

## APPENDIX B (CONFIDENTIAL) – FURTHER CONSIDERATIONS

**Risk mitigation purpose of the Contract:** The economic implications of *The Joe Rogan Experience* losing its spot as the top-ranking podcast on Spotify would be wide-reaching, affecting multiple actors in the podcasting industry, Spotify's business model, advertisers, and the broader media ecosystem. Joe Rogan's podcast has become a cultural and economic juggernaut, representing the pinnacle of what modern podcasting can achieve in terms of audience engagement, influence, and monetization. The ripple effects of such a major shift in rankings would extend far beyond just Spotify and Rogan himself, impacting various industries and individuals associated with the podcasting space.

At the core of this shift would be Spotify, which invested a significant amount of money and strategic focus in securing *The Joe Rogan Experience* as an exclusive podcast in 2020. This deal, reportedly worth around \$100 million, was a major move by Spotify to cement itself as a dominant force in the podcasting world. By securing exclusive rights to Rogan's massive audience, Spotify was betting on his continued success to drive engagement, retain subscribers, and attract advertising dollars. If Rogan were to lose his top-ranking position, this could represent a significant blow to Spotify's return on investment. The company would have to contend with the potential loss of users who subscribed or remained on the platform primarily to access his content. This could also dampen Spotify's broader ambitions to dominate the podcast market, as it would signal that even their most high-profile exclusives are not immune to decline, making it harder to justify similarly large investments in other podcast creators.

For advertisers, this change would also have profound economic consequences. Joe Rogan's podcast has long been a preferred platform for advertisers seeking to reach a large, engaged, and often niche audience. His discussions frequently delve into areas of culture, politics, science, and alternative viewpoints, attracting a diverse listener base. Losing his top ranking would likely result in a decline in listenership, diminishing the value of ad placements on his show. Advertisers might pull back from spending as heavily on his platform and look to allocate their budgets to other rising stars in the podcasting space. This could spark a broader shift in advertising dollars across the industry, as brands reconsider which shows provide the best return on investment. Media agencies, tasked with negotiating these deals, would need to recalibrate their strategies, potentially spreading their bets across a wider range of podcasts instead of concentrating so heavily on one major show.

On the content creation side, other podcasters would likely benefit from Rogan losing his top spot. Podcasting has become an increasingly competitive industry, with a growing number of high-quality shows emerging in a variety of genres. If Rogan were to slip from the top, it would create an opportunity for other creators to rise, both in visibility and financial standing. This could lead to a reallocation of Spotify's resources and promotional efforts toward other podcasts, particularly if they can attract similarly large or even broader audiences. For independent

podcasters, this shift could represent an opening to negotiate better deals, gain more exposure, and increase their share of the advertising revenue that has been disproportionately concentrated in a few top-tier shows. The podcasting ecosystem could become more diversified as a result, with a wider range of voices and content creators gaining economic power and influence.

The production and staffing connected to *The Joe Rogan Experience* would also feel the effects. Rogan's operation, which includes a small team of producers, editors, and support staff, has thrived under the show's continued dominance. A decline in listenership, ad revenue, or Spotify's promotional support could lead to cuts or reduced spending on production, potentially reducing the scope and scale of the show. The production company associated with the podcast might be forced to reassess how to maintain or regain its competitive edge, whether through changes in content, additional guest appearances, or expanding into other media formats like video streaming or live events to offset potential losses in podcast earnings.

In a broader sense, *The Joe Rogan Experience* losing its top position could shift the cultural dynamics within podcasting. Rogan has long been seen as an influential figure who can bring attention to controversial or underrepresented ideas, sparking debate across political, social, and cultural lines. His position as the top podcast on Spotify granted him a particular kind of cultural authority, giving weight to the guests and topics featured on his show. If another podcast were to take his place at the top, it would shift the cultural center of gravity within the podcasting world. This could have downstream effects on the types of conversations and ideas that gain prominence, potentially creating new opportunities for other influencers and thought leaders to shape public discourse.

