaherty, LLC*, 172 F.4th at 229 (collecting cases). In the 1974 amendments to the CEA, Congress's "purpose" was "to establish a Commission with broad regulatory and enforcement powers." *Bd. of Trade of City of Chi. v. Commodity Futures Trading Comm'n*, 605 F.2d 1016, 1025 (7th Cir. 1979). The legislators who enacted the CEA "were concerned that the states . . . might step in to regulate the futures markets themselves." *Am. Agric. Movement*, 977 F.2d at 1156. To avoid "conflicting regulatory demands" from states in the area of "national futures trading," Congress enacted the CEA to place "all exchanges and all persons in the industry under the same set of rules and regulations for the protection of all concerned." *Id.* Thus, Congress established "a comprehensive regulatory structure," and granted the CFTC "broad powers to administer and

enforce the CEA." *Id.* at 1155. And those 1974 amendments "preempt[ed] the field insofar as futures regulation is concerned." H.R. Rep. No. 93-1383, at 35-36 (1974).

By preempting the field of event contracts, Congress "has left no room for supplementary state legislation." *Flaherty*, 172 F.4th at 228. But the State's licensing requirements purport to impose restrictions in addition to those the CFTC has promulgated in regulating DCMs like the Coalition's members. Additionally, when it trades those contracts, the DCM must pay discriminatory taxes and fees. Rather than leave "all exchanges and all persons in the industry under the same set of rules and regulations"—those imposed by the CEA and the CFTC—Illinois' prohibition thus adds a different set of rules applicable only to contracts with Illinois licensees. *Am. Agric. Movement*, 977 F.2d at 1156. The CEA does not give the State the option to "regulate futures trading" in this way. *Flaherty*, 172 F.4th at 229.

Conflict Preemption. Conflict preemption also bars Illinois' enforcement of the Challenged Provisions. Under the principles of "conflict preemption," federal law preempts state law when the two "are in conflict." *Aux Sable Liquid Prods. v. Murphy*, 526 F.3d 1028, 1033-34 (7th Cir. 2008). Conflict preemption exists "if it would be impossible for a party to comply with both local and federal requirements or where local law 'stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'" *Id.* at 1033 (quoting *Hoagland*, 415 F.3d at 696).

The State's regulatory scheme runs headlong into federal law, making it impossible for the Coalition's members to comply with both. The CFTC's core principles require exchanges to offer "impartial access to" their "markets and services." 17 C.F.R. § 38.151(b). But the State's scheme violates this three times over. First, if Illinois bans the trading of a certain contract, then a DCM cannot meet its impartial access mandate for that contract. Second, Illinois' sports-specific license

likewise violates the impartial access mandate: it conditions licensure on limiting trading to those physically present in Illinois, flatly contradicting the uniform, nationwide market access that Congress intended. Third, the transaction fees and taxes fare no better. If federally regulated exchanges passed the costs of Illinois' taxes and fees onto customers, the exchanges would violate federal law by charging users in one State more than users in other states to access a prediction market. The law thus forces federally regulated entities to choose between violating the "impartial access" requirement or fully absorbing the costs of an unlawful state tax. Thus, it is impossible to comply with both the federal impartial-access requirement without fundamentally changing the operation of federally regulated prediction markets. *See Mut. Pharm. Co. v. Bartlett*, 570 U.S. 472, 475, 488-89 (2013) (rejecting the argument that a party can escape an impossibility conflict by exiting the market, since that "stop-selling rationale would render impossibility pre-emption a dead letter").

In addition, "[t]he Supreme Court has disapproved of states tailoring regulation to target federal schemes." *Churchill Downs Tech. Initiatives Co. v. Mich. Gaming Control Bd.*, 162 F.4th 631, 639 (6th Cir. 2025). The self-evident "effect" of the State's taxes and fees is to significantly raise prices for CFTC-designated prediction markets to operate within Illinois, undermining the CFTC's authority to decide how prediction markets should operate. *See Maryland v. Louisiana*, 451 U.S. 725, 749 (1981). Illinois' scheme "imposes extra burdens" on DCMs, *Churchill Downs*, 162 F.4th at 642, sets up a state-specific "obstacle" to the trading of federally regulated event contracts, and is an evident effort to resurrect the "patchwork" of state regulations that "Congress replaced wholecloth by creating the CFTC." *Flaherty*, 172 F.4th at 230.

B. The Illinois Sports Wagering Act Violates the Dormant Commerce Clause

The Illinois Sports Wagering Act's transaction fee and per-wager tax impermissibly discriminate against interstate commerce in violation of the dormant Commerce Clause. Article I,

Section 8 of the United States Constitution vests Congress with the power "[t]o regulate Commerce . . . among the several States." U.S. Const. art. I, § 8, cl. 3. The dormant Commerce Clause "prohibits economic protectionism—that is, regulatory measures designed to benefit in-state economic interests by burdening out-of-state competitors." *New Energy Co. of Ind. v. Limbach*, 486 U.S. 269, 273-74 (1988); *see Camps Newfound/Owatonna, Inc. v. Town of Harrison*, 520 U.S. 564, 581 (1997). When a State imposes a tax "discriminating against interstate commerce," it is "virtually *per se* invalid," unless the State can prove that the tax "has a substantial nexus with the State" and "is fairly related to the services provided by the State." *Fulton Corp. v. Faulkner*, 516 U.S. 325, 331, 334 (1996). A tax discriminates against interstate commerce when, for instance, it taxes "a transaction or incident more heavily when it crosses state lines than when it occurs entirely within the State." *Id.* at 331.

