



September 6, 2022

Chairman Charles Schmadeke & Board Members
Illinois Gambling Board
160 North LaSalle
Suite 300
Chicago, Illinois 60601

Administrator Marcus Fruchter
Illinois Gambling Board
160 North LaSalle
Suite 300
Chicago, Illinois 60601

RE: A Full and Thorough Investigation Into the Major Deficiencies and Lack of Candor in Bally’s August 10th Application to the Illinois Gambling Board

Dear Chairman Schmadeke, Board Members, and Administrator Fruchter:

The Bally’s Corporation deficient application for a License for a new casino in the city of Chicago on August 10th represents the biggest challenge to the Illinois Gambling Board’s regulatory authority and credibility since the proposed Emerald Casino in Rosemont.

Much like the characters deemed unsuitable in the Rosemont proposal, executives with the Bally’s Corporation have approached their license application like they are entitled to a casino in Chicago, including taking steps to exert pressure on the Board to create the impression their licensure in Chicago is “a done deal.”

Because all applicants and licensees have a duty to disclose and maintain suitability for licensure, we strongly urge this Board and your investigators to follow your precedent to conduct a full, thorough, and transparent investigation into the major deficiencies and lack of candor in Bally’s August 10th application that we have detailed below. We ask the Board to pay special attention to the conduct of Bally’s executives and investors, the company’s affiliation with unregulated and unlicensed online gambling networks, and its wobbly financial condition to honor the promises and representations made to the public and the Chicago City Council. We also urge the Board to hold extensive public hearings and fact-finding hearings during this licensing process.

The major deficiencies and lack of candor in Bally’s August 10th application that require Board investigation include:

1) Restrictions on Bally's Gambling Licenses

Contrary to their application's answers, Bally's Corporation, the parent company of the applicant, has been repeatedly admonished and had their license restricted by their home-state regulatory agencies:

- **May 2019 Consent Agreement with Rhode Island's Department of Business Regulation:** State authorities discovered that Bally's knowingly allowed several unlicensed employees to work in casino and gambling operations for extended time periods. Rhode Island regulators entered into a Consent Agreement stipulating restrictions and conditions on its gambling license and operations that continue perpetually to ensure compliance.
- **October 2019 Consent Agreement With Rhode Island Lottery Division and Department of Business Regulation:** State officials fined Bally's for violating their state regulatory agreement as the company incurred excessive debt to pay a dividend to shareholders and to buy back shares. This act violated the agreed maximum debt leverage ratio provided in their host agreement. State officials fined Bally's \$180,000, required them to hire a compliance officer, and make minimum capital investments in its casino properties instead of sending money to their shareholders.

These are two severe breaches of a state-issued gambling license. Bally's Rhode Island operations are not separate entities from the entity licensing the Chicago casino. The officers, executives, and shareholders with key control involved in these breaches are the same individuals who have been intimately involved in the negotiation and decision-making regarding the proposed Chicago casino.

2) Bally's History of Bankruptcy

Unlike other licensed applicants before the Illinois Gambling Board whose parent companies were involved in bankruptcy cases, Bally's did not accurately disclose their financial history.

Elected officials repeatedly asked the executive leadership of Bally's if they could show an example of a project where the company built or undertook a substantive renovation project instead of purchasing an already operational property. **The Bally's team repeatedly pointed to their experience in Rhode Island.**

Yet, again contrary to their application to the Illinois Gambling Board, the predecessor company of Bally's, Twin River Holdings, went bankrupt after incurring nearly \$600 million in debt associated with their renovation of the casino in Rhode Island. The

bankruptcy cases were active through 2016. (See cases involving UTGR, Inc., BK No. 09-12418 and BLB Worldwide Holdings, Inc. n/k/a Twin River Worldwide Holdings Inc., 1:09-bk-12420.)