Additionally, the broader podcasting industry would likely see shifts in platform dynamics as well. Spotify has been aggressively expanding into the podcasting space, challenging Apple Podcasts, Google Podcasts, and other platforms. If Rogan's top spot were to be claimed by another show, it could indicate that Spotify's exclusivity strategy is not as effective as anticipated, leading to a reevaluation of the platform's future investments in content. Competing platforms might seize this opportunity to attract top creators, offering them favorable deals in hopes of drawing audiences away from Spotify. This could create a more fragmented podcast market, where no single platform has a dominant share of the most popular content, leading to increased competition across distribution channels.

Another economic consideration is the potential impact on Spotify's stock price and investor sentiment. *The Joe Rogan Experience* has been a major part of Spotify's narrative in its transformation from a music streaming service to a more diversified audio platform. Investors have placed significant value on Spotify's ability to secure and maintain exclusive, high-profile content. A decline in Rogan's standing could raise concerns among investors about the company's long-term strategy and whether its investments in exclusivity are as impactful as originally expected. This could lead to increased volatility in Spotify's stock, particularly if the

loss of Rogan's top position coincides with other challenges in the podcasting market or overall user growth.

In conclusion, *The Joe Rogan Experience* losing its spot as the top-ranking podcast on Spotify would have wide-ranging economic implications across multiple sectors. Spotify itself would face challenges in justifying its exclusive content strategy, while advertisers might reallocate their spending across a more diverse range of shows. Other podcasters would likely benefit from the shift in audience attention and resources, while the production team behind Rogan's podcast could experience downsizing or reduced influence. Culturally, the change could alter the center of discourse within the podcasting industry, while the broader competitive dynamics of the podcasting platform landscape would likely see increased fragmentation and competition. Finally, investor sentiment toward Spotify could be negatively affected, as questions arise about the long-term efficacy of its content investment strategy.

As described in detail above, the Contract has important risk mitigation and price basing/price discovery utility. The Contract does not relate to the enumerated categories of contracts listed in Section 5c(c)(i) of the Act. Additionally, the Exchange has not determined such contracts to be contrary to the public interest and there has been no determination by the Commission that such contracts would be contrary to the public interest. The Contract provides a means for managing and assuming price risks, discovering prices, and disseminating price information on the Exchange's fair and financially secure trading facility.

The Contract has bona fide risk mitigation and price basing utility for participants with underlying economic exposure, as described above. The Contract is not merely recreational, as the discussion of risk mitigation and price basing/price discovery utility demonstrates. The outcome of the Contract is not predominantly determined by chance and depends on a variety of social factors. Finally, it is possible for traders to use skill and effort to gain knowledge and information about the likelihood of the event. For example, traders can gain information about the likelihood of the event by following Spotify and other podcast charts.

**APPENDIX C (CONFIDENTIAL) – SOURCE AGENCY**

The information which is used to determine the Expiration Value of the Contract is published by Spotify. Spotify is the direct source on the Underlying event, and as a result, has a large incentive to be truthful and accurate in their release.

## **APPENDIX D (CONFIDENTIAL) – COMPLIANCE WITH CORE PRINCIPLES**

### **Compliance with Core Principles**

The Exchange has conducted a comprehensive analysis of the designated contract market core principles (“Core Principles”) as set forth in Part 38 of the Act. The Core Principles relevant to the Contract are outlined and discussed in further detail below:

**Core Principle 2 - Compliance with Rules and Impartial Access:** The Exchange has adopted the Rulebook, which provides the requirements for accessing and trading on the Exchange. Pursuant to Chapters 3 and 5 of the Rulebook, in utilizing the Exchange’s services, all Members must comply with the rules of the Rulebook (“Rules”), cooperate with Exchange investigations, inquiries, audits, examinations and proceedings, and engage in conduct consistent with just and equitable principles of trade. Chapter 3 of the Rulebook also provides clear and transparent access criteria and requirements for Exchange Members. Trading the Contract will be subject to all the rules established in the Rulebook, which are aimed at enforcing market integrity and customer protection.

