

December 5, 2025

Meghan La Corte
Director of Licensing
Underdog Sports, LLC
150 Waterbury Street
Brooklyn, NY 11206
Via certified mail, return receipt requested (9214 8901 8992 7500 0368 72)
Via U.S. Mail, Postage Prepaid
Via Email: meghan.lacorte@underdogfantasy.com

Nicholas Green
General Counsel
Underdog Sports Holdings, Inc.
Via Email: nicholas.green@underdogfantasy.com

Re: Notice of Violation and Intent to Revoke Underdog License (FS200008)

Dear Ms. La Corte and Mr. Green,

On August 23, 2021, the Arizona Department of Gaming ("ADG") awarded Underdog Sports, LLC ("Underdog") a fantasy sports contest operator license, numbered [REDACTED] (renewed on August 19, 2025, with an expiration date of August 31, 2027, and renumbered [REDACTED]), to operate fantasy sports contests in the State of Arizona ("Arizona" or the "State"). Underdog has maintained its license since that time and has, and continues to, operate fantasy sports contests in the State.

Within the last year, prediction market operators ("DCMs") like Crypto.com ("Crypto") began selling event contracts in Arizona. As a result, ADG sent a letter to Crypto on May 21, 2025, (copy included herewith as Exhibit "A") directing it to cease and desist from conducting illegal gambling in Arizona. Crypto has ignored ADG's direction and continues to operate unlicensed gambling in the State.

As a result of this situation, ADG sent a letter to Underdog on September 15, 2025 (copy included herewith as Exhibit "B"). In the letter, ADG notified Underdog of the cease-and-desist letter to Crypto. It also warned that:

[I]n determining suitability, the Department will consider any relationship between the licensee (to include its owners, related entities, principals, agents, or employees) and a person or entity offering, enabling, or selling event contracts in Arizona. In addition, the Department will consider the conduct of a licensee, or its owners, related entities, principals, agents, or employees, to offer, enable, or sell event contracts in other jurisdictions, or to maintain any relationship with a person or entity that is engaged in that activity.

ADG also made note to Underdog of its authority to revoke licenses or otherwise place conditions upon them. Thereafter, ADG inquired as to Underdog's involvement with DCMs (letter included herewith as Exhibit "C"). By letter dated November 4, 2025 (copy included herewith as Exhibit "D"), Underdog wrote to ADG stating:

A company affiliated with Underdog Sports, LLC is currently involved with a DCM. UDM Services, LLC, a wholly owned subsidiary of Underdog Sports Holdings, Inc. ("Underdog"), has contracted with Forix Dax Markets, Inc. and its affiliate North American Derivatives Exchange, Inc. d/b/a Crypto.com | Derivatives of North America ("CDNA"), a federally Designated Contract Market ("DCM"), to provide technology services for NADEX's federally approved exchange of event contracts. At this time, Underdog is only providing these technology services for contracts based upon the outcome of sports events, and Underdog is not providing these services to persons physically located in Arizona (as of today, these markets are available through the Underdog platform in 18 states). We also do not have any current plans to offer any sort of prediction market that is not sports-related.

Currently, on its website, Underdog explains, in the "Rules" related to its "Prediction Picks," as follows:

All prediction market trades are exchanged in NADEX d/b/a Crypto, Inc., a designated contract market and derivatives clearing organization regulated by the Commodity Futures Trading Commission. UDM Services, LLC (d/b/a Underdog Predict), a wholly owned indirect subsidiary of Underdog Sports Holdings, Inc, provides certain services to NADEX/Crypto, Inc. as a technology services provider. . .

Event contracts are offered by Crypto.com | Derivatives North America, a CFTC-regulated exchange, powered by Underdog Predict. . .

To the extent that you consent to opening an account with Crypto.com for prediction market trading by acknowledging the Crypto.com Terms of Use, the Crypto.com Privacy Policy, the Risk Disclosure Statement, the Membership Agreement, and the CDNA Rulebook, you acknowledge and agree that Underdog (or any of its affiliates) is authorized to act on your instruction received through the use of your username and password to trade, withdraw from, and fund your Account for prediction market trading. . .

