

COMMONWEALTH OF KENTUCKY
FRANKLIN CIRCUIT COURT
DIVISION _____
CIVIL ACTION NO. _____
Electronically Filed

COMMONWEALTH OF KENTUCKY, EX
REL. ATTORNEY GENERAL, RUSSELL
COLEMAN,

Plaintiff,

v.

QCX LLC,
BLOCKRATIZE INC.,
QC CLEARING LLC,
and
QC TECH LLC,

Defendants.

COMPLAINT

JURY TRIAL DEMANDED

Plaintiff, the Commonwealth of Kentucky (“the Commonwealth” or “Kentucky”), by and through its Attorney General, Russell Coleman, brings this suit against Defendants QCX LLC, Blockratize Inc., QC Clearing LLC, and QC Tech LLC (collectively, “Polymarket”), and in support thereof states as follows:

I. INTRODUCTION

1. As stated by Congress in the Interstate Horseracing Act: “The States should have the primary responsibility for determining what forms of gambling may legally take place within their borders.” 15 U.S.C. § 3001(a)(1).

2. In 2023, Kentucky legalized online sports betting, but it did so under a comprehensive licensing and regulatory framework designed to protect vulnerable gamblers and ensure that sports gambling revenue benefits the Commonwealth.

3. Defendants are not licensed to offer online sports wagering in Kentucky, yet they have recently entered the Kentucky online sports gambling market through what they call “prediction markets.”

4. Each Defendant, through its website and mobile applications, solicits wagers on the outcomes of sporting events from Kentucky residents. While Defendants call these wagers “event contracts,” they fall squarely within the definition of “sports wagering” under Kentucky law, *see* KRS 231.210(32), and any reasonable definition of gambling.

5. As Kentucky State Representative Michael Meredith stated: “This is sports wagering. If it looks like a duck and quacks like a duck, it’s probably sports wagering. . . .”¹

6. By acting as unlicensed sports wagering providers, and heavily advertising their sports wagering offerings in Kentucky, Defendants subvert Kentucky’s efforts, under its sovereign authority, to control online sports gambling within its borders.

7. Through this action, Kentucky asserts its authority over online sports betting within its borders to protect the welfare of its citizens.

II. JURISDICTION AND VENUE

8. **Subject Matter Jurisdiction:** The Franklin Circuit Court has subject matter jurisdiction over the claims stated herein because the claims arise exclusively under Kentucky statutory law and jurisdiction is not exclusively vested in another court.

9. **Personal Jurisdiction:** The Franklin Circuit Court has personal jurisdiction over Defendants. Each Defendant has systematically, continuously, and purposefully availed itself of the privilege of conducting business in Kentucky through their respective interactive and

¹ Kevin Hardy, *Kalshi and Polymarket are Skirting Laws on Sports Betting, States Say*, STATELINE (Mar. 6, 2026, 5:00 AM), <https://stateline.org/2026/03/06/kalshi-and-polymarket-are-skirting-laws-on-sports-betting-states-say/>.

transactional websites and mobile apps that solicit wagers on sporting events from Kentucky residents. All asserted claims arise from this conduct.

10. **Venue:** Venue is appropriate in Franklin Circuit Court under KRS 452.460(1) because, with respect to each Defendant, the unlawful acts alleged in this action occurred in Franklin County. Further, pursuant to KRS 367.190(1), venue is appropriate in Franklin Circuit Court because this action alleges injuries against the Commonwealth, which occurred in Franklin County.

III. PARTIES

11. Plaintiff, the Commonwealth of Kentucky *ex rel.* Russell Coleman, Attorney General, is responsible for the enforcement and administration of Kentucky law, including, but not limited to, the Kentucky Consumer Protection Act, KRS 367.110 *et seq.* (hereinafter “KCPA”). The Attorney General, in a *parens patriae* capacity, and through KRS 367.190, KRS 372.040, KRS 15.020(3), and KRS 528.100(3), is authorized to bring this action in the name of the Commonwealth of Kentucky, in its own right, and on behalf of its citizens, and has determined it is in the public interest to do so.

12. Defendant QCX LLC (“QCX”) is a Delaware limited liability company with its principal place of business in New York, New York. In concert with the other Defendants, QCX advertises and operates an online sports betting operation in the Commonwealth of Kentucky without the licensing approval of the Kentucky Horse Racing and Gaming Commission (“KHRGC”). Specifically, QCX operates a so-called “prediction market” through which residents of Kentucky can engage in unlicensed sports gambling. This market is an online trading platform through which users may wager on the likelihood of a sports-related outcome. QCX conducts business across the United States, including within Kentucky, where QCX makes sports wagering

available to residents, markets sports wagering to residents, and accepts payments through widely used financial systems accessible by Kentucky consumers. QCX earns revenue, directly or as a transferee, from the fees paid by Kentucky users betting on the Polymarket platform.

13. Defendant Blockratize Inc. (“Blockratize”) is a Delaware corporation with its principal place of business in New York, New York. Blockratize is the parent company of QCX and acts in concert with the other Polymarket entities to advertise and operate the Polymarket sports wagering platform in Kentucky. Blockratize earns revenue, directly or as a transferee, from the fees paid by Kentucky users betting on the Polymarket platform.

14. Defendant QC Clearing LLC (“QC Clearing”) is a Delaware limited liability company with its principal place of business in Boca Raton, Florida. It operates as a CFTC-registered derivatives clearing organization. QC Clearing acts in concert with the other Polymarket entities to operate the Polymarket sports wagering platform in Kentucky. QC Clearing earns revenue, directly or as a transferee, from the fees paid by Kentucky users betting on the Polymarket platform.

15. QC Tech LLC (“QC Tech”) is a Delaware limited liability company with its principal place of business in Boca Raton, Florida. Upon information and belief, QC Tech operates the website and apps through which users access the Polymarket sports wagering platform. QC Tech thus operates in concert with the other Polymarket entities to operate the Polymarket sports wagering platform in Kentucky. QC Tech earns revenue, directly or as a transferee, from the fees paid by Kentucky users betting on the Polymarket platform.

IV. FACTUAL ALLEGATIONS

A. The Legislative and Regulatory Framework for Legal Sports Wagering in the Commonwealth.

16. In 2018, the United States Supreme Court held that the Professional and Amateur Sports Protection Act was “incompatible with the system of ‘dual sovereignty’ embodied in the Constitution,” paving the way for states to authorize sports wagering on their own terms. *Murphy v. Nat’l Collegiate Athletic Ass’n*, 584 U.S. 453, 458, 486 (2018).