In particular, Chapter 5 of the Rulebook sets forth the Exchange’s Prohibited Transactions and Activities and specifically prescribes the methods by which Members trade contracts, including the Contract. Pursuant to Rule 3.2, each Member is required to cooperate promptly and fully with an Exchange investigation by providing access to information on the activities of the Member in any referenced market, which includes books and records of trading. Pursuant to Rule 9.2, the Exchange may compel testimony, subpoena documents, and require statements under oath from any Member. As described in Rule 9.1, the Exchange conducts trade practice surveillance, market surveillance, and real-time market monitoring to ensure that Members adhere to the Rules of the Exchange. The Exchange, through the compliance department, initiates review and, where appropriate, investigates unusual trading activity. The compliance department also investigates any time it has other reason to believe that inappropriate activity of any sort is taking place on the Kalshi Platform or its website.

Core Principle 2 also stipulates that an exchange shall establish means to provide market participants with impartial access to the market. Chapter 3 of the Rulebook, and Rule 3.1 in particular, provides clear and transparent access criteria and requirements for Members. The Exchange will apply access criteria in an impartial manner, including through the application process described in Rule 3.1.

**Core Principle 3 - Contract not Readily Subject to Manipulation:**

Core Principle 3 and Rule 38.200 provide that a DCM shall not list for trading contracts that are readily susceptible to manipulation. The Exchange's marketplace and contracts, including this Contract, have been designed in accordance with this fundamental principle. The Exchange maintains various safeguards against outcome manipulation and other forms of manipulation, including, (i) real-time market monitoring, automated trade surveillance, and suspicious behavior detection, (ii) Rulebook prohibition, Member certification, and notification, (iii) Member monitoring and know-your-customer verification, and (iv) sanctions. These safeguards render the Contract not readily susceptible to manipulation.

**(i) Real-time market monitoring, automated trade surveillance, and suspicious behavior detection:** Kalshi conducts real-time market monitoring of all trading activity on the Exchange to identify disorderly trading and any market or system anomalies. As described in Rule 5.10, Kalshi has the authority to adjust trade prices or cancel trades when necessary to mitigate market disrupting events caused by malfunctions in its electronic trading platform or errors in orders submitted by members and market participants. Any trade price adjustments or trade cancellations must be transparent to the market and subject to standards that are clear, fair, and publicly available. Kalshi also maintains an automated trade surveillance system capable of detecting and investigating potential trade practice violations. The automated system loads and processes orders and trades as they occur on the Exchange (well within 24 hours after the completion of the trading day stated in Commission Regulation 38.156). The automated trade surveillance system has the ability to detect and flag specific trade execution patterns and trade anomalies; compute, retain, and compare trading statistics; compute trade gains, losses, and positions; reconstruct the sequence of market activity; perform market analyses; and support system users to perform in-depth analyses and ad hoc queries of trade-related data. As described in Rule 9.2(a), Kalshi's Compliance Department investigates unusual trading activity or other activity that the Compliance Department has reasonable cause to believe could constitute a violation of Kalshi's Rules, or upon the receipt of a request from Commission staff. The Exchange disciplinary process is conducted in accordance with Chapter 9 of the Exchange Rulebook, and penalties may be imposed in accordance with Rule 9.5.

**(ii) Rulebook prohibition, member certification and notification:** The Exchange's Rulebook includes various provisions that prohibit manipulative behaviors. As noted above in the discussion of Core Principle 2, the Exchange's Rulebook gives the Exchange the authority to investigate potential violations of its rules. Pursuant to Rule 3.2, each Member is required to cooperate promptly and fully with an Exchange investigation by providing access to information on the activities of the Member in any referenced market, which includes books and records of trading. Pursuant to Rule 9.2, the Exchange may compel testimony, subpoena documents, and require statements under oath from any Member. The Exchange's Surveillance Officers, which operate within the Compliance Department, perform trade practice surveillance and real-time market monitoring to ensure that Members adhere to the Exchange's rules. The Rulebook also

imposes sanctions on Members who break rules. Potential penalties include fines, disgorgement, and revocation of membership in Kalshi. Only Members are allowed to trade on the Exchange, and the Exchange requires its Members to strictly comply with the Rulebook. Members cannot complete the account creation process and trade on the Exchange until they certify that they have read the Exchange's rules and agree to be bound by them.

