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Gambling Alert - October 12, 2022



Stop Predatory Gambling Letter to the Illinois Gambling Board

RE: New Information Further Demonstrating Bally's Corporation Does Not Meet the Standard for Integrity and Suitability for a Casino Owner's License Or an Online Gambling Licensee in the State of Illinois

Dear Chairman Schmadeke, Board Members, and Administrator Fruchter: On September 12, 2022, Bally's Interactive, LLC applied for a sports betting license. The applicant is part of the Bally's Corporation, whose subsidiary, Bally's Chicago Operating Company, LLC, is seeking an Owner's License to operate a Chicago casino.

By law and regulation, Illinois has some of the most stringent suitability requirements in the country. Nefarious actors have repeatedly attempted to infiltrate, operate, and profit

from the state's gambling industry. Historically, the Illinois Gambling Board has rejected applicants and companies who may operate in other jurisdictions in the country or world but do not meet the Illinois' strict suitability standards.

Bally's Corporation has consistently demonstrated behavior and business practices that fall far short of those suitability standards. In the latest of a series of examples, Bally's top compliance officer confessed last month in public testimony before the Nevada Gambling Control Board the company is skirting gambling laws across the globe:

“We look one by one, but generally, we are very comfortable operating in the gray market,” testified Craig Eaton, Bally’s executive Vice President, Chief Compliance Officer and General Counsel, Retail & Corporate. “We understand this is not an exact science. We truly do.”¹ Contrary to the position of Bally’s, complying with commercialized gambling laws is an exact science. Either you comply with the law, or you don’t. There is no in-between.¹ Nevada Gambling Control Board Meeting, September 7, 2022 https://youtu.be/ZssWm_mGDuk?t=4186

Bally’s has also advised its investors that the company derives substantial money from jurisdictions where it is unlicensed. Its most recent annual report stated, “An example of this is Japan. Japan has been a focus of our international interactive segment and has yet to introduce its own licensing regime applicable to our business.”² Yet this past summer, Japanese Prime Minister Fumio Kishida declared his administration’s intent to increase enforcement against unlicensed internet operators: “Online casinos are illegal and cracking down on illegal gambling is the entire point of the basic plan in my opinion.”³ Nevada Gambling Commissioner Ben Kieckhefer chastised Bally’s for their business decision to operate in the Japan and their interpretation of the country’s laws: “And you know, in a market like Japan, right, where it has been, gambling’s widely been recognized as not legal. And they go in and make some adjustments in 2016, 2018, to their laws and are going start allowing integrated resorts. They specifically didn’t add other things, right? So, they made a policy decision that one was going to be legal. Didn’t add other things. The way I read and have written laws in the past, that means the other things are still not.”⁴ As Administrator Fruchter rightly noted during the September Board meeting, Section 7 of Illinois’ gambling law prohibits any person or entity from having a casino license if they have ever had a license revoked in any other jurisdiction. Board regulations also stipulate that all funding for a casino must come from “a suitable source.” But according to Bally’s financials, more than 60 percent of the company’s adjusted profits this year have come from international interactive operations.⁵ How can this cash-strapped, debt-laden company build or operate a Chicago casino without using its ill-gotten gains?

Given that Bally’s is “very comfortable operating in the gray market,” how can the company be considered a suitable applicant for a sports wagering license or a casino owner’s license? If an applicant like Bally’s is willing to break the law in other jurisdictions like it has in Asia and elsewhere around the globe, how could any reasonable person, never mind a body like the Illinois Gambling