Today, the company remains in a financially unstable situation. Bally's current 10-Q disclosed that the corporation only had \$176 million in cash at the end of its recent quarter. The independent rating agency, Fitch Ratings, downgraded the company's credit rating to negative on June 30, 2022. **Despite the company's current predicament, Bally's promised \$1.7 billion in capital investment to win its bid in Chicago.**

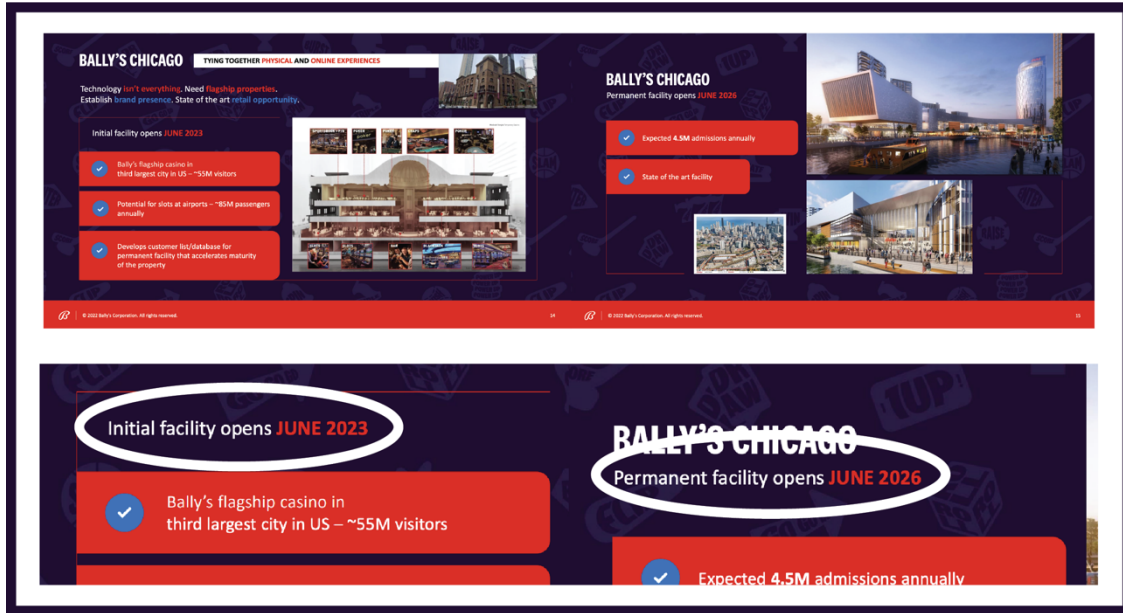
Given that Bally's and its chairman and lead shareholder *both* have an extensive history of bankruptcies, coupled with the company's deteriorating financial position, very serious questions exist about the applicant's financial suitability for the Chicago casino gambling license that require full and thorough answers.

3) Bally's Disregard for the Culture of Compliance Central to the Illinois Gambling Board's Mission and Regulatory Process in Its Investor Presentation Disclosures and During the Company's August 4, 2022 Earnings Call

"A Board license does not create a property right, but is a revocable privilege granted by the State contingent upon continuing suitability for licensure."

- Illinois Gambling Board Rule Section 3000.1105

Bally's has not received approval from the Illinois Gambling Board to do anything in Chicago. **However, as seen below in its recent SEC-registered filings the company states plainly: "Initial facility opens JUNE 2023" and the "Permanent facility opens JUNE 2026."** Companies with a culture and history of compliance recognize the regulatory process takes time and refrain from openly pressuring state gambling regulators with definitive opening dates.



Source: Bally's Investor Relations Presentation published August 12, 2022:

https://s29.q4cdn.com/580102441/files/doc_presentations/2022/Bally's-Investor-Deck-2Q22.pdf

In addition to touting casino opening dates in its SEC filings, the president of Bally's Chicago Holding Company, Amet Patel, disclosed during the company's August 4, 2022 quarterly investor call that Bally's is ordering gambling equipment, supplies and other materials to support a casino in Chicago. This investor call took place six days before Bally's application was even submitted to the Illinois Gambling Board!

A transcript of the relevant question and answer session is below:

18:56 – Barry Jonas, Truist Securities: Great. Thanks for taking my questions. I actually had a few around the Chicago project. May, maybe, can you start about talking about next steps from here and, and any risks maybe that you see for getting the full project to completion specifically touching on inflation supply chain risks and such? Thanks.