Prediction Picks are available only in the following states: Alabama, Alaska, Arkansas, California, Florida, Georgia, Kansas, Minnesota, Missouri, Nebraska, New Mexico, North Dakota, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Texas, Utah, Vermont, Virginia, Washington, DC, Wisconsin, and Wyoming.

ADG has investigated this matter. It has determined that Crypto continues to operate illegally in Arizona. It has also determined that Underdog (to include related entities) is enabling the sale of event contracts in the United States in partnership with Crypto (and related entities). Underdog makes the sale of event contracts with Crypto plain on the same site on which it advertises other products to Arizona residents. Finally, Underdog has confirmed directly and on its website that it (or related entities) have entered into

an agreement with Crypto whereby persons in more than twenty (20) states and the District of Columbia can buy event contracts through their Underdog accounts.

Fantasy sports contests can only be conducted in Arizona by licensees operating in compliance with State law and ADG rules. Arizona Administrative Code ("A.A.C") R19-4-202. ADG is obligated to monitor licensees, audit their compliance, and investigate suspected violations. A.A.C R19-4-203(C). ADG "may adopt rules related to conducting fantasy sports contests" to include "any . . . rule the department determines is necessary to ensure the integrity of fantasy sports contests." Arizona Revised Statutes ("A.R.S.") §§ 5-1202(D) and 5-1207(6).

ADG "has jurisdiction over each person involved in conducting a fantasy sports contest." A.R.S. § 5-1202(D); *see also* A.R.S. § 5-1209(C) and A.A.C R19-4-203(B). It may revoke, suspend or deny a license if, among other things, a licensee aids or abets a person to violate the laws of the State or ADG's rules or is a person whose habits and associations pose a threat to the public interest of this State. A.R.S. § 5-1209(A)(2) and (12); *see also* A.R.S. § 5-1210(F) and A.A.C. R19-4-223.

ADG has determined that Underdog, by contracting with Crypto, benefitting from Crypto's services, supporting Crypto's interests, and providing financial support to Crypto is aiding and abetting Crypto's illegal conduct in Arizona and providing it with a façade of legitimacy. Moreover, and in the same fashion, Underdog's relationship with Crypto is an association that poses a threat to the public interest of this State. As a result, the Department hereby provides Underdog notice of its intent to revoke fantasy sports contest operator license FS200008.

Notice of Right of Hearing

ADG's determination of a violation by Underdog and its decision to revoke Underdog's license are subject to Underdog's right to a hearing pursuant to A.R.S. § 5-1209(C). As a holder of State licensure, Underdog is entitled to a hearing on this Notice of Violation and Intent to Revoke before an Administrative Law Judge designated by the Office of Administrative Hearings. *See* A.R.S. §§ 41-1092-1092.12. Underdog must submit a notice of appeal or request for hearing in writing to ADG within thirty (30) days from receipt of this Notice of Violation and Intent to Revoke meeting the requirements of A.R.S. § 41-1092.03(B). If Underdog does not submit a timely notice of appeal or request for hearing, ADG's determination of violation and decision to revoke will become final.

If Underdog requests a hearing, it may also request an informal settlement conference ("ISC") prior to the hearing date pursuant to A.R.S. § 41-1092.06. Underdog's request for an ISC must be submitted in writing to ADG no later than twenty (20) days prior to the scheduled hearing date. The ISC will be held within fifteen (15) days of ADG's receipt of the request unless agreed otherwise. If an ISC is requested, a person with the authority to act on behalf of ADG will be present. Please note that Underdog waives any right to object to the participation of ADG's representative in the final administrative decision of the matter if it is not settled in the ISC.