Illinois' transaction fee blatantly discriminates against interstate commerce. The fee is 1.75% of each exchange wager for the first five million exchange wagers in the fiscal year, and 3.5% for each exchange wager thereafter. *See* 230 ILCS 45/25-90(d-20). It violates the dormant Commerce Clause because the "practical effect" of the tax is to single out national-platform prediction markets, and only national-platform prediction markets, for substantial taxation. *Complete Auto Transit, Inc. v. Brady*, 430 U.S. 274, 278 (1977). Specifically, the transaction fee applies only to interstate activity—never to intrastate activity. Under federal law, it is impossible to offer a purely *intrastate* prediction market because prediction markets must be available nationwide. *See* 17 C.F.R. § 38.151(b) (requiring "impartial access" to CFTC-regulated platforms). Illinois' tax thus only ever applies to interstate commerce. However, when Illinois residents choose to place sports wagers on Illinois-licensed sports wagering platforms rather than trade event contracts on federally regulated prediction markets, licensed sports wagering entities

face no tax comparable to the exchange-specific tax prediction markets face.

Because Illinois' favored licensees operate "without the burden" imposed on DCMs, and the "principal application"—indeed the *only* application—of Illinois' new tax is to disincentivize the operation of prediction markets in Illinois, the tax is discriminatory. *Maryland*, 451 U.S. at 759. "[B]y design," the statutes "disproportionate[ly]" disadvantage "out-of-staters" and have a "pernicious effect on interstate commerce." *Camps Newfound*, 520 U.S. at 579. Illinois has offered no reason why the transaction fee is connected to any service it provides or any activity within the State. The Illinois Sports Wagering Act violates the dormant Commerce Clause.

II. The Coalition's Members Will Suffer Irreparable Harm Absent an Injunction

The Coalition's members will suffer irreparable harm so long as Illinois enforces or compels compliance with its preempted laws. Without immediate relief, "the prospect of [an ongoing] state suit" and other enforcement actions amplifies the Coalition's "irreparable injury." *Morales v. Trans World Airlines, Inc.*, 504 U.S. 374, 382 (1992). The Coalition is put to an impossible choice: "continually violate [Illinois] law and expose [itself] to potentially huge liability" or "suffer the injury of obeying [state] law during the pendency of the proceedings and any further review." *Id*. at 381. Both alternatives carry a promise of irreparable harm.

Compliance would demand immediate and costly changes to platforms, contract specifications, fee schedules, onboarding controls, and technology stacks—all solely for Illinois, and all nonrecoverable sunk costs that independently support a finding of irreparable harm. Kallback Decl. (OG.com), ¶ 12; Lee Decl. (Polymarket US), ¶ 11. Even if the state-specific licensing and charges are ultimately held unlawful and Illinois were to provide refunds for the unlawful collection of funds, the significant compliance costs imposed in the interim would likely be unrecoverable because of sovereign immunity. *See Ill. Bankers Ass'n v. Raoul*, 760 F. Supp. 3d 636, 664 (N.D. Ill. 2024) (finding irreparable harm where recovery of compliance costs would

be barred by sovereign immunity).

Additionally, the enforcement of the Illinois provisions will irreparably harm the goodwill and reputation that the Coalition's members have worked diligently to develop. Kallback Decl. (OG.com), ¶¶ 30-34; Lee Decl. (Polymarket US), ¶¶ 13-14. The loss of customer goodwill constitutes irreparable harm. *Life Spine, Inc. v. Aegis Spine, Inc.*, 8 F.4th 531, 546 (7th Cir. 2021). And interference with "current and prospective" customer relationships, *Duct-O-Wire Co. v. U.S. Crane, Inc.*, 31 F.3d 506, 509 (7th Cir. 1994), as well as "injury to reputation," are "precisely" the kind of hard-to-quantify injuries that are "irreparable," *Life Spine*, 8 F.4th at 546. Enforcement by Illinois for the Coalition's alleged noncompliance with its ban or unlawful licensing scheme would trigger notification and termination clauses in key commercial agreements, imperil indispensable banking and payments relationships, and deter prospective partners—all of which are reputational and relational injuries that cannot be adequately compensated. Lee Decl. (Polymarket US), ¶ 14. If federally regulated prediction markets terminate agreements with Illinois licensees or change their contract terms to comport with the Illinois law, this interference with their relationships with other businesses and customers would irreparably harm their reputation and erode customer goodwill. Kallback Decl. (OG.com), ¶ 32; Lee Decl. (Polymarket US), ¶ 13.

Alternatively, if the Coalition's members stopped offering their platforms in Illinois because of the fees imposed by the Illinois Sports Wagering Act, thus ending customer access in Illinois and unwinding positions within the State, that would be equally harmful and would conflict with impartial access obligations required by CFTC regulations. Excluding all of Illinois' residents would erect discriminatory barriers, undermine fair and nondiscriminatory participation, and produce uneven execution quality across the market. Such actions would not only violate federal law, but unwinding positions mid-stream would confuse customers, fracture liquidity, and

permanently impair predictive value. Kallback Decl. (OG.com), ¶¶ 23-26, 31; Lee Decl. (Polymarket US) ¶¶ 12-13.