17. Deliberation over legalizing sports wagering in Kentucky began shortly thereafter. In a statement from February 2020, Governor Andy Beshear said, “We have an urgency to keep millions of Kentucky dollars from crossing our rivers and going to support the education and pension systems in our neighboring states. We are with business, education and pension leaders – Republicans and Democrats – working together on the same team. We all agree that passing sports betting is the right thing to do and we are working together to help move the state forward.”²

18. Three years later, on March 31, 2023, Governor Beshear signed House Bill 551, bipartisan legislation legalizing in-person and remote sports wagering across the Commonwealth.³

19. However, before sports wagering became available to Kentuckians in September 2023, the Commonwealth researched and implemented best practices and regulations designed to

² Office of the Governor, *Gov. Beshear, Other Kentucky Leaders Urge Lawmakers to Pass Sports Betting Bill* (Feb. 6, 2020), <https://www.kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=42>.

³ See Office of the Governor, *Gov. Beshear Signs Historic Legislation Legalizing Sports Betting* (Mar. 31, 2023), <https://www.kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=1730>; Office of the Governor, *Gov. Beshear: Kentuckians Can Start Betting on Sports in Less Than 60 Days* (July 10, 2023), [kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=1859](https://www.kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=1859).

protect Kentucky’s bettors, so their “bets are safe, their money is protected, and there is effective oversight and enforcement if the law is not followed.”⁴

20. The Commonwealth added sports wagering to the existing jurisdiction and oversight powers of the Kentucky Horse Racing and Gaming Commission (formerly known as the Kentucky Horse Racing Corporation), which has long overseen horse racing and pari-mutuel wagering in the Commonwealth. KRS 230.361; KRS 230.260.

21. “Sports wagering” is defined as wagering on “sporting events or portions of sporting events, or on the individual performance statistics of athletes in a sporting event or combination of sporting events....” KRS 230.210(32).

22. To carry out its mandate, the KHRGC has established extensive regulations governing sports wagering and its duly licensed operators and their affiliates, and it has been granted “all powers necessary and proper” to carry out and enforce those regulations by investigating possible infractions, holding administrative hearings, and issuing disciplinary action and penalties to licensees. *See, e.g.*, KRS 230.260(16) (authorizing the KHRGC to establish standards for the conduct of sports wagering); KRS 230.361 (authorizing the KHRGC to promulgate administrative regulations to establish the Commonwealth’s sports wagering system); KRS 230.811(1) (authorizing licensed service providers to conduct sports wagering in Kentucky); 809 KAR 10:008 (identifying grounds for disciplinary action).

23. The Commonwealth, including the KHRGC, has demonstrated a strong commitment to protecting its citizens who engage in sports wagering through licensing requirements, regulations to ensure wagering integrity, and safeguards for problem gamblers.

⁴ Office of the Governor, *Gov. Beshear: Kentuckians Can Start Betting on Sports in Less Than 60 Days* (July 10, 2023), kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=1859.

1. Licensing requirements for sports wagering in Kentucky.

24. Sports wagering operating licenses are only available to Kentucky’s licensed horse racing associations. KRS 230.811(2); *see* KRS 230.260 *et seq.* (setting out KHRGC’s licensure requirements and approval processes for horse racing associations and participants, and pari-mutuel wagering on horse racing).

25. Horse racing associations licensed as sports wagering operators are permitted to contract with up to three licensed service providers, *see* KRS 230.805(4), to “conduct or manage sports wagering through an agreement with a track and provide these services at a licensed facility for sports wagering, simulcast facility, or through a website or mobile interface approved by the corporation,” KRS 230.210(34).

26. When approving a service provider’s licensing application, the KHRGC must consider several factors to determine whether “participation as a sports wagering service provider is in the best interests of sports wagering in Kentucky.” 809 KAR 1:002. To obtain a license, sports wagering service providers must demonstrate, among other things, that they have the skill, experience, knowledge, and ability necessary to operate as a service provider. 809 KAR 1:002, Section 4(4).

27. Further, most employees of sports wagering operators and service providers are required to obtain a license from the KHRGC. KRS 230.310(2). This includes customer service representatives, ticket writers, supervisors, money-handlers, and anyone else that has the capacity to affect the outcome of sports wagering by manipulating coding relating to wagering systems. *See* 809 KAR 1:003, Section 6. Information services providers supporting sports wagering licensees are also required to be licensed by the KHRGC.

28. After a criminal, financial, and personal background check, the KHRGC can “issue [an occupational] license if it finds that the financial responsibility, age, experience, reputation, competence, and general fitness of the applicant to perform the activity permitted by a license are consistent with the best interest of sports wagering in the Commonwealth, and the maintenance of the honesty, integrity, and high quality thereof.” KRS 230.310(2)(c); *see* 809 KAR 1:003.

29. KHRGC enforces broad audit and control regulations for licensees, including:

- a. Internal controls for accounting and security procedures;
- b. Financial and statistical reporting requirements;
- c. Employee data and organizational charts;
- d. Sufficient infrastructure and security programs to ensure compliance with industry standards for event wagering procedures;
- e. Annual audits by a qualified and independent entity. 809 KAR 10:006.

30. Only operators licensed by the KHRGC can offer sports wagering in the Commonwealth of Kentucky. KRS 230.811(1). All other “[s]ports wagering shall not be offered in this state.” KRS 230.805(2).

2. Standards for wagering, audits, and controls.

31. The KHRGC has implemented standards for sports wagering, including the publication of “comprehensive wagering rules,” approved method of wagering for pools and tournaments, payment terms and methods, and more. 809 KAR 10:002.

32. The KHRGC prohibits wagers for certain types of sporting events (e.g. amateur and other unsanctioned events) and incidents (e.g. injuries, penalties, and officiating decisions). 809 KAR 10:002, Section 3. Sporting event participants—including athletes, coaches, umpires, and team owners—are also prohibited from placing wagers on events in which they are involved. KRS 230.820.

33. Sporting event governing bodies can notify the KHRGC if they have good cause to believe that the integrity of an event being wagered on by Kentuckians has been compromised. 809 KAR 10:002, Section 3.

3. Kentucky's commitment to responsible gaming and advertising.

34. The KHRGC maintains a "self-exclusion" list whereby problem and compulsive gamblers can confidentially add their name and information to be blocked from gambling in any properly licensed wagering location within the Commonwealth. Each licensee must have a policy specifying how it will identify and exclude these individuals; the policy must be submitted to and approved by the KHRGC. 809 KAR 10:007, Section 1.

35. Each wagering establishment is also required to develop and maintain a "responsible gaming program" that helps publicize the self-exclusion program and other resources for problem and compulsive gamblers. 809 KAR 10:007, Section 2. Beyond self-exclusion, the Commonwealth has allocated 2.5% of its sports wagering tax revenue to fund the Problem Gambling Assistance Fund, designed to fund support programs and educational initiatives on problem gambling and prevention. 908 KAR 2:300.

36. The KHRGC also restricts marketing and advertising by licensed wagering operations to ensure all representations are accurate and not targeted at any elementary, middle, or high school activities. 809 KAR 10:007, Section 3.