Sincerely,



Clifford Holden
Assistant Director, Certification & Licensing

Exhibit A



GOVERNOR KATIE HOBBS



DIRECTOR JACKIE JOHNSON

May 21, 2025

Sent Via U.S. Mail:

Crypto.com

Mr. Kris Marszalek, Chief Executive Officer

Mr. Eric Anziani, President & COO

1 Raffles Quay, #25-01

Singapore 048583

And Via Email to:

kris.marszalek@crypto.com

eric.anziani@crypto.com

Re: Cease and Desist – Crypto.com Online Gaming

Dear Messrs. Marszalek and Anziani,

It has come to the attention of the Arizona Department of Gaming (the "Department") that you, Crypto.com ("Crypto"), are enabling the purchase of "contracts" in Arizona on future events including sports. Whether a contract will pay its buyer depends on whether that person correctly predicted the result of the event and bought a contract for the correct outcome. This amounts to Crypto taking wagers, defined in A.R.S. § 5-1301(23)(a) as "a sum of money or thing of value risked on an uncertain occurrence."

"Event wagering" is defined in Arizona to mean, "accepting wagers on sports events or other events . . . by any system or method of wagering, including in person or over the Internet through websites and on mobile devices." A.R.S. § 5-1301(4)(a). The operation of event wagering in Arizona is allowed only if conducted pursuant to A.R.S. §§ 5-1301 et seq., which requires, among other things, licensure. See e.g., A.R.S. § 5-1303(A). Crypto is not licensed and its operation of event wagering in Arizona is illegal.

The Department recognizes Crypto's attempt to legitimize its conduct by labeling it as "Sports Event Trading" regulated by the Commodity Futures Trading Commission. No matter what terms you use, there is no meaningful difference between buying one of your offered contracts and placing a bet with any other sportsbook. And, despite your claim that Crypto is "fully regulated" in all fifty (50) U.S. states, you are avoiding the regulatory requirements in Arizona to include licensing and background investigations, the prohibition on wagers by persons under twenty-one (21) years of age, and requirements relating to integrity monitoring and problem gambling.

Given the lack of licensure and compliance with Arizona statutes and regulations related to event wagering, online gambling as operated by Crypto in Arizona, whether through the website <https://crypto.com/us>, the Crypto mobile applications, or otherwise, is illegal. For example, absent some

Exhibit A

Crypto.com
May 21, 2025
Page 2 of 2

exception (none of which apply to Crypto), it is a crime in Arizona to engage in the business of accepting wagers "with respect to the result or purported result of any race, sporting event, contest or other game of skill or chance or any other unknown or contingent future event or occurrence whatsoever." A.R.S. § 13-3305(A).

The Department requires that Crypto cease gambling operations in Arizona and desist from engaging in those activities in the future. Failure to do so is further evidence of your ongoing knowing and willful violation of the law. Note that, among other things, Crypto is subject to a potential restitution award for those who lost money, and an action forfeiting all monies it acquired, because of its illegal conduct. See e.g., A.R.S. §§ 13-804 and 13-2314.

The statutes and criminal violations referred to in this letter are not exhaustive. This letter is intended only to place you on notice that the Department is aware of Crypto's conduct and to direct you to take immediate steps to comply with Arizona law. Future actions may include the filing of criminal charges or a civil action against Crypto and/or its principals or employees.

Sincerely,



✓ Douglas Jensen
Chief Law Enforcement Officer
Arizona Department of Gaming

Exhibit B



GOVERNOR KATIE HOBBS

DIRECTOR JACKIE JOHNSON

September 15, 2025

Meghan La Corte, Director of Regulatory Compliance
Underdog Sports, LLC
150 Waterbury Street
Brooklyn, NY 11206
Via U.S. Mail, Postage Prepaid
Via Email: meghan.lacort@underdogfantasy.com

Re: Notice Regarding Prediction Markets

Dear Ms. La Corte,

On June 3, 2025, Clifford Holden, Assistant Director - Certification & Licensing, sent a letter on behalf of the Arizona Department of Gaming ("the Department"), to Event Wagering Operators, including Designees and Management Services Providers, requesting certain information related, in part, to Designated Contract Markets ("DCMs") and the selling of contracts on such things as the outcome of sporting events. We have now received several responses to our inquiry and have had meetings with some Designees. We have also learned that several licensees, including Fantasy Sports Contest Operators, are planning to enter the prediction marketplace by acquiring an existing DCM, becoming a DCM or a Futures Commission Merchant ("FCM"), or associating or partnering with a DCM or FCM directly or indirectly, to offer, enable, or sell event contracts outside the framework of state gambling laws.