In addition, prior to trading, the Exchange requires Members to represent and covenant that the Member will not trade on any contract where they have access to material non-public information, may exert influence on the market outcome, or are an employee or affiliate of the Source Agency. In order to further reduce the potential for manipulation, the Exchange maintains a dedicated page on the trading portal that lists all the source agencies and their associated contracts, together with a warning that employees of those companies, persons with access to material non-public information, and persons with an ability to exert influence on the underlying of a contract are prohibited from trading on those contracts. This page is intended to serve as an effective means of raising Members' awareness of these rules and prohibitions, further reducing the potential for manipulation. Similarly, the Exchange places a prominent notice on each contract page that notifies Members of the prohibition on trading the Contract while employed by its Source Agency, trading the Contract on the basis of non-public information, and trading the Contract while having the ability to exert influence on the Contract's Market Outcome.

(iii) **Member monitoring and know-your-customer verification ("KYC")**: The Exchange has a robust KYC process. The KYC process is an important tool that helps flag and uncover higher risk traders before they become Members of the platform. The Exchange's KYC process ensures that the Exchange has access to all of its members' personal identifying information, and the Exchange can leverage this information as part of its surveillance and to ensure the overall fairness and integrity of its markets. During the application process, individual applicants are required to share personally identifiable information, such as their full legal name, social security number, date of birth, and address with the Exchange. Applicant information is run through a comprehensive set of databases that are actively compiled and maintained by an independent third party. The databases are utilized by the Exchange to identify applicants that are employees or affiliates of various governments and other agencies.

Additionally, as part of the KYC process for its individual members, the Exchange runs applicants through adverse media databases. The adverse media dataset is a real-time structured data feed of companies and individuals subject to adverse media. Monitoring thousands of news sources, business and trade journals, in addition to local, regional and national newspapers, the adverse media feed isolates and highlights any entities or individuals subject to a range of adverse media. The Exchange utilizes the database to trigger enhanced due diligence, because applicants with adverse media may be more likely to engage in certain types of unlawful activity including market manipulation.

(iv) **Sanctions:** Exchange Members must agree to the terms and conditions of the Exchange's Rulebook before being allowed to trade. As a result, Members are subject to disciplinary actions and fines for engaging in improper market conduct that is prohibited by the Exchange's Rulebook. In the event that suspicious trading activity is detected and results in an investigation initiated by the Exchange, market participants are required to provide the Exchange with information relevant to the scope of the investigation under Rule 3.2. Chapter 9 of the Exchange's Rulebook details the process for discipline and rule enforcement. Disciplinary action can range from a letter of warning to fines to referral to governmental authorities that can result in criminal prosecution.

In addition to these global policies and safeguards, there are a number of contract specific attributes and considerations that render the Contract not readily susceptible to manipulation. Spotify employees are prohibited from trading on the Contract.

First, Spotify is a widely reputable global music services company. The company's long-term success and influence in the podcasting industry hinge on the integrity of its rankings, and compromising that integrity would undermine its entire business model. Here's why such a contract would not influence Spotify's podcast rankings.

First and foremost, Spotify's rankings are determined by objective, quantifiable data. Spotify uses a combination of metrics, such as listener engagement, the number of streams, downloads, user interactions (like shares or saves), and podcast follower growth to determine a podcast's place on its charts. These metrics are collected automatically from the platform's vast user base, and are based on real-world user behavior. Given this automated, data-driven process, there is limited room for manual intervention or subjective alteration that could manipulate rankings to accommodate an external contract or agreement.

Spotify's credibility as a major player in the podcasting space is directly tied to the transparency and fairness of its rankings. Listeners, podcast creators, advertisers, and the media all rely on Spotify's charts to reflect genuine trends and success stories within the podcasting ecosystem. If it were suspected that Spotify's rankings could be manipulated by financial incentives, such as an event contract, it would erode trust in the platform. Spotify has a vested interest in maintaining this trust because its ability to attract both top podcast talent and advertisers depends on the perception that it is a reliable, unbiased platform. Any tampering with rankings would likely lead to public backlash, damage to its reputation, and a loss of confidence among creators and users.