37. Legislators are continuing to push for additional better protections. Recently, the Kentucky legislature enacted House Bill 904, which raises the age limit for legal gambling from 18 to 21 and bans certain "proposition wagers" on college athletes playing for Kentucky schools, among other protections.

4. Revenues from authorized sports wagering.

38. From the outset, Kentucky public officials emphasized, in supporting the limited legalization of online sports wagering, the revenue that such wagering would create for the Commonwealth, with the “funds staying right here in our state to help us build a better Kentucky.”⁵ Kentucky imposed excise taxes of 9.75% on adjusted gross revenues from in-person wagers at licensed facilities and a 14.25% tax on online wagers made within the Commonwealth.⁶

39. The Commonwealth initially anticipated sports wagering would create an estimated \$23 million in annual revenue for the Commonwealth, with a portion dedicated to the Kentucky permanent pension fund and 2.5% to the problem gambling assistance account.⁷

40. Kentucky’s tax revenue has far exceeded these initial estimates, bringing in almost four times the projected revenue in the first two years. In the first 15 months of sports betting, the Commonwealth collected almost \$55 million in revenue.⁸ By December 2025, the Commonwealth had collected nearly \$105 million in tax revenue from sports wagering in the 27 months since being legalized.⁹

⁵ See Office of the Governor, *Gov. Beshear Places Kentucky’s First Sports Wager at Iconic Churchill Downs* (Sept. 7, 2023), kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=1930.

⁶ *Sports betting tax revenue surges 382% as states expand legal markets*, WKYT (Dec. 10, 2025, 1:32 PM), <https://www.wkyt.com/2025/12/10/sports-betting-tax-revenue-surges-382-states-expand-legal-markets/>.

⁷ *Id.*

⁸ *Kentucky Sports Betting Handle Hits New Record in January*, THE IGAMING POST ONLINE NEWSPAPER (Mar. 4, 2025), <https://gaming-awards.com/NEWS/kentucky-sports-betting-handle-hits-new-record-in-january/>.

⁹ Eric Ramsey, *US Sports Betting Revenue & Handle*, LEGAL SPORTS REPORT (Mar. 27, 2026), <https://www.legalsportsreport.com/sports-betting-states/revenue/>.

41. Just over 2 years after sports wagering became legalized, tax revenue from sports wagering accounted for 0.55% of Kentucky’s total quarterly tax revenue.¹⁰

42. Defendants’ unlicensed online sports wagering deprives the Commonwealth of significant sports wagering tax revenue.

B. Defendants Offer Unlicensed Sports Wagering in Kentucky Through Their Prediction Market Platforms.

43. Defendants are not licensed Kentucky sports wagering operators.

44. Because none of the Defendants are licensed horse racing associations, they are ineligible to become licensed sports wagering operators in Kentucky. *See* KRS 230.811(2) (“As a prerequisite to obtaining a sports wagering license, a person shall be licensed as an association under KRS 230.300.”); KRS 230.300 (setting out licensure requirements for horse racing associations).

45. Defendants are also not licensed sports wagering service providers in Kentucky.¹¹

46. House Bill 904 prohibits licensed sports wagering operators from contracting with Defendants for Defendants to serve as sports wagering service providers.

47. Yet, despite being unlicensed to offer sports wagering in Kentucky, Defendants do exactly that.

1. Defendants offer and profit from the Polymarket prediction market platform in Kentucky.

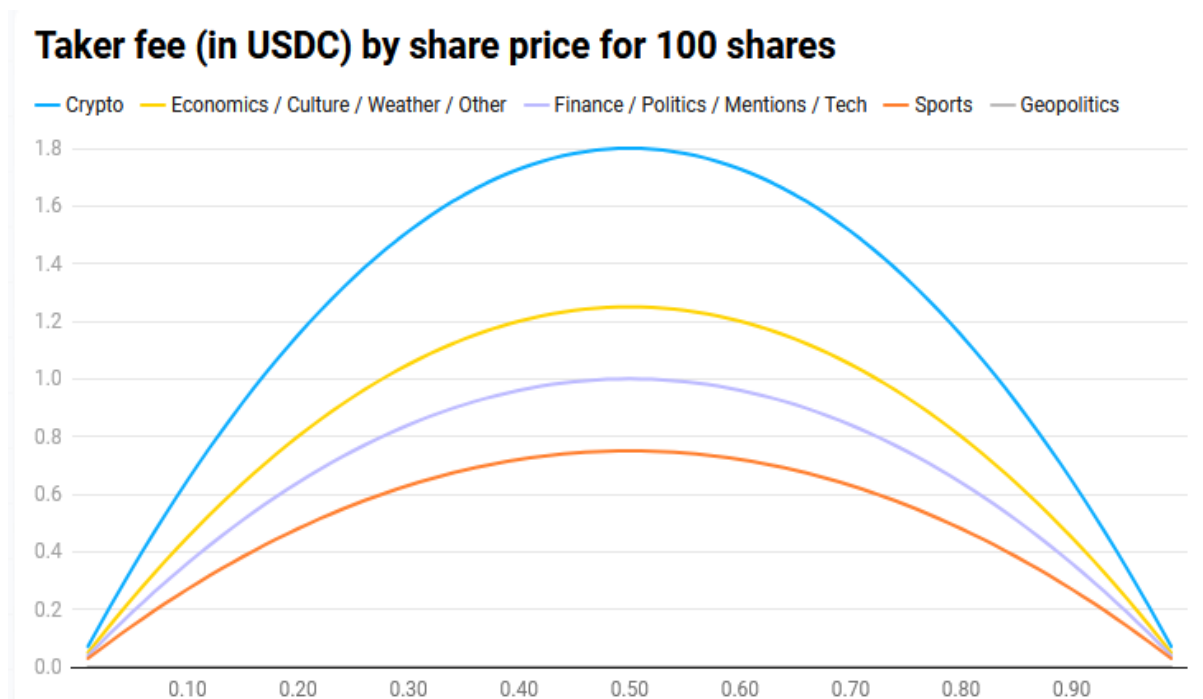
48. Through the Polymarket website and mobile application, Defendants operate what they refer to as “prediction markets,” through which they encourage, facilitate, and allow

¹⁰ *Sports betting tax revenue surges 382% as states expand legal markets*, WKYT (Dec. 10, 2025, 1:32 PM), <https://www.wkyt.com/2025/12/10/sports-betting-tax-revenue-surges-382-states-expand-legal-markets/>.

¹¹ *See* Kentucky Horse Racing and Gaming Corporation Licensed Service Providers & Partnering Track/Operators, <https://khrc.ky.gov/Search/Partnerships.aspx>.

Kentucky consumers to place bets on the outcomes of a wide variety of events, including on the outcome of sporting events. Defendants refer to the wagers placed on the Polymarket platform as “event contracts.”