I write now to make certain that you are aware of the State of Arizona's standpoint. Offering or selling event contracts to persons located within Arizona without a license from the Department violates Arizona law. *See* A.R.S. §§ 13-3301 *et seq*, 5-1201 *et seq*, 5-1301 *et seq*, and A.A.C. R19-4-101 thru R19-4-229. The Department has stated this position to the Commodity Futures Trading Commission by way of the attached letter. The Department has also sent cease and desist letters to Kalshi, Crypto.com, and Robinhood.

Importantly, as you know, the Department is obligated to evaluate all applicants to determine suitability. As part of this process, the Department must also complete background checks and may monitor the ongoing conduct of licensees (*see e.g.* A.R.S. §§ 5-1202 and 5-1302). This includes the conduct of not just the licensee itself, but also the conduct of its owners, related entities, principals, agents, employees, and those entities or persons with which it maintains any relationship. It also includes conduct in other jurisdictions, not just Arizona.

If an Arizona operator chooses to offer, enable, or sell event contracts to persons in this state through their own DCM or FCM (or those under common ownership or operated by a related entity) without a

Exhibit B

Notice Regarding Prediction Markets

September 15, 2025

Page 2 of 2

license, or decides to associate, coordinate, or otherwise partner directly or indirectly with persons or entities offering or facilitating the offering, enabling, or sale of event contracts in Arizona without a license, the Department will consider that conduct as it evaluates the continued suitability for that person or entity to maintain a license.


In addition, even if the licensee is not associated directly with the offering or sale of event contracts to persons in Arizona, its relationship with other persons or entities and conduct in other jurisdictions remains at issue. By way of example only, in determining suitability, the Department will consider any relationship between the licensee (to include its owners, related entities, principals, agents, or employees) and a person or entity offering, enabling, or selling event contracts in Arizona. In addition, the Department will consider the conduct of a licensee, or its owners, related entities, principals, agents, or employees, to offer, enable, or sell event contracts in other jurisdictions, or to maintain any relationship with a person or entity that is engaged in that activity. So, for example, if the Department believes that an entity related to a licensee is partnered with a company that is selling event contracts in a jurisdiction outside Arizona in violation of the laws of that jurisdiction, that might (depending on circumstances) impact a licensing decision.

Note that the Department may deny, revoke, or suspend licenses. A.R.S. §§ 5-1209(A) and 5-1302(D). It may also place conditions on a license. This can include issuing fines to, or otherwise sanctioning, licensees. See A.A.C. R19-4-146 and R19-4-223. The Department requires notice of material changes to your operations, updates to previously provided information, and honesty and transparency in response to its inquiries.

All of us have a responsibility to uphold the integrity of gaming in Arizona. Neither the citizens of this state nor your gaming operations are, in the long run, served by illegal, unlicensed, and/or unregulated gambling.

Thank you for your consideration.

Sincerely,



Jackie Johnson
Director
Arizona Department of Gaming

Attachment: Arizona Department of Gaming comment letter to the CFTC, dated June 2, 2025

Exhibit B



GOVERNOR KATIE HOBBS

DIRECTOR JACKIE JOHNSON

June 2, 2025

Sent Via U.S. Mail to:

The Honorable Caroline Pham
Acting Chairperson
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

And Via Email to:

ChairmanPham@cftc.gov

Re: Arizona Comment on Prediction Markets

Dear Acting Chairperson Pham,

I am Director of the Arizona Department of Gaming (the "Department"), and write to you on behalf of the State of Arizona (the "State"). The Department is the agency responsible for the regulation of gambling in Arizona and the investigation of illegal gambling activities. By this letter, the State expresses to you its opposition to the activities being conducted here by certain Designated Contract Markets, to include Kalshi, Crypto.com, and Robinhood (the "DCMs"), which are under the regulatory oversight of the Commodity Futures Trading Commission ("CFTC").

As you are aware, the DCMs are enabling the purchase of "contracts" in Arizona on future events including sports. Whether a contract will pay its buyer depends on whether that person correctly predicts the result of the event and buys a contract for the correct outcome. This conduct amounts to illegal gambling in Arizona,¹ the promotion of which is a felony. A.R.S. § 13-3303.