In short, "the prospect of" operating under an unlawful state regime irreparably harms the Coalition's members by forcing a choice between continued operations "and expos[ing] themselves to potentially huge liability," or "suffer[ing] the injury of obeying the [preempted] law." *Morales*, 504 U.S. at 381; *see also Staffing Servs. Ass'n of Ill. v. Flanagan*, 720 F. Supp. 3d 627, 640 (N.D. Ill. 2024) (holding that a plaintiff would suffer "irreparable harm" where noncompliance with the challenged law exposes it to the threat of fines, and such effects exceed a minimal bookkeeping disruption). The specific injuries identified—nonrecoverable compliance costs, lost revenue, and loss of reputation and goodwill—are not remediable by money damages after the fact and are quintessential irreparable harm. *Ill. Bankers Ass'n*, 760 F. Supp. 3d at 664.

III. The Balance of Equities and the Public Interest Strongly Favor an Injunction

If allowed to stand, the State's actions would fracture the uniformity of the federal framework, disrupt lawful markets, and deprive its residents of lawful access to information-rich platforms Congress sought to protect. Under these circumstances, the balance of equities and public interest strongly favor an injunction. *Ill. Bankers Ass'n*, 760 F. Supp. 3d at 665 (both factors favor injunction when state law is preempted). And Illinois has no cognizable interest in enforcing preempted laws: "enjoining [a defendant] from engaging in unlawful behavior is no hardship at all." *Mkt. Track, LLC v. Efficient Collaborative Retail Mktg., LLC*, 2015 WL 3637740, at *23 (N.D. Ill. June 11, 2015); *Flaherty*, 172 F.4th at 232. Accordingly, the balance of the equities and the public interest weigh in favor of a preliminary injunction.

CONCLUSION

For these reasons and those set forth in Plaintiffs' motion, the Court should grant the Coalition's motion for a preliminary injunction.

Dated: July 7, 2026

Respectfully submitted

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Attorneys for Coalition for Fair Markets

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

COALITION FOR FAIR MARKETS,

Proposed Plaintiff-Intervenor,

THE UNITED STATES OF AMERICA and THE COMMODITY FUTURES TRADING COMMISSION,

Plaintiffs,

v.

STATE OF ILLINOIS; JB PRITZKER, the Governor of Illinois in his official capacity; KWAME RAOUL, in his official capacity as Attorney General of Illinois; DIONNE R. HAYDEN, in her official capacity as Chairperson of the Illinois Gaming Board; SEAN BRANNON, in his official capacity as Member of the Illinois Gaming Board; STEPHEN R. FERRARA, in his official capacity as Member of the Illinois Gaming Board; CALEB J. MELAMED, in his official capacity as Member of the Illinois Gaming Board; and MARCUS D. FRUCHTER, in his official capacity as Administrator of the Illinois Gaming Board

Defendants.

Case No.: 26-CV-3659

DECLARATION OF MATT DAVID

I, Matt David, declare as follows:

1. I am a Director of the Coalition for Fair Markets (the "Coalition"). I submit this declaration in support of the Coalition's Motion for a Preliminary Injunction. I am authorized to make this declaration on behalf of the Coalition.

2. As a Director of the Coalition, I manage the day-to-day operations of the Coalition consistent with the strategic priorities of the Coalition's members. I also currently serve as President of North America and Chief Corporate Affairs Officer for Crypto.com.

3. The facts set forth in this declaration are within my personal knowledge based on my review and familiarity with records maintained by the Coalition, and I could and would testify to them competently if called as a witness.

4. The Coalition is an industry association dedicated to advancing the interests of its members—prediction markets or designated contract markets ("DCMs") registered and regulated by the Commodity Futures Trading Commission ("CFTC")—by advocating for access to fair, open, and lawful markets. Consistent with that mission, the Coalition advocates for the legal recognition of prediction market activity as protected expression and lawful commerce and works to eliminate regulatory barriers that suppress participation in these markets, distort price signals, or criminalize the formation and communication of probabilistic opinion.

5. The Coalition's members include CFTC-licensed DCMs that maintain platforms on which customers can buy, sell, or trade event contracts on a fully collateralized basis. An event contract is a derivative contract whose payoff is based on a specified event, occurrence, or value.

6. CFTC-licensed DCMs, including the Coalition's members, are subject to rigorous federal regulation. To obtain and maintain a CFTC designation, DCMs must satisfy the Commodity Exchange Act's ("CEA") extensive "core principles" and comply with the CFTC's

regulations governing market integrity, transparency, financial safeguards, real-time trade surveillance, and customer protection. Among other things, licensed DCMs must provide impartial access to markets and services and may not list a new event contract for trading without first certifying to the CFTC that the contract complies with the CEA and CFTC regulations, including the rules applicable to the listing of swaps. The CFTC retains continuing authority to investigate, stay, or amend any listed contract, and wields broad tools to enforce compliance.