21:27 – Amet Patel, President, Bally's Chicago Holding Company, LLC: Thanks, George. Good morning, Barry. Good to hear from you. As far as the temporary goes, I just wanted to add a couple of comments on what Joyen mentioned earlier. When you look at our risk factors going into the temporary facilities, there's really two things that we're keeping a laser shot focus on. One is the inflationary pressures and how are we making sure that our pricing models continue to allow us to deliver on the numbers that we've given out for our cost and, completion of the project. And number two, we're keeping a very close eye

on the supply chain as well. And some of the long lead items we've taken surveys for manufacturers right now, the key manufacturers who supply the slot machines and the parts to us. ***We are actually going ahead and purchasing slot machines. As we speak. We're ordering slot machines today, in the next 90 days, our thought processes, we wanna stay ahead of the supply chain and make sure that we rather have these slot machines in our warehouse than be able to worry about them in, the second or, the first half of, of 2023.***

- The audio of the call is accessible at: <https://www.ballys.com/investor-relations/events-presentations/event-details/2022/Ballys-Corporation-Second-Quarter-2022-Earnings-Call/default.aspx>

This disclosure and posture raise serious questions: Is the Illinois Gambling Board in charge of licensing the Chicago casino? Or is Bally's? Or is the Chicago Mayor's Office? Why does Bally's presume they will obtain licensure for the Chicago casino and that their facility will open next summer? Are they purchasing slot machines from Board-approved suppliers? What other gambling industry-related conduct, contracts, and agreements are being entered into before the applicant has been determined to be suitable and a license issued?

4) Bally's Affiliation With Unregulated and Unlicensed Online Gambling Operations

In Bally's annual 10-K filing with the SEC in 2021, the company openly disclosed it flouts gambling regulations and runs an international unlicensed, unregulated online gambling business:

“We derive meaningful revenues from players located in jurisdictions in which we do not hold a license.

Operators within the online gambling industry, including Bally's, have commonly taken a risk-based approach when supplying their online gambling services into jurisdictions in which it is not possible to obtain a gambling license. In these circumstances, online gambling operators may justify their remote supply of gambling services for a number of reasons, including a “country of origin” basis which asserts that it is lawful to supply online gambling services remotely from a jurisdiction in which a gambling license is held in another jurisdiction, unless there is something within the laws of that second jurisdiction that explicitly outlaws such provision and explicitly applies to such inward supply emanating from outside its borders.”

Source: Bally's 10-K for Fiscal Year Ended December 31, 2021 filed August 8, 2022, Page 21:
<https://sec.report/Document/0001747079-22-000107/>

This one disclosure alone is damning enough to demonstrate Bally's is unsuitable to operate a casino in Chicago or anywhere in Illinois. Their willingness to operate in the "grey market" should disqualify the company and its officers from holding gambling licenses in Illinois.

If Bally's is given licensure for a Chicago casino, the project will be a funnel to connect the company's illegal and unlicensed online businesses with a brick-and-mortar casino. As Bally's investor presentation declares: "Technology isn't everything. Need flagship properties."

Bally's took a "risk-based approach" and actively conducts unlicensed and unregulated online gambling operations. **The Illinois Gambling Board must take a "rules-based" approach to hold the corporation accountable for this egregious failure motivated by greed.**

5) The Economic Concentration of Bally's Chairman and Largest Shareholder, Soohyung Kim

A Chicago casino will be larger than any other licensed applicant in the state. **Granting licensure to the application would run afoul of Illinois Gambling Board Rule Section 3000.232, Undue Economic Concentration.** The Bally's Corporation bought the Quad City casino and now seeks to control what would be the largest casino in the state if a Chicago is built.

Soohyung Kim is the chairman of Bally's and its largest shareholder. Earlier this year, Mr. Kim sought to purchase all outstanding Bally's shares but was rejected by Bally's board of directors and shareholders. However, outside of Mr. Kim's financial interest in Bally's stock, Mr. Kim became licensed as a key person for casinos in southern Illinois in 2021 through a different investment vehicle. Approving Bally's Chicago license would give one individual with a record of financial mismanagement undue control of the state's casino market.

Because of the facts presented above, not-to-mention the significant citizen-led opposition to the proposed Chicago casino, this Board must conduct a full and thorough suitability investigation and stand up against the pressure to hastily issue a license. Just like the Illinois Gambling Board handled the Rosemont casino license application.

If we can offer further information to assist with your investigation and review, please contact us at (202) 567-6996 or mail@stoppredatorygambling.org.

Thank you for the important work you and your colleagues do.

Sincerely,

A handwritten signature in blue ink that reads "Les Bernal".

Les Bernal, National Director
Stop Predatory Gambling

A handwritten signature in blue ink that reads "Rev. Shane Hartman".

Rev. Shane Hartman, Executive Director
Illinois Churches in Action (ILCAAP)

A handwritten signature in blue ink that reads "Zach Savella Stallard".

Zach Savella Stallard, Organizer
Stop Predatory Gambling Illinois