¹ In Arizona, a "wager" is defined as a "thing of value risked on an uncertain occurrence." Arizona Revised Statute ("A.R.S.") § 5-1301(23)(a). "Event wagering" is defined to mean "accepting wagers on sports events or other events . . . by any system or method of wagering, including in person or over the Internet through websites and on mobile devices." A.R.S. § 5-1301(4)(a). The operation of event wagering in Arizona is allowed only if conducted pursuant to A.R.S. §§ 5-1301 *et seq.*, which requires, among other things, licensure. *See e.g.*, A.R.S. § 5-1303(A). Kalshi, Crypto.com, and Robinhood are not licensed and their operation of event wagering in Arizona is illegal. *See* A.R.S. § 13-3305(A)(unless it amounts to regulated gambling, it is a crime to accept wagers on the result of "any race, sporting event, contest or other game of skill or chance or any other unknown or contingent future event or occurrence whatsoever.").

Exhibit B

Arizona Comment on Prediction Markets

June 2, 2025

Page 2 of 5

The DCMs claim that their operations enable “trading” of financial derivatives, which is conduct regulated by the CFTC. In truth, there is no meaningful difference between buying one of the contracts offered by the DCMs and placing a bet with any other sportsbook. And, whatever regulation the CFTC undertakes, it does not reflect the desires of the citizens of Arizona.

To be clear, the people of the State have significant interest in the CFTC taking action to stop the DCMs. When the Arizona Legislature passed the 2020 Gaming Act, A.R.S. §§ 5-1301 *et seq.* (the “Act”) allowing event wagering, it was only after a great deal of thought and consultation with the public and experts, including the Department and Tribal nations that operate casinos and are well-versed in gambling regulation. Moreover, rules implementing the Act were put through an extensive public comment process. The outcome was a series of laws and rules that reflect the policies of the State and the values of Arizonans:

1. Operators - Event wagering of any type may only be operated in the State by a limited number (no more than 20) of Arizona professional sports teams and Tribal nations and their partners, ensuring that event wagering operations have a local impact. A.R.S. § 5-1304(A). These event wagering operators (“EWOs”) must meet a wide range of regulatory standards related to platforms, reserves, bonds, insurance, record keeping, risk management, auditing, reporting, accounting, internal control systems, house rules, servers, cloud storage of data, technical standards, system standards, testing, certification, shipping and installation, and the use of official league data, all intended to protect the public’s interests. *See* A.R.S. §§ 5-1302(G), 1313(A), 1314, and 1319; Arizona Administrative Code (“A.A.C.”) R19-4-111, 113-4, 116, and 118-26.
2. Licensing - EWOs, their providers, limited event wagering operators, suppliers, affiliates, and employees are subject to the Department’s licensing process, including background checks, investigations, and the payment of licensing fees of up to \$750,000. These investigations ensure that licensees are suitable in terms of character, business acumen, and financial stability, thereby protecting Arizona citizens from potential bad actors and reducing the risk of financial harm. Licensees are subject to the Department’s jurisdiction to enforce regulations through fines or license revocation, and the fees are used in part to pay for regulation. There are also restrictions regarding who can be licensed, including people with insider knowledge or who could have an influence on the outcome of events. *See* A.R.S. §§ 5-1302(C-E), 1304(B-C), 1305, and 1306-1311(A); A.A.C. R19-4-104-5.
3. Geolocation – EWOs are required to geolocate their operations to ensure that only people located in Arizona are engaging in event wagering, in respect of the laws and requirements of other state and Tribal jurisdictions. A.R.S. § 5-1302(G)(2); A.A.C. R19-4-117.
4. Tax Reporting and Debt Set Off – EWOs are required to ensure proper federal, state, and local tax reporting. Significantly, they are also required to retain money from winning players to pay outstanding child support, State tax debt, and debts to the Arizona Department of Economic Security. A.R.S. §§ 5-1302(G)(7) and 1320(F); A.A.C. R19-4-151.
5. Responsible Gaming - EWOs are prohibited from offering credit to players and have restrictions on the type of advertising they can conduct (*e.g.*, to people under 21 years of age or on college campuses). A.R.S. § 5-1311(B); A.A.C. R19-4-110. The Department and EWOs are required to maintain a statewide self-exclusion program. EWOs must also notify players of the means to seek help for problem