7. Even though federal law comprehensively governs the trading of event contracts on DCMs, I understand that the State of Illinois has taken the position that the offering of event contracts by prediction markets constitutes unlawful gambling and unlicensed sports wagering under Illinois law. The Illinois Gaming Board ("IGB") has issued cease-and-desist letters accusing the Coalition's members of engaging in unlawful gambling in violation of Illinois law (the "Cease-and-Desist Letters"). The Cease-and-Desist Letters ordered the Coalition's members and their affiliates to "cease and desist this illegal activity" and threatened that failure to comply could result in "civil or criminal penalties."

8. I understand that Illinois has now taken an additional step to codify its campaign against event contracts. On June 16, 2026, Governor Pritzker signed into law Senate Bill 3019 (SB 3019), which expands the scope of the Illinois Sports Wagering Act by providing a sweeping definition of the previously undefined term "exchange wagering" that is designed to capture financial derivatives traded on CFTC-designated contract markets. I understand that by incorporating prediction markets within the definition of exchange wagering, SB 3019 subjects CFTC-regulated DCMs to onerous licensing and taxing obligations.

9. Enforcement of SB 3019 alongside other provisions of Illinois law cited by the IGB in the Cease-and-Desist Letters[1] (together, the "Challenged Provisions") places DCMs operating in Illinois in an impossible position: either (a) cease offering their platforms to Illinois residents and within Illinois altogether—which may not even prove feasible; (b) adopt Illinois' sports-specific license and expend significant resources to pay the taxes and fees imposed by the license, while also reengineering contracts and platforms to satisfy Illinois-specific requirements; or (c) continue operating under the looming specter of state enforcement. Any of these choices presents potentially catastrophic consequences for the Coalition's members.

10. Because the Challenged Provisions pose an immediate threat to the interests of the Coalition's members, the Coalition seeks a preliminary injunction barring the State of Illinois from enforcing the Challenged Provisions.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed in Sacramento, California, on July 7, 2026.

Signed by:
Matt David
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Matt David
Director
Coalition for Fair Markets

[1] I understand that, in asserting that trading on CFTC-registered DCMs is unlawful gambling, the State of Illinois has also relied on the Illinois Gambling Act, 230 ILCS 10/1, et seq., the Illinois Sports Wagering Act, 230 ILCS 45/25-1, et seq., the Illinois Criminal Code, 720 ILCS 5/28-1(a), and the Illinois Administrative Code, 11 Ill. Admin. Code 1900.1210.

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Defendants.

Case No.: 26-CV-3659

DECLARATION OF DAN LEE

DECLARATION OF DAN LEE

I, Dan Lee, declare as follows:

1. I am the Chief Executive Officer of QCX LLC, d/b/a Polymarket US. As CEO of Polymarket US, I manage and oversee executive staff at Polymarket US to further operational, compliance, and strategic goals. Prior to joining Polymarket US, I held product and business roles at Coinbase, Tower Research Capital, and J.P. Morgan focused on regulated financial markets, exchange operations, market structure, institutional trading, and regulatory engagement. I hold a B.S. in Business, Finance, from Virginia Tech and have passed all three levels of the CFA exam.

2. The facts set forth in this declaration are within my personal knowledge based on my review and familiarity with records maintained by Polymarket US, and I could and would testify to them competently if called as a witness.

3. On June 16, 2022, QCX LLC applied to the CFTC for designation as a contract market. After the CFTC designated QCX LLC as a contract market on July 9, 2025, it began doing business as Polymarket US. Polymarket US remains a designated contract market comprehensively regulated by the CFTC today.

4. Polymarket US enables users throughout the United States, including residents of Illinois, to trade event contracts on a fully collateralized basis. An "event contract" is a "derivative contract whose payoff is based on a specified event, occurrence, or value."[1] Polymarket US currently offers event contracts with a notional value of one dollar. For example, Polymarket US permits users to enter into contracts based on the official result of an athletic event (such as the Super Bowl), cultural events, and elections, among other contracts.

[1] https://www.cftc.gov/IndustryOversight/ContractsProducts/index.htm.

5. Before listing such an event contract, Polymarket US certifies to the CFTC that the contract complies with the Commodity Exchange Act ("CEA") and CFTC regulations, including the rules applicable to the listing of swaps. Once swaps are listed, users place orders, specifying the predicted outcome, the price which the user is willing to pay, and the quantity of contracts desired. The orders are then matched to execute trades. Contracts typically pay out $1 if the outcome does in fact occur, $0 if it does not, and $0.50 if there is a tie.

6. Even though federal law governs the trading of event contracts on a designated contract market like the one operated by Polymarket US and its competitors, I understand that the State of Illinois seeks to impose prohibitions on CFTC-registered DCMs including Polymarket US. In particular, on January 27, 2026, the Illinois Gaming Board ("IGB") sent Polymarket US a cease-and-desist letter threatening Polymarket US with civil and criminal enforcement for offering federally regulated event contracts to Illinois residents. I also understand that the State has now enacted legislation that discriminates against federally regulated DCMs, including Polymarket US, by subjecting them to onerous licensing requirements, exorbitant transaction fees, and a punitive transaction-by-transaction tax.