49. Polymarket charges a probability-based fee model for sports betting. Under this structure, Polymarket’s fees are the highest at around 50% probability and decrease as the event outcome becomes more certain. In other words, fees approach zero when the probability is at 0% or 100%.



50. Accordingly, Polymarket’s fees on sports event contracts peak at 0.75% when the event’s probability is at 50%.¹²

¹²Fees, POLYMARKET, <https://docs.polymarket.com/trading/fees#sports>.

51. In addition, Polymarket has recently created an in-house team to serve as market makers.¹³ According to Polymarket, its market makers are “essential to Polymarket’s ecosystem” because they provide liquidity for Polymarket’s prediction market.¹⁴ Through its market makers, Polymarket takes opposing positions, absorbs imbalances in bettor demand, and profits from price movements. In this way, Polymarket essentially operates as a traditional sportsbook, where users effectively trade against the house rather than other bettors.

2. Defendants’ sports “event contracts” are wagers.

52. “Event contracts” are investment instruments that ensure payment to a contract holder if a particular event happens, and they have existed in the United States since the nineteenth century.¹⁵ These contracts were originally developed by commodity traders as a straightforward way of hedging their investments in raw materials, like timber and grain. By purchasing an event contract for an adverse event, like a flood or fire during the harvest season, commodity traders could offset the losses from that year’s poor yield.

53. Defendants, however, have repurposed the event contract to allow consumers to wager on the outcomes of a wide range of real-world and imminent (or already ongoing) events, such as when the United States and Iran will enter a permanent peace deal or whether the Federal Reserve will change interest rates.¹⁶

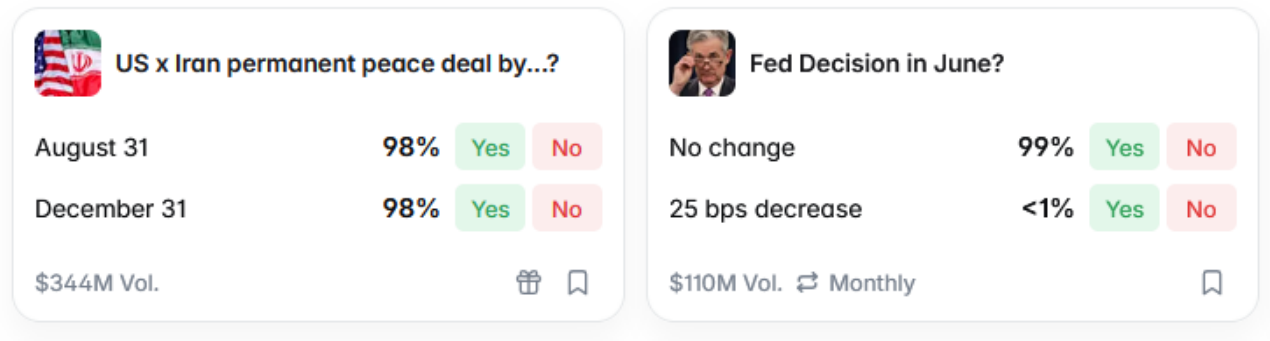
¹³ See Oliver Knight, *Polymarket Hiring In-House Team to Trade Against Customers – Here’s Why It’s a Risk*, COINDESK (Dec. 5, 2025, 4:34 AM), <https://www.coindesk.com/business/2025/12/05/polymarket-hiring-in-house-team-to-trade-against-customers-here-s-why-it-s-a-risk>.

¹⁴ POLYMARKET, *Market Makers Overview*, <https://docs.polymarket.com/market-makers/overview>.

¹⁵ Peter Gratton, *Event Contracts: What They Are and How They Are Used*, INVESTOPEDIA (Mar. 18, 2025), <https://www.investopedia.com/events-contracts-8601422>.

¹⁶ *Politics*, POLYMARKET, <https://polymarket.com/politics>.

Politics



54. Polymarket even went as far as allowing users to bet on the fates of the U.S. pilots who were shot down in Iran.¹⁷

55. Event contracts are structured as binary options: bettors buy “Yes” or “No” positions on whether an event will occur (“Yes”) or will not occur (“No”). This probability is expressed as a percentage, ranging from 0% (certain to not happen) to 100% (certain to happen). This percentage corresponds to a monetary value, as the combined investment of “Yes” and “No” users must equal \$1.00.¹⁸

56. As more bettors purchase the “Yes” option in an event contract, the perceived likelihood of that outcome increases and the “Yes” contract price also increases. Conversely, if more bettors purchase the “No” option, the contract price of the “No” contracts would increase.

57. A substantial portion of the bets placed on Polymarket are wagers on sporting events.

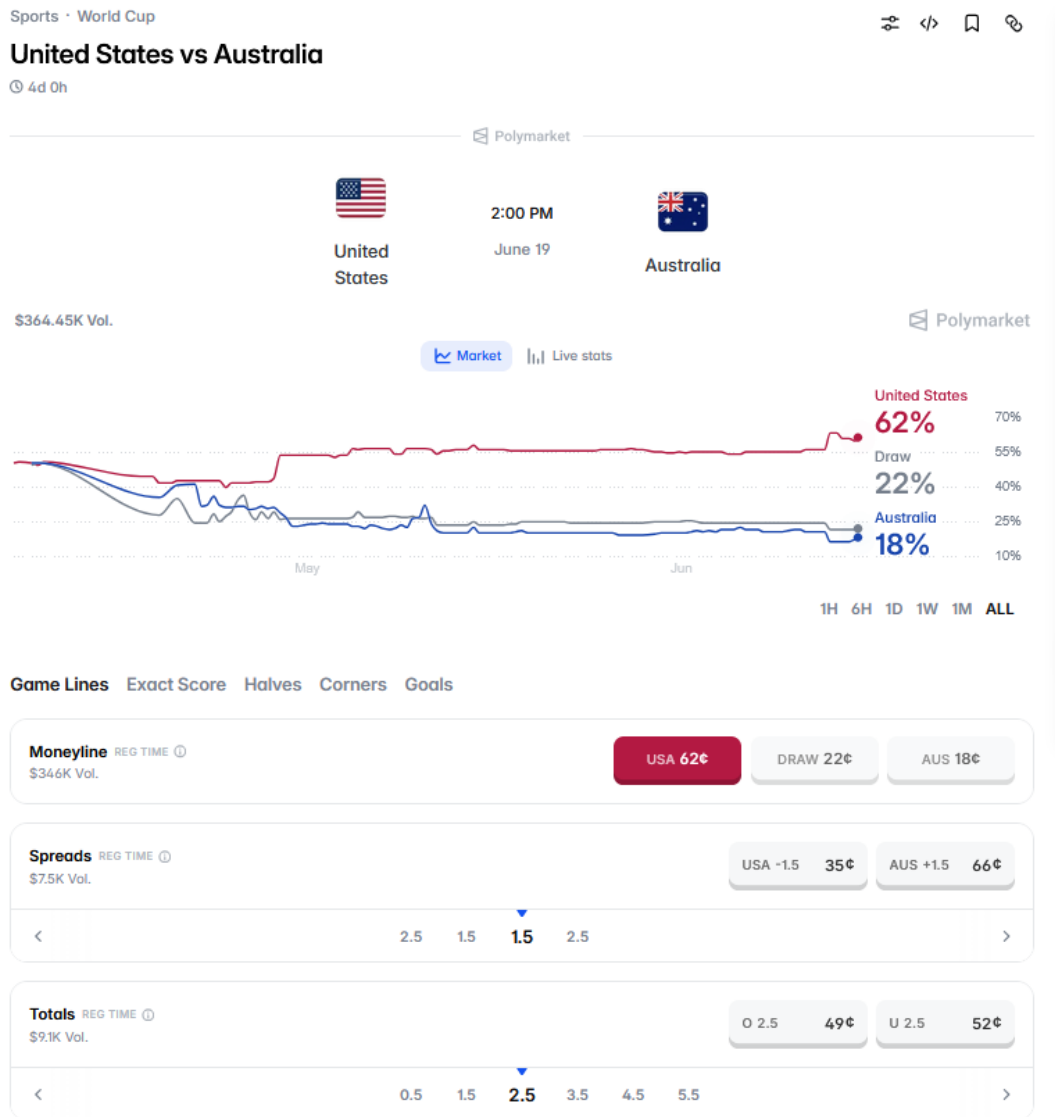
58. Polymarket employs a variety of classic sports-betting devices, including