Exhibit B

Arizona Comment on Prediction Markets

June 2, 2025

Page 3 of 5

gambling and maintain programs to mitigate problem gambling and curtail compulsive gambling. Further, players are limited in the forms of payment they can use and are prohibited from using assistance to needy people. See A.R.S. § 5-1302(B)(5) and 1320; A.A.C. R19-4-128 and 150.

6. Patron Protection - Along with all the other safeguards noted herein, players also have a dispute resolution process with EWOs and the Department. A.A.C. R19-4-148.

7. Age and Identity Verification – EWOs must verify an individual's age and identity before allowing the individual to create an account and place a wager. They must also ensure the individual is not under the age of 21, self-excluded, or otherwise prohibited from participating in event wagering in Arizona. A.R.S. § 5-1311(B); A.A.C. R19-4-133.

8. Integrity - EWOs must implement policies and procedures to prevent fraud, cheating, money laundering, and collusion, must take steps to ensure player account security, and must contract with an integrity monitoring provider licensed by the Department to ensure against, among other things, match fixing. They must also report suspicious conduct, cooperate in investigations, and conduct system integrity and security assessments. See A.R.S. §§ 5-1302(G)(6), 1313(A)(7), and 1316; A.A.C. R19-4-115 and 127. The Department is also required to establish a list of people barred from event wagering because they pose a threat to the integrity of the gambling or to the public welfare, which EWOs must exclude from their operations. A.A.C. R19-4-149.

9. Events and Wager Types - All events and wager types must be reviewed and approved by the Department before they are offered for wagering by an EWO. A.R.S. § 5-1302(G)(2); A.A.C. R19-4-129. EWOs are prohibited from accepting wagers on the outcome of high school sports and the performance of collegiate teams and athletes. All events must be subject to effective supervision and integrity safeguards, and a sports governing body may object to the acceptance of wagers on its events in the case of an integrity concern. See A.R.S. §§ 5-1302(G)(2), 1311(B)(4), and 1315.

10. Privilege Fees – EWOs are required to pay the State 8% of adjusted gross event wagering receipts for retail operations and 10% of adjusted gross event wagering receipts for mobile operations. These fees go to the State's general fund as well as for gambling regulation. A.R.S. §§ 5-1318; A.A.C. R19-4-111. EWOs paid \$42,701,533.00 in privilege fees to the State in calendar year 2024.

The Act is thus a reflection of the fact that the people of the State wanted only certain entities to operate event wagering, to eliminate illegal sports betting in the State, to carefully limit and regulate event wagering in a manner reflecting Arizona values, and to use it to raise money for all Arizonans. It is a simple fact that the CFTC, in regulation of the DCMs, will *never* establish all the above requirements, compensate the State for lost revenue, and otherwise protect Arizona's citizens to the same degree as set out above. Moreover, the Act was passed by the Arizona legislature with a broad coalition of support to include Tribal nations, which have the opportunity under the Act to apply for licensure as EWOs. In fact, the Act is embodied in the State's most recent tribal-state gaming compacts (signed pursuant to the Indian Gaming Regulatory Act and approved by the Secretary of the U.S. Department of the Interior) entered into with 22 Tribes existing within the exterior boundaries of the State. These compacts follow over 30 years of cooperation between the State and Tribes to balance their respective interests and carefully regulate and share in the benefits of legal gambling. Yet now the DCMs have come into Arizona and upset these carefully constructed agreements, despite the extensive requirements surrounding

Exhibit B

Arizona Comment on Prediction Markets

June 2, 2025

Page 4 of 5

gambling on Indian lands, the most relevant of which is that the gambling must be operated by Tribal nations themselves.²

Congress has long recognized that the individual states must be able to decide what approach to gambling best suits their citizens. Federal legislation relating to gambling is geared towards supporting state law gambling restrictions.³ The State does not accept the idea that for years states have blindly passed legislation and regulated event wagering without knowing that Congress secretly upended its historical approach to gambling in the Commodities Exchange Act, a fact only just now revealed by the DCMs.