7. I understand that, absent an order prohibiting Illinois from enforcing the State's gambling laws, including but not limited to the Illinois Gambling Act, 230 ILCS 10/1 *et seq.*, the Illinois Sports Wagering Act, 230 ILCS 45/25 1 *et seq.*, the Illinois Criminal Code, 720 ILCS 5/28-1(a), and the Illinois Administrative Code, 11 Ill. Admin. Code 1900.1210(a), through any criminal or civil enforcement actions related to event contracts listed on CFTC-regulated DCMs, the State of Illinois will likely enforce these laws, and Polymarket US would be effectively prohibited from operating in Illinois or offering event contracts to Illinois residents, despite federal authorization.

As I explain below, enforcement of Illinois' regime would cause considerable harm to Polymarket US.

8. Enforcement—or even the credible threat of it—puts Polymarket US to an impossible choice: either (a) cease offering its platform to Illinois residents and within Illinois altogether—which may not even prove feasible; (b) adopt the Illinois-sports specific license and expend significant resources to pay the taxes and fees imposed by the license, while also reengineering its contracts and platforms to satisfy Illinois-specific requirements; or (c) continue operating under the looming specter of state enforcement. All of these options will cause significant harm to Polymarket US.

9. It would be difficult to estimate the harm Polymarket US would suffer if the State of Illinois were permitted to interfere with Illinois-based trading on Polymarket US. Polymarket US launched its first event contract markets in the United States in October 2025. Since then, consistent with its goal of offering high-quality services to its members, Polymarket US has focused on operating responsibly and protecting the integrity of its markets so that markets remain stable and reliable at scale. Customers prefer and rely on consistent and reliable platforms. If Polymarket US were forced to disrupt users' experience by ceasing or altering operations because of efforts by the State of Illinois to enforce an unlawful regulatory regime, harm to Polymarket US's reputation, goodwill, and customer base would follow. It is my understanding that Polymarket US cannot recover for these harms from the State.

10. Complying with the licensing scheme by incurring the cost of a license and paying the State's transaction fees and what I understand the State may interpret to be a "per wager" tax would also cause significant damage to Polymarket US's business. Setting aside the upfront cost of obtaining a license, which I understand to be more than $15 million, the cumulative burden of

the transaction fee and "per wager" tax would effectively ban event contracts in state given that these fees exceed the per-transaction fee that Polymarket US charges traders, meaning each event contract would be offered at a loss.[2]

11. I also understand that SB 3019 prohibits licensees from accepting wagers from anyone who is not physically located in Illinois. Compliance with this aspect of Illinois' regulatory regime would require immediate, substantial expenditures to modify platforms, onboarding controls, and technology stacks solely for Illinois. In particular, Polymarket US would have to make significant technological changes to its platform to allow it to determine the precise geographical location of its users and cease offering sports event contracts to certain users based on their location. Because it is regulated federally, Polymarket US presently has no need to geolocate users on a state-by-state basis or tailor its platform and systems to state-level requirements. Implementing such capabilities will require an enormous investment in geolocation and geofencing technologies. My understanding is that these costs could not be recovered from the State of Illinois even if Plaintiffs succeed in this suit. I also understand that these technologies would be time-consuming and difficult to implement and particularly challenging to implement immediately.

12. The geographic sensitivity of Illinois's licensing scheme would not only harm Polymarket US by imposing substantial compliance costs, but could also jeopardize Polymarket US's status as a CFTC-registered DCM. I am aware that as a federally regulated DCM, Polymarket US is required to adhere to a number of Core Principles promulgated by the CFTC. One of those Core Principles require DCMs to establish "access requirements" that provide users with "impartial access" to its market in a non-discriminatory manner. If Polymarket US is required

[2] https://docs.polymarket.us/fees.

to exclude certain users from accessing its market based on the state in which the user is located, it could be accused of not providing impartial access and could be found to have violated the CFTC's Core principle requiring the provision of access in a non-discriminatory manner. It is my understanding that failing to comply with the CFTC's Core Principles could cause Polymarket US to lose its designation as a DCM. Losing its status as a CFTC-registered DCM would be devastating for Polymarket US's business. In addition, failing to comply with these Core Principles could subject Polymarket US to significant civil penalties.

13. Cutting off trading by Illinois-based users would necessarily cause Polymarket US to lose out on the business it would have generated from Illinois customers. My understanding is that these lost profits could not be recovered from the State of Illinois even if Polymarket US succeeds in this suit. Ceasing Illinois-based trading would also decrease liquidity for the users that remain on the platform, resulting in a less desirable product. Reduced liquidity dampens price discovery and market efficiency on the Polymarket US platform—two features that give event contracts their predictive value and that make trading platforms attractive to users. Even if only temporary, such decreased utility would erode Polymarket US's reputation and goodwill nationwide. Terminating operations in Illinois would also force Polymarket US to change its contract terms, thereby interfering with existing business relationships and further jeopardizing its goodwill and reputation.

14. Continuing operations under threat of enforcement would also cause significant reputational harm to Polymarket US. Actual or threatened enforcement actions—regardless of their merit—harm Polymarket US's reputation and customer goodwill because they falsely imply that Polymarket US is illegal or improper. An enforcement action causes at least some people in the State of Illinois to erroneously believe that trading on a CFTC-regulated, designated contract

market is illegal, and triggers notification and termination clauses in key commercial agreements, thus imperiling indispensable banking and payments relationships and deterring prospective business partners. The reputational damage worsens every day. And it will be difficult (if not impossible) to reverse that damage.