From a financial perspective, the long-term costs of compromising its rankings would far outweigh any potential short-term benefit derived from an event contract. Spotify's business model relies heavily on its ability to build and sustain a large and engaged audience, particularly as it continues to position itself as a leader in both music streaming and podcasting. By ensuring



that its podcast charts are credible and reliable, Spotify can attract more creators who trust the platform to provide an accurate reflection of their popularity and success. The integrity of these charts also plays a key role in attracting advertisers, who rely on Spotify's metrics to make decisions about where to place their ad dollars. If advertisers or creators believed that Spotify's rankings could be skewed by external factors, they would be far less likely to invest in the platform, ultimately harming Spotify's long-term revenue potential.

Spotify also faces a highly competitive landscape, not just from other podcast platforms like Apple Podcasts or Google Podcasts, but also from independent distribution channels. In this competitive environment, any loss of trust in Spotify's objectivity would be an opening for rivals to capitalize on. Competitors would be quick to point out any perceived manipulation of rankings, positioning themselves as more transparent and objective. This could lead to a migration of both listeners and content creators away from Spotify, directly affecting the platform's market share and dominance in the podcasting space.

**Core Principle 4 - Prevention of Market Disruption:** Trading in the Contracts will be subject to the Rules of the Exchange, which include prohibitions on manipulation. Trading activity in the Contract will be subject to monitoring and surveillance by the Exchange's Market Surveillance Department. In particular, the Exchange's trade surveillance system monitors the trading on the Exchange to detect and prevent activities that threaten market integrity and market fairness including manipulation, price distortion, and disruptions of the settlement process. The Exchange also performs real-time market surveillance. The Exchange sets position limits, maintains both a trade practice and market surveillance program to monitor for market abuses, including manipulation, and has disciplinary procedures for violations of the Rulebook.

**Core Principles 7 and 8 - Availability of General Information and Daily Publication of Trading Information:** Core Principles 7 and 8, implemented by Regulations Sections Subsections 38.400, 38.401, 38.450, and 38.451, require a DCM to make available to the public accurate information regarding the contract terms and conditions, daily information on contracts such as settlement price, volume, open interest, and opening and closing ranges, the rules, regulations, and mechanisms for executing transactions on or through the facilities of the contract market, and the rules and specifications describing the operation of the contract market's electronic matching platform.

Rule 2.17 of the Rulebook sets forth the rules for publicizing information. The Rulebook and the specifications of each contract are made public on the Exchange website and remain accessible via the platform. The Exchange will post non-confidential materials associated with regulatory filings, including the Rulebook, at the time the Exchange submits such filings to the Commission. Consistent with Rule 2.17 of the Rulebook, the Exchange website will publish

contract specifications, terms, and conditions, as well as daily trading volume and open interest for the Contract. Each contract has a dedicated “Market Page” on the Kalshi Exchange platform, which will contain the information described above as well as a link to the Underlying used to determine the Expiration Value of the Contract. Chapter 5 sets forth the rules, regulations and mechanisms for executing transactions, and the rules and specifications for Kalshi’s trading systems.

**Core Principle 11 - Financial Integrity of Transactions:** Each Member must be in good standing and in compliance with the Member eligibility standards set forth in Chapter 3 of the Rulebook. All contracts offered by the Exchange, including the Contract, are cleared through the Clearinghouse, a Derivatives Clearing Organization (“DCO”) registered with the CFTC and subject to all CFTC Regulations related thereto. The Exchange requires that all trading be fully cash collateralized. As a result, no margin or leverage is permitted, and accounts must be pre-funded. The protection of customer funds is monitored by the Exchange and ensured by the Clearinghouse as “Member Property.”

**All Remaining Requirements:** All remaining Core Principles are satisfied through operation of the Exchange’s Rules, processes, and policies applicable to the other contracts traded thereon. Nothing in this contract requires any change from current rules, policies, or operational processes.