¹⁷ Rhian Lubin, *Polymarket pulls bet on fate of US pilot missing in Iran amid uproar: “Dystopian death market”*, YAHOO! NEWS (Apr. 4, 2026, 3:52 PM), <https://www.yahoo.com/news/articles/polymarket-pulls-bet-fate-us-205220059.html>.

¹⁸ *How are Prices Calculated?*, POLYMARKET, <https://help.polymarket.com/en/articles/13364488-how-are-prices-calculated>.

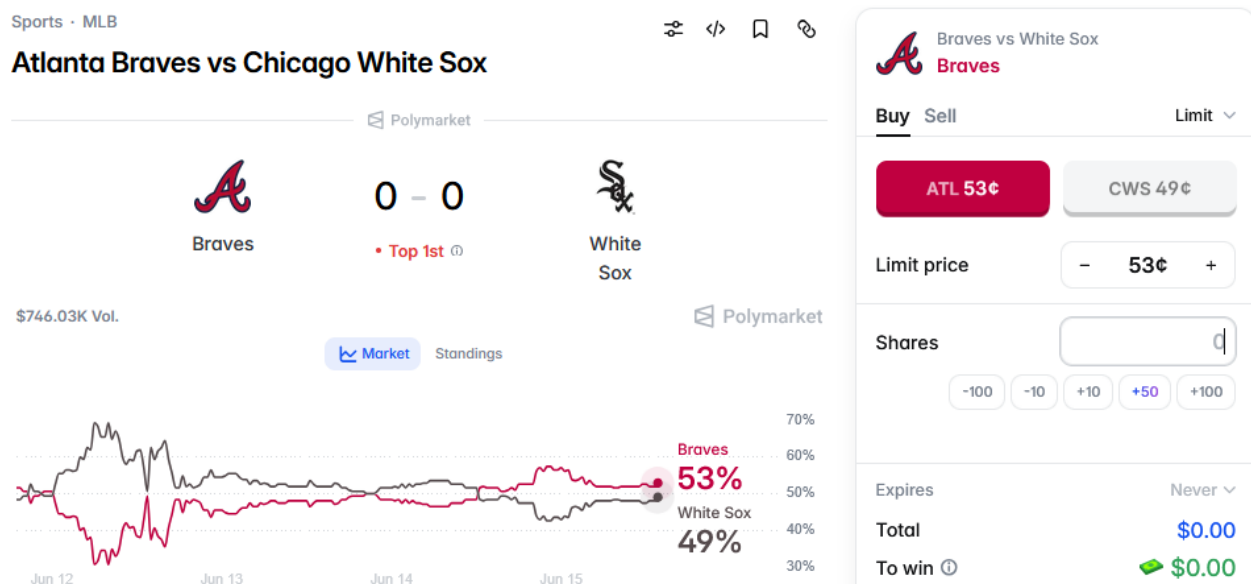
moneylines, spreads, point totals, and prop bets. These offerings do not exist independent of the sports betting industry and relate to nothing except ways to gamble on sports.

59. As exemplified by Polymarket's website,¹⁹ it employs sports-betting devices relating to the outcome of a sporting event: moneylines, spreads, and totals.



¹⁹ POLYMARKET, *United States v. Australia*, <https://polymarket.com/sports/world-cup/fifwc-usa-aus-2026-06-19>.

60. Polymarket also offers in-game wagering where users can place bets on the outcome of sporting events while they are in progress.



61. A wager on the outcome of a sporting event is not a “swap” as defined in 7 U.S.C. § 1a(47)(A)(ii).

62. In addition, Polymarket offers parlays on its platform.

63. Parlays are a common and popular type of sports gambling wager that allow the bettor to combine multiple bets (or “legs”) into one. If all of their selections win, the bettor will receive a larger payout than if they had bet on a single event.

64. Despite the longer odds of winning and the more complicated calculation for odds of success, a recent Washington Post article on sports betting makes clear that, quite simply,

“America is obsessed with parlays.”²⁰ Indeed, more than 70% of NFL and NBA bets on FanDuel came from parlays in 2023, according to FanDuel’s parent company Flutter Entertainment.