15. Without clarification regarding the State of Illinois' lack of jurisdiction over Polymarket US, Polymarket US risks unfounded civil and criminal liability if it continues to allow users to trade event contracts in the State of Illinois. The State asserts that Polymarket US is violating several provisions of Illinois law by offering federally regulated event contracts to Illinois-based users. I understand that these provisions carry civil fines and criminal liability. For example, I understand that 230 ILCS 10/18(a)(1) makes it a misdemeanor to "conduc[t] gambling where wagering is used or to be used without a license issued by the Board," and subjects violators to a minimum fine of $75 to as much as $2,500 for each offense. 730 ILCS 5/5-4.5-55. As a result, without intervention from this Court, I fear that Polymarket US will be exposed to penalties if it continues to offer event contracts to its members in Illinois.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed in Brooklyn, NY, on July 7, 2026.

Signed by:
Dan Lee
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Dan Lee
Chief Executive Officer
QCX LLC d/b/a Polymarket US

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Defendants.

Case No.: 26-CV-3659

DECLARATION OF SCOTT KALLBACK

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1. I am the interim Chief Compliance Officer of North American Derivatives Exchange, Inc. d/b/a OG.com ("OG.com"). I have nearly 23 years' experience in the financial services field, including time with the National Futures Association and Intercontinental Exchange, Inc. I have been in my current role since January 2026.

2. As Chief Compliance Officer at a United States Commodity Futures Trading Commission ("CFTC")-registered entity, it is my responsibility to demonstrate compliance with the Commodity Exchange Act ("CEA") and CFTC regulations, including the Core Principles related to the contracts offered for trading at OG.com. This responsibility includes, but is not limited to, establishing and administering compliance policies and procedures and promoting an overall culture of compliance.

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. I submit this Declaration in support of OG.COM's Motion for Preliminary Injunction.

4. OG.com is a CFTC-registered designated contract market ("DCM"). On January 30, 2025, pursuant to 7 U.S.C. § 7a-2(c)(1) and 17 C.F.R. § 40.2(a), OG.com's predecessor certified and announced its intention to list a new category of event contracts: "Industry Event - Live Presentations" contracts. The event contracts certified under this process include event contracts OG.com currently offers on its market where the underlying event is a sporting event.

5. I understand that the State of Illinois seeks to impose an unlawful regulatory regime on CFTC-registered DCMs including OG.com. I understand that, absent preliminary injunctive relief, the State would aggressively enforce this regime, and OG.com would be effectively barred from operating in Illinois or offering event contracts to Illinois residents, despite federal authorization.

6. I offer this Declaration to describe the harms that OG.com and its users will incur absent relief from this Court—specifically, the harms that would result if OG.com did not comply with Illinois' regulatory regime and the harms that would result if OG.com did comply.

I. HARMS RESULTING FROM NONCOMPLIANCE

7. In the absence of a preliminary injunction, if OG.com continues to offer event contracts in Illinois, I understand that it risks the imposition of unlawful civil and criminal penalties by Illinois state authorities.

8. On April 1, 2025, the Illinois Gaming Board ("IGB") issued a cease-and-desist letter accusing OG.com of engaging in unlawful gambling in violation of Illinois law (the "Cease-and-Desist Letter"). The IGB ordered OG.com and its affiliates to "cease and desist this illegal activity" and threatened that failure to comply could result in "civil or criminal penalties." For support, the IGB cited several provisions of Illinois law that it claims applied to make the Coalition's members' trading of event contracts illegal. In particular, The IGB cites 720 ILCS 5/28-1(a), an Illinois criminal statute that defines gambling to include "knowingly establish[ing], maintain[ing], or operat[ing] an Internet site that permits a person to play a game of chance or skill for money or other thing of value by means of the Internet or to make a wager upon the result of any game, contest, political nomination, appointment, or election by means of the Internet." It also cites 230 ILCS 10/18(a)(1), which makes it a misdemeanor to "conduc[t] gambling where wagering is used or to be used without a license issued by the Board," as well as 730 ILCS 5/5-4.5-55, which sets forth the applicable penalties for misdemeanors. These penalties include a minimum fine of $75 to as much as $2,500 for each offense. Finally, the IGB cites 230 ILCS 45/20-(a) and its applicable regulation, 11 Ill. Adm. Code 1900.1210(a), which permit "sports wagering" but only to the extent a company has an Illinois state-specific license.

9. I understand that on June 16, 2026, Governor Pritzker signed into law Senate Bill 3019 (SB 3019), which expands the scope of the Illinois Sports Wagering Act by defining the term "exchange wagering" to capture financial derivatives traded on CFTC-designated contract markets. I understand that by incorporating prediction markets within the definition of exchange wagering, SB 3019 subjects CFTC-regulated DCMs, including OG.com, to onerous licensing obligations and multiple layers of taxation.

10. OG.com's operations, which are lawful under federal law, risk exposing OG.com, as well as its officers and directors, to a catch-22: continue to operate its business in Illinois in compliance with federal law while facing potential civil and criminal liability from the State, or attempt to comply with the State's assortment of regulations in potential violation of the CEA while suffering significant harms to its business, its reputation, and its users.

II. IRREPARABLE HARM CAUSED TO OG.COM BY THE STATE OF ILLINOIS' CONFLICTING PREDICTION MARKET REGULATIONS

11. I understand that to avoid enforcement by the State of Illinois, OG.com would have to either: (1) cease offering its platform to Illinois residents and within Illinois altogether, even though it is a CFTC-designated contract market authorized to offer contracts nationwide, including in the State of Illinois; or (2) submit to Illinois' licensing scheme and pay transaction fees and taxes while reengineering its platform to satisfy Illinois-specific requirements. Either choice would cause significant harm to OG.com and its users.

A. Harms Resulting from Technological Challenges in Complying with Illinois' Regulatory Regime

12. I understand that Illinois' new legislation prohibits licensees from accepting wagers from anyone who is not physically located in Illinois. Compliance with this aspect of Illinois law would require immediate, substantial expenditures to modify platforms and redesign contract specifications, fee schedules, onboarding controls, and technology stacks solely for Illinois.

OG.com would have to make significant technological changes to enable it to determine the precise geographical location of its users at any point in time and to cease offering event contracts to certain users based on their location. I have engaged in internal discussions with our leadership and technical team to determine the feasibility of compliance at both steps. Compliance would be costly and difficult to implement even under a relaxed timeline and even more costly and difficult to implement immediately. And I understand that any compliance-related costs could not be recovered from the State of Illinois even if Plaintiffs succeed in this suit.

13. Users' precise, real-time location may be ascertained through a process called geolocation (or geopositioning). Geolocation is a multi-step process that allows real-time identification of the physical location of a device and offers a more consistent and reliable method for identifying a device's precise location at any point in time than the less sophisticated method of relying solely on the device's IP address to determine its location. Whereas geolocation provides a specific location cross-referenced across multiple sources of information, IP-based location tracking provides only city-level location data.

14. As a national exchange regulated by the CFTC, and not by individual states, OG.com has never had the need to develop geolocation technology to determine the precise location of its users. OG.com does not restrict access to its market or to particular contracts based on a user's location, because OG.com is subject to the requirements set by the CFTC, which do not apply different standards to users in different states and require users to be treated uniformly regardless of their state of residence. If OG.com were required to comply with Illinois' interpretation of state gambling law, it would need to enlist the services of a reputable, licensed location-based technology provider. Based on my understanding of the market and prior

experience, I estimate that contracting with a licensed location-based technology provider would cost OG.com up to millions of dollars annually.

B. Harms from Halting Access to Event Contracts in Illinois

15. Even if OG.com could implement geolocation and geofencing technology to prevent users located within Illinois from *entering* certain event contracts, that would not immediately eliminate any positions in event contracts *currently held* by users located in Illinois.[1]

16. Regardless of whether OG.com chooses to withdraw from Illinois altogether or submit to the licensing requirement and multi-level tax regime, compliance will prevent Illinois users from further trading on at least some categories of event contracts, including exiting current positions. Illinois users would, therefore, be locked into their positions on those contracts until the conclusion of the underlying event. Alternatively, OG.com could be required to force its Illinois users to liquidate their current positions at either their cost basis or current market value. Each of these possible approaches would cause OG.com and its users incalculable financial harm by undoing their ability to, among other things, hedge against future risks.

i. Preventing Trades by Illinois Users Currently Holding Positions in Event Contracts

17. Withdrawing entirely from Illinois could result in OG.com being required to prevent Illinois users who currently hold positions in event contracts from selling their positions to other OG.com users. As a result, Illinois users would be locked into their positions until the outcome of the underlying event. Illinois users, therefore, would not be able to access the funds

[1] Because OG.com does not currently offer sports-related event contracts in Illinois, no sports-related event positions would be affected by compliance with the State's new requirements. However, because Illinois law purports to ban all event contract trading except for the trading of sports-related event contracts on DCMs with an Illinois-specific license, compliance with the State's new laws would require OG.com to eliminate positions held by users in all non-sports-related event contracts.

they invested in positions in event contracts. Given current market conditions and uncertainty, this lack of access could result in substantial losses.

18. Pausing Illinois users' positions would also disturb Illinois users' investment-backed expectations. Users of OG.com's market expect to be able to alter their investments as market conditions change. But if Illinois users are prevented from altering their positions in event contracts, they will be unable to react to changing market conditions by exiting their positions during the pendency of their contracts.

19. Users of derivatives, including event contracts, are constantly ascertaining risk and market conditions to make decisions about their current positions and exit those positions when market conditions so dictate. Indeed, traders often take positions on long-term contracts with the intent to exit their positions prior to the expiration of the contract. These traders monitor market fluctuations during the pendency of the contract to determine the opportune time to exit their positions. Flexibility regarding when a trader can exit a position, therefore, is often essential to his or her strategy for using derivatives to hedge against future risks.

ii. *Liquidating Illinois Users' Positions*

20. As an alternative to pausing trading on event contracts currently held by Illinois users, OG.com could settle all event contracts involving an Illinois user by refunding the cost of the user's position or paying out its current value. Either approach would cause significant harm to both OG.com and its users.

21. To begin, paying out Illinois users based on either the cost of their positions or the positions' current value would cause substantial harm to OG.com. OG.com is a neutral market operator that matches trades between willing buyers and willing sellers. Thus, when a user enters an event contract through OG.com's market, OG.com does not take the opposite position in the contract; rather, another user on OG.com's market does. OG.com holds users' funds during the

pendency of an open contract, but OG.com does not have access to the immediate liquidity necessary to refund users' investments from its own funds. Thus, if OG.com were forced to use its own funds to refund the cost of users' positions in event contracts involving a user located in Illinois, it would cause significant financial harm to OG.com.

22. Liquidating Illinois users' positions at either their cost basis or current value could also lead to substantial losses for OG.com users or otherwise deprive them of the value of their investments. Indeed, if OG.com liquidated Illinois users' positions in event contracts based on their cost value, any Illinois user whose position has increased in value would be deprived of the value of that increase. Similarly, if OG.com liquidated Illinois users' positions based on their current value, Illinois users may suffer significant losses. For example, an Illinois user may have purchased a position in an event contract for 50 cents, but due to current market conditions, the current value of that position is only 25 cents. The Illinois user may have conviction that this will ultimately become a winning position or may decide to wait out the decline in value and exit their position after anticipated gains. But if OG.com were forced to liquidate the contract at the current price, the trader would be forced to incur this substantial loss in value.

23. Liquidating Illinois users' positions in event contracts at their cost basis or market value would also cause a significant disruption in the market for event contracts. If many traders exit a particular position simultaneously, it may send a false signal to the market regarding the value of that position, causing the price to change in response. This distorting effect on the price of a position caused by the forced exit of a group of traders could impair other traders' ability to accurately ascertain market conditions and alter their own positions accordingly.

C. Harms from OG.com's Violation of CFTC Requirements to Provide Impartial Access to Markets and Prevent Price Distortion

24. As explained above, complying with Illinois' regulatory regime would result in significant disruption to the event contracts market. This disruption would not only harm other investors on OG.com's market, but it could also jeopardize OG.com's status as a CFTC-registered DCM.

25. DCMs are governed by a number of Core Principles promulgated by the CFTC. One of those Core Principles provides that DCMs are responsible for preventing "manipulation, price distortion, and disruptions of the delivery or cash-settlement process." 17 C.F.R. § 38.250. Specifically, DCMs "must establish and maintain risk control mechanisms to prevent and reduce the potential risk of price distortions and market disruptions." 17 C.F.R. § 38.255. But compliance with Illinois' regime would require OG.com to engage in precisely the sort of price distortion and disruptions to the settlement process that it is responsible for preventing. Preventing Illinois users from exiting current positions in event contracts could cause disruptions to the settlement process, and liquidating Illinois users' positions would cause significant price distortion.

26. In addition, the CFTC's Core Principles require DCMs like OG.com to establish "[a]ccess requirements" that provide users with "impartial access" to its market. See 17 C.F.R. §§ 38.150-38.151. The access criteria must be "impartial . . . and applied in a non-discriminatory manner." *Id.* § 38.151(b)(1). If OG.com is required to exclude certain users from accessing its market based on the state in which the user is located, it could be accused of not providing impartial access and could be found to have violated the CFTC's Core Principle requiring the provision of access in a non-discriminatory manner.

27. Failing to comply with the CFTC's Core Principles could cause OG.com to lose its designation as a DCM. *See* 17 C.F.R. § 38.100(a). Losing its status as a CFTC-registered DCM would be devastating to OG.com's business.

28. In addition, failing to comply with these Core Principles could subject OG.com to significant civil penalties. *See* 7 U.S.C. §§ 13a, 13a-1(d).

D. Harms from Transaction Fees and Per Wager Tax

29. Complying with the licensing scheme by incurring the cost of a license and paying the State's transaction fees and "per wager" tax would also cause significant damage to OG.com's business. Setting aside the over $15 million cost of obtaining a license, the cumulative burden of the transaction fee and "per wager" tax would be catastrophic: Together, these fees could exceed the per-transaction fee that OG.com's charges traders resulting in OG.com operating at a loss on each event contract.[2]

E. Reputational Harms

30. Compliance with Illinois' regulatory regime would also cause reputational harm to OG.com.

31. The market uncertainty and disruption caused by Illinois users abruptly being frozen in or forced to leave the market could cause other users to leave the OG.com market, as they would lose confidence in the integrity of the market. Even if OG.com were to ultimately prevail in this litigation, regaining users' confidence would be exceedingly difficult, as users would likely turn to other markets in the wake of the uncertainty created by the actions OG.com would be forced to take in complying with Illinois's interpretation of state gambling law.

32. Compliance would also require OG.com to change its contract terms, thereby interfering with existing business relationships and further jeopardizing its goodwill and reputation.

[2] https://help.OG.com/en/articles/12958828-fees-limits.

33. Moreover, other states may follow Illinois's lead and impose their own unlawful interpretations of state gambling law on OG.com's offerings. In fact, other states have already expressed similar sentiments to OG.com and other DCMs. The very real threat that other states will continue to follow suit causes further uncertainty regarding the market for OG.com's products, leading to further reputational harms.

34. Continuing operations under threat of enforcement would also cause OG.com significant reputational harm. Enforcement actions—even meritless ones—harm OG.com's reputation and customer goodwill because they falsely imply that OG.com is illegal or improper.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed in Colorado Springs, CO on July 7, 2026

Signed by:
Scott Kallback
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Scott Kallback
Chief Compliance Officer and Chief Regulatory Officer
North American Derivatives Exchange, Inc. d/b/a OG.COM.com