Presently, the DCMs offering event contracts are avoiding State requirements and regulations by claiming classification as financial derivatives under CFTC oversight. This gives them a competitive advantage over other EWOs. They do not incur any regulatory costs or costs associated with State law compliance. They also avoid all licensing and privilege fees. The public suffers as a result. The DCMs operate in a manner that does not reflect State policy and the EWOs, that do pay fees to the State, suffer unfair competition. The amount of illegal online gambling currently taking place in Arizona is unprecedented, and the fact that the DCMs can conduct unregulated event wagering only encourages bad actors to further ignore State law. All of this in turn has a negative financial impact on other legal (and carefully regulated) gambling taking place in the State by Tribal nations pursuant to A.R.S. § 5-601.02. Those Tribal gambling operations contributed over \$170 million to the State and local jurisdictions last year.

The DCMs claim that, earlier this year, the CFTC allowed their sports outcome contracts to take effect without review or comment. Since then, the CFTC, at the last minute, cancelled a scheduled roundtable to discuss State and Tribal concerns. And, most recently, the CFTC dropped its appeal against Kalshi in the U.S. Court of Appeals for the D.C. Circuit. The CFTC's inaction in enforcing its own rules, specifically, 17 CFR 40.11(a)(1), has prioritized the private business concerns of a handful of DCMs over the public's interests. The State respectfully requests that the CFTC reconsider its actions and inaction in light of the State's concerns and conclude that the DCMs' offering of event contracts is gambling, is contrary to the public interest, and should be prohibited.

Sincerely,



Jackie Johnson
Director
Arizona Department of Gaming

² Under the Indian Gaming Regulatory Act, 25 U.S.C. § 2710(b)(2), a Tribe must "have the sole proprietary interest and responsibility for the conduct of any gaming activity" on its lands and all net revenues from that gaming are to be used only to benefit the Tribe.

³ For example, the Illegal Gambling Business Act, 18 U.S.C. § 1955 (1970), makes it a federal crime to conduct an "illegal gambling business," which it defines to mean, in part, a business that violates "the law of a State or political subdivision in which it is conducted."

Exhibit B

Arizona Comment on Prediction Markets

June 2, 2025

Page 5 of 5

Cc via U.S. mail to:

Thomas Smith
Acting Director, Market Participants Division
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Brian Young
Director, Division of Enforcement
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Exhibit C



GOVERNOR KATIE HOBBS



DIRECTOR JACKIE JOHNSON

October 28, 2025

Meghan La Corte, Director of Regulatory Compliance
Underdog Sports, LLC
150 Waterbury Street
Brooklyn, NY 11206
Via U.S. Mail, Postage Prepaid
Via Email: meghan.lacorte@underdogfantasy.com

Re: Prediction Markets and Online Gaming

Dear Ms. La Corte,

On behalf of the Arizona Department of Gaming ("the Department"), I write to request certain information from Underdog Sports, LLC pursuant to the Department's regulatory authority (*see e.g.* A.R.S. §§ 5-1202 and 5-1209). As you may be aware, at least three (3) designated contract markets (Kalshi, Crypto.com, and Robinhood) currently offer contracts on events like sports and elections in Arizona. In addition, there are internet websites and applications in Arizona offering games of chance, in some cases termed "raffles," "free-to-play," "freemium," "peer-to-peer," and "social" games of chance often coupled with conduct labeled "sweepstakes" or "promotions."

Please respond to this letter within the next ten (10) business days with the following information:

1. Does Underdog Sports, LLC or any of its related entities, principals, or fantasy sports employees plan to operate as a Designated Contract Market or otherwise become involved with one in any way? If so, explain in detail the nature of the operation or involvement, when it began, what principals or employees are involved, and where it is occurring.
2. Is Underdog Sports, LLC or any of its related entities, principals, or fantasy sports employees associated or involved in any fashion with the operation, or an operator, of a Designated Contract Market that offers contracts on events like sports or elections? If so, explain in detail the nature of the association or involvement, when it began, what principals or employees are involved, and where it is occurring.
3. Is Underdog Sports, LLC or any of its related entities, principals, or fantasy sports employees associated or involved in any fashion with the operation, or an operator, of a website or internet application providing games of chance in Arizona other than fantasy sports contests as licensed by the Department, including but not limited to those labeled "raffles," "free-to-play," "freemium," "peer-to-peer," and "social" games or including conduct labeled "sweepstakes" or "promotions?"