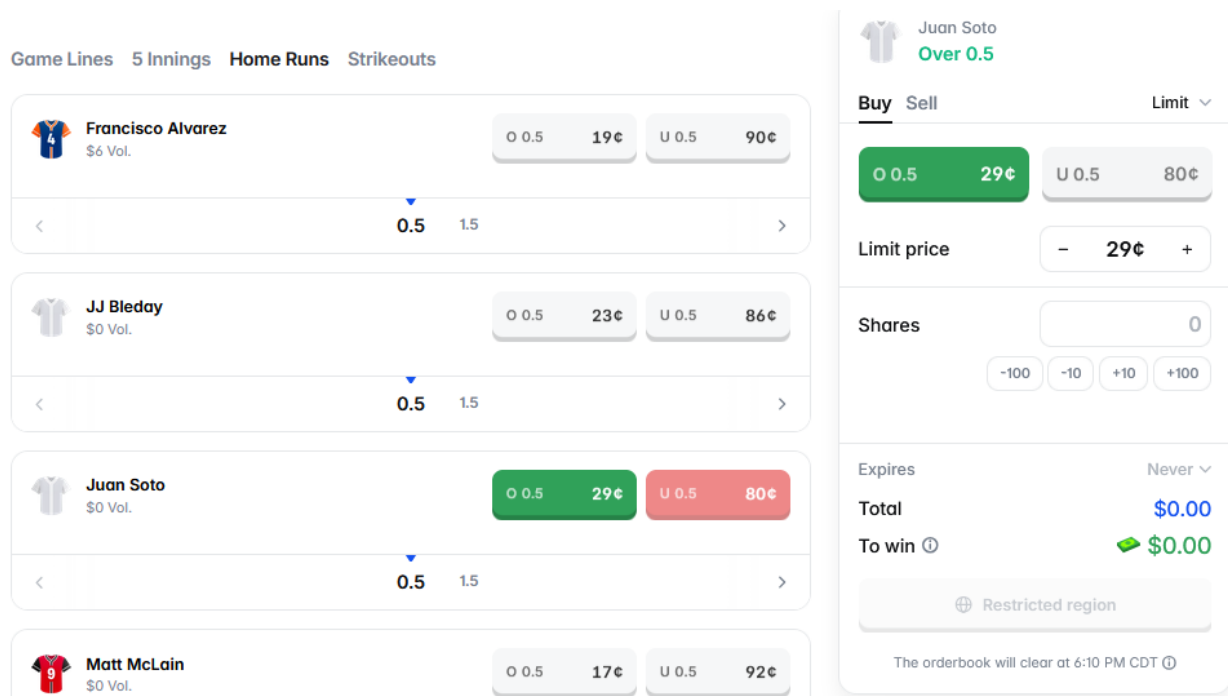
65. To capitalize on the popularity of sports parlays, Polymarket, as demonstrated through the screenshot below, offers “combos” that allow users to trade custom combinations of events. While the combos come with higher payouts if all outcomes are correct, the bettor loses everything if any outcome is wrong.

The screenshot displays the Polymarket interface. At the top, there's a search bar and navigation tabs including Trending, World Cup, Breaking, Politics, Sports, Crypto, Esports, Iran, Finance, Geopolitics, Tech, Culture, Economy, Weather, Mentions, Elections, and More. The main content area is divided into two sections for the World Cup. The top section, labeled '1H - 15 \$21.60M Vol.', shows the match Belgium vs. Egypt with a score of 0-0-0. It lists betting odds: BEL 66¢, DRAW 23¢, EGY 13¢, BEL -1.5 37¢, EGY +1.5 64¢, O 2.5 48¢, and U 2.5 53¢. The bottom section, labeled '5:00 PM \$2.21M Vol.', shows the match Saudi Arabia vs. Uruguay with a score of 0-0-0. It lists betting odds: KSA 12¢, DRAW 22¢, URY 68¢, KSA +1.5 59¢, URY -1.5 42¢, O 2.5 46¢, and U 2.5 55¢. On the right, a 'Combo Beta' section shows a 5-pick parlay with a payout of 48¢. The parlay includes Belgium vs. Egypt (Y/N), Saudi Arabia vs. Uruguay (Y/N), and Saudi Arabia vs. Uruguay (Under 2.5). A button at the bottom right says 'Updating payout...'.

66. A wager on the outcome of a parlay is not a “swap” as defined in 7 U.S.C. § 1a(47)(A)(ii).

67. Polymarket, as exemplified by the following from the Polymarket website, also offers proposition bets, which are wagers placed on specific occurrences within a game, such as individual player statistics, not just the final score or outcome.

²⁰ Emily Giambalvo, Kati Perry, and Aaron Steckelberg, *Americans Can’t Stop Betting Parlays. Sportsbooks are Cashing In*, THE WASHINGTON POST (October 9, 2025), https://www.washingtonpost.com/sports/interactive/2025/parlay-popularity-odds-sportsbooks/?itid=sr_0_73aac7bf-f36c-4046-9eec-663be16f2d43.



68. A wager on the outcome of a proposition bet is not a “swap” as defined in 7 U.S.C. § 1a(47)(A)(ii).

69. Defendants have caused gamblers in Kentucky to lose more than five dollars during a twenty-four hour period on their various sports wagers.

3. Defendants’ sporting event contracts constitute sports wagering under Kentucky law.

70. Defendants’ sporting event contracts constitute “sports wagering” under Kentucky law because they engage in “wagering on...sporting events or portions of sporting events, or on the individual performance statistics of athletes in a sporting event or combination of sporting events....” KRS 230.210(32).

71. Defendants’ offerings meet the definition of a “wager” under Kentucky law because their users risk a sum of money (i.e. the price of the contract) on a sporting event for which the outcome is uncertain (i.e. the position taken on the event contract). 809 KAR 10:001,

Section 1 (66). Defendants’ patrons who win their wagers receive “winnings” paid to them as a direct result of a successful sports wager. 809 KAR 10:001, Section 1(69).

72. Further, Kentucky law defines “type of wager” as the form of a wager offered by a sports wagering operator, including single game bets, parlays, money line bets, in-play bets, and more. 809 KAR 10:001, Section 1 (62). Defendants offer these types of wagers.

73. Accordingly, Defendants’ sports events contracts are wagers on uncertain sporting event outcomes, structured and operated in a manner that meets the legal definition of sports wagering under Kentucky law.

C. Through the Polymarket Platform and Through Social Media, Defendants Deceptively Misrepresent That They Offer Legal and Authorized Sports Wagering.

74. Defendants market to Kentuckians through the Polymarket website, mobile app, and through social media platforms.

75. Polymarket’s website and app convey the false and misleading impression that it is authorized to offer sports wagering under Kentucky law.

76. Polymarket has regular and sports-focused social media accounts that are available to Kentucky residents, including Instagram (@polymarket and @polymarketsports), TikTok (@polymarket and @polymarketsports), and X (@polymarket and @polymarketsports), through which it conveys the false and misleading impression that it is authorized to offer sports wagering under Kentucky law.

77. Defendants have not disclosed, through the Polymarket website, app, or social media accounts that they are not authorized to accept sports wagers under Kentucky law.

D. Defendants’ Platform Lacks Safeguards for Responsible Gambling Required by Kentucky Law.

78. Gambling has serious public health risks that may lead to harm to a gambler’s financial, economic, emotional, and physical well-being, as well as the well-being of their families and communities.

79. Studies conducted by the National Council on Problem Gambling show that “[t]he rate of gambling problems among sports bettors is at least twice as high as among gamblers in general. . . . [and] the rate of problems is even higher” when sports wagering takes place online, “with one study of online sports gamblers indicating that 16% met clinical criteria for gambling disorder and another 13% showed some signs of gambling problems.”²¹

80. Kentucky’s Department for Behavioral Health, Developmental and Intellectual Disabilities offers a program for Kentuckians about safe gambling practices, the risks posed by gambling, and services to reduce the consequences of problem gambling.²²

81. The Commonwealth has also allocated 2.5% of its sports wagering tax revenue to fund the Problem Gambling Assistance Fund, designed to fund support programs and educational initiatives on problem gambling and prevention. 908 KAR 2:300.

82. Kentucky law requires sports wagering operators to post a toll-free help number (1-800-GAMBLER) in a conspicuous place on its website and apps, offer educational content on the risks of problem gambling, warn users that underage gambling is a criminal offense, and honor self-exclusion requests from patrons seeking to block their own access to the wagering

²¹ A Review of Sports Wagering & Gambling Addiction Studies Executive Summary, NAT’L COUNCIL ON PROBLEM GAMBLING, https://www.ncpgambling.org/wp-content/uploads/2023/09/Sportsgambling_NCPGLitRvwExecSummary.pdf.

²² See *Problem Gambling Program*, KENTUCKY CABINET FOR HEALTH AND FAMILY SERVICES, <https://www.chfs.ky.gov/agencies/dbhddid/Pages/Problem-Gambling-Program.aspx>.

platform. 809 KAR 10:007. With respect to the self-exclusion requests, the KHRGC compiles a list of individuals asking to be blocked from future gambling activities and shares it with all licensed sports wagering operators in the Commonwealth. Individuals on the self-exclusion list are prohibited from entering a racetrack and participating in any gambling activity. 801 KAR 2:100.

83. Defendants' licensed competitors are required to comply with these rules and are subject to the continued oversight of the KHRGC. For example, licensed Kentucky operator Red Mile Gaming & Racing and its sports wagering service provider, Caesar's, posts the toll-free help line in several places on its websites, identifies factors that suggest someone may be experiencing problem gambling, and offers a self-exclusion policy as required by 810 KAR 2:100.²³

84. Similarly, other sports wagering platforms doing business in Kentucky offer users significant resources to learn about and address problem gambling. For example, FanDuel provides its customers with:

- a. Tools to monitor their spending activity and trends, and place limits on their deposits, losses, wagers, wager size, and time spent on the website.
- b. The 1-800-GAMBLER phone number and contact information for the Kentucky Council on Problem Gambling;
- c. A self-exclusion list to block their access to FanDuel's website, both for shorter and longer time periods;
- d. Links to several problem gambling support groups and tools, such as Gamblers Anonymous and BetBlocker, a free and anonymous application that allows gamblers to fully restrict or limit their access to thousands of gambling websites;
- e. Access to several resources, such as online web courses on responsible gaming and materials to help educate youth about gambling and its risks,

²³ See RED MILE GAMING & RACING, <https://www.redmileky.com/resources>.

- f. Free counseling services “to help manager your transition away from gambling” through its partnership with Kindbridge.

85. Likewise, DraftKings’ Responsible Gaming Center offers a number of resources, including player-set betting and budget limits and alerts, temporary and long-term self-exclusion lists, player statistics, and more.

86. While Defendants offer sports wagering to anyone over the age of 18, after a simple sign-up process, Defendants provide few, if any, safeguards to educate users about financial responsibility or the risks of losing money.

87. Indeed, Defendants do not provide responsible gambling tools, such as a self-exclusion option or any other information on the risks posed by its prediction market as required by the KHRGC.

V. CAUSES OF ACTION

COUNT 1

VIOLATIONS OF KENTUCKY CONSUMER PROTECTION ACT FOR FALSE, DECEPTIVE, AND MISLEADING ACTS AND PRACTICES (ASSERTED AGAINST QCX LLC, BLOCKRATIZE INC., AND QC TECH LLC)

88. Plaintiff repeats and realleges paragraphs 1-87 of this Complaint as if fully set forth herein.

89. The Kentucky Consumer Protection Act prohibits “[u]nfair, false, misleading, or deceptive acts or practices in the conduct of any trade or commerce.” KRS 367.170.

90. Defendants QCX, Blockratize, and QC Tech (“Defendants” for the purposes of this Count) have violated the KCPA by engaging in false, misleading, and/or deceptive acts or practices in the Commonwealth of Kentucky.

91. Through the promotion of sports wagering on the Polymarket website and mobile app, Defendants have repeatedly conveyed the false, deceptive, and misleading impression

that the sports wagers that they offer through their prediction market are lawful, and not void, in Kentucky.

92. Through their social media accounts, Defendants have repeatedly conveyed the false, deceptive, and misleading impression that the sports wagers that they offer through their prediction market are lawful, and not void, in Kentucky.

93. At all times, Defendants' false, deceptive, and misleading conduct has been willful.

94. The Commonwealth is entitled to an injunction to prevent Defendants' continued violation of the KCPA. KRS 367.190.

95. For each of the Defendants' willful violations of KRS 367.170, the Commonwealth is entitled to recover a civil penalty of up to two thousand dollars (\$2,000) per violation, and up to ten thousand dollars (\$10,000) per violation when the conduct was directed at persons sixty (60) years or older. KRS 367.990.

COUNT 2
VIOLATIONS OF KENTUCKY CONSUMER PROTECTION ACT
FOR UNFAIR ACTS AND PRACTICES
(ASSERTED AGAINST QCX LLC, BLOCKRATIZE INC., AND QC TECH LLC)

96. Plaintiff repeats and realleges paragraphs 1-87 of this Complaint as if fully set forth herein.

97. The Kentucky Consumer Protection Act prohibits "[u]nfair, false, misleading, or deceptive acts or practices in the conduct of any trade or commerce." KRS 367.170.

98. Defendants QCX, Blockratize, and QC Tech ("Defendants" for the purposes of this Count) have violated the KCPA by engaging in unfair acts and practices in the Commonwealth of Kentucky through the unauthorized offering and facilitation of sports gambling within Kentucky.

99. Defendants' solicitation of sports wagers from people in Kentucky, in disregard for Kentucky's gambling laws, is unconscionable.

100. Through their unauthorized offering and facilitation of sports gambling within Kentucky, Defendants have caused substantial consumer injury in the form of monetary losses.

101. Defendants' unauthorized offering and facilitation of sports gambling within Kentucky is not outweighed by countervailing benefits to consumers or competition.

102. Defendants' unauthorized offering and facilitation of sports gambling within Kentucky is against public policy.

103. The Commonwealth is entitled to an injunction to prevent the Defendants' continued violation of the KCPA. KRS 367.190.

104. For each of the Defendants' willful violations of KRS 367.170, the Commonwealth is entitled to recover a civil penalty of up to two thousand dollars (\$2,000) per violation, and up to ten thousand dollars (\$10,000) per violation when the conduct was directed at persons sixty (60) years or older. KRS 367.990.

COUNT 3
VIOLATION OF KENTUCKY'S LOSS RECOVERY ACT
(ASSERTED AGAINST QCX LLC, BLOCKRATIZE INC., QC CLEARING LLC, AND
QC TECH LLC)

105. Plaintiff repeats and realleges paragraphs 1-87 of this Complaint as if fully set forth herein.

106. Pursuant to KRS 372.010, unless authorized, "[e]very contract, conveyance, transfer or assurance for the consideration, in whole or in part, of money, property or other thing won, lost or bet in any game, sport, pastime or wager, or for the consideration of money, property or other thing lent or advanced for the purpose of gaming, or lent or advanced at the time of any

betting, gaming, or wagering to a person then actually engaged in betting, gaming, or wagering, is void.”

107. Pursuant to KRS 372.010, each wager or contract on sporting event outcomes, including parlays and prop bets, by persons in Kentucky on the Polymarket prediction market platform, and each conveyance or transfer of money in connection therewith, is void.

108. Pursuant to KRS 372.020, “[i]f any person loses to another at one (1) time, or within twenty-four (24) hours, five dollars (\$5) or more, or anything of that value, and pays, transfers or delivers it, the loser or any of his creditors may recover it, or its value, from the winner, or any transferee of the winner, having notice of the consideration, by action brought within five (5) years after the payment, transfer or delivery.”

109. Pursuant to KRS 372.040, if the loser in a gambling transaction does not sue for the money lost, pursuant to KRS 372.020, “within six (6) months after its payment or delivery to the winner” and “prosecute the suit to recovery with due diligence,” another “person may sue the winner, and recover treble the value of the money or thing lost, if suit is brought within five (5) years from the delivery or payment.”

110. The Commonwealth is a “person” that may sue under KRS 372.040. *See Commonwealth ex rel. Brown v. Stars Interactive Holdings (IOM) Ltd.*, 617 S.W.3d 792, 802 (Ky. 2020) (“Person includes the state unless the context of the statute requires otherwise. The context of the statute requires a determination that the Commonwealth of Kentucky has standing to bring this lawsuit.”).

111. Each Defendant was each a “winner” with respect to all sports wagering on the Polymarket platform, by persons in Kentucky because they received a percentage of, or fee on,

each such wager. *See Stars Interactive*, 617 S.W.3d at 807 (“Our Court has interpreted winners to include individuals who take any portion of the amount lost since at least 1890.”).

112. For all individual sports wagering losses of five dollars or more within a twenty-four hour period by persons wagering in Kentucky, and for which the loser did not sue for money lost and prosecute the suit to recovery with due diligence under KRS 372.040, the Commonwealth seeks from Defendants Blockratize, QCX LLC, QC Clearing LLC, and QC Tech LLC, and is entitled to receive, treble the value of the money lost.

COUNT 4
VIOLATION OF KRS 528.100
(ASSERTED AGAINST QCX LLC, BLOCKRATIZE INC., AND QC TECH LLC)

113. Plaintiff repeats and realleges paragraphs 1-87 of this Complaint as if fully set forth herein.

114. Pursuant to KRS 528.100(2), “any person who conducts, finances, manages, supervises, directs, or owns a gambling device intended for use in the Commonwealth in violation of [Chapter 528 of the Kentucky Penal Code] shall be subject to a civil penalty not to exceed twenty-five thousand dollars (\$25,000) for each device, payable to the county in which the device was operated.”

115. Pursuant to KRS 528.100(3), the Attorney General “may cause an action in equity to be brought in the name of the Commonwealth . . . [to] enjoin the operation of a gambling device in violation of this section.”

116. A “gambling device” is defined, in relevant part, as “[a]ny electronic, computerized, or mechanical contrivance, terminal, machine, or other device that: (a) Requires the direct or indirect payment of consideration which may include and shall not be limited to the insertion of a coin, currency, ticket, token, or similar object, or by depositing funds with the

operator or owner of the device, to operate, play, or activate a game; and (b) Offers games the outcomes of which are determined by any element of skill of the player and may deliver or entitle the person playing or operating the device to receive cash, cash equivalents, or gift cards or vouchers, billets, tickets, tokens, or electronic credits to be exchanged for cash or to receive merchandise or something of value, whether the payoff is made automatically from the device or manually.” KRS 528.010.

117. The Polymarket website and mobile apps are gambling devices under KRS 528.010.

118. With the Polymarket website and mobile app, Defendants QCX, Blockratize, and QC Tech conduct, finance, manage, supervise, direct, and own gambling devices intended for use in the Commonwealth in violation of Chapter 528 of the Kentucky Penal Code.

119. The Commonwealth seeks, and is entitled to, an order enjoining the operation of Defendants’ gambling devices and a penalty of twenty-five thousand dollars (\$25,000) for each device, payable to the county in which the device was operated.

VI. DEMAND FOR RELIEF

WHEREFORE, Plaintiff, the Commonwealth of Kentucky, respectfully requests that the Court enter judgment in its favor and against Defendants, as follows:

a. Entering an Order finding that the Defendants have violated the Kentucky Consumer Protection Act, the Kentucky Loss Recovery Act, and KRS 528.100, and that judgment be entered against Defendants in favor of Plaintiff;

b. Granting Plaintiff all recoverable measures of damages—including but not limited to actual and punitive damages—allowable under the claims identified herein;

- c. Awarding Plaintiff penalties of up to \$2,000 per willful violation of the Kentucky Consumer Protection Act pursuant to KRS 367.990;
- d. Awarding Plaintiff civil penalties of \$10,000 for each violation of the Kentucky Consumer Protection Act pursuant to KRS 367.990, where Defendants' conduct was directed at a person aged sixty (60) years of age or older;
- e. Awarding Plaintiff temporary and permanent injunctive relief against Defendants' ongoing violations of the Kentucky Consumer Protection Act;
- f. Awarding restitution and/or disgorging Defendants' unjust gains pursuant to KRS 367.200, KRS 15.020, and common law;
- g. Awarding treble the value of all money lost to Defendants pursuant to KRS § 372.040;
- h. Entering an Order temporarily and permanently enjoining Defendants, their affiliates, successors, transferees, assignees, and the officers, directors, partners, agents, and employees thereof, and all other persons acting or claiming to act on their behalf or in concert with them, be enjoined and restrained from, in any manner, continuing, maintaining or renewing the conduct, alleged herein, in violation of the above stated Kentucky laws;
- i. Awarding the Commonwealth its costs and attorneys' fees as permitted by law;
- j. Awarding the Commonwealth prejudgment interest as permitted by law;
- k. Ordering such other and further relief as the Court deems just and appropriate.

JURY TRIAL DEMANDED

Plaintiff demands a trial by jury on all claims so triable.

DATED: June 17, 2026

Respectfully submitted:

By: /s/ Philip Heleringer

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