Exhibit C

Meghan La Corte, Director of Regulatory Compliance
Underdog Sports, LLC
September 2, 2025
Page **2** of **2**

Thank you in advance for your timely reply.

Sincerely,



Clifford Holden
Assistant Director - Certification & Licensing
Arizona Department of Gaming

Exhibit D



Nicholas Green
General Counsel
Underdog Sports Holdings, Inc.
nicholas.green@underdogfantasy.com

November 4, 2025

Clifford Holden, Assistant Director- Certification & Licensing
Arizona Department of Gaming
100 N. 15th Ave., Suite 202
Phoenix, AZ 85007
(via email)

**Re: Underdog's Response to the Arizona Department of Gaming's October 28, 2025
Inquiries**

- 1. Does Underdog Sports, LLC or any of its related entities, principals, or fantasy sports employees plan to operate as a Designated Contract Market or otherwise become involved with one in any way? If so, explain in detail the nature of the operation or involvement, when it began, what principals or employees are involved, and where it is occurring.*

Neither Underdog Sports, LLC nor any of its related entities, principals, or employees currently operate as a Designated Contract Market ("DCM").

A company affiliated with Underdog Sports, LLC is currently involved with a DCM. UDM Services, LLC, a wholly owned subsidiary of Underdog Sports Holdings, Inc. ("Underdog"), has contracted with Forix Dax Markets, Inc. and its affiliate North American Derivatives Exchange, Inc. d/b/a Crypto.com | Derivatives of North America ("CDNA"), a federally Designated Contract Market ("DCM"), to provide technology services for NADEX's federally approved exchange of event contracts. At this time, Underdog is only providing these technology services for contracts based upon the outcome of sports events, and Underdog is not providing these services to persons physically located in Arizona (as of today, these markets are available through the Underdog platform in 18 states). We also do not have any current plans to offer any sort of prediction market that is not sports-related.

In addition, UDM, LLC and G&B Broker, LLC, both of which are wholly owned subsidiaries of Underdog Sports Holdings, Inc. ("Underdog"), filed applications for Futures Commission Merchant ("FCM") and Introducing Broker ("IB") licenses earlier this year. Once approved, Underdog would operate event contracts in partnership with a Designated Contract Market ("DCM") pursuant to these licenses. Both applications remain pending with the National Futures Association ("NFA").

Exhibit D

As the federally-regulated prediction market industry continues to evolve, Underdog may pursue strategic partnerships and commercial relationships to advance its commercial interests in that business vertical.

2. *Is Underdog Sports, LLC or any of its related entities, principals, or fantasy sports employees associated or involved in any fashion with the operation, or an operator, of a Designated Contract Market that offers contracts on events like sports or elections? If so, explain in detail the nature of the association or involvement, when it began, what principals or employees are involved, and where it is occurring.*

Please see our response to question number one.

3. *Is Underdog Sports, LLC or any of its related entities, principals, or fantasy sports employees associated or involved in any fashion with the operation, or an operator, of a website or internet application providing games of chance in Arizona other than fantasy sports contests as licensed by the Department, including but not limited to those labeled “raffles,” “free-to-play,” “freemium,” “peer-to-peer,” and “social” games or including conduct labeled “sweepstakes” or “promotions?”*

Neither Underdog Sports, LLC nor any of its related entities, principals, or employees are associated or involved in the operation of any of the games of chance listed above in Arizona whatsoever, and has no interest in doing so. Underdog Sports, LLC offers only fantasy sports contests in Arizona pursuant to its fantasy sports license.

As always, we welcome further discussions on these important issues. Please do not hesitate to contact me directly with additional questions.

Sincerely,

Nicholas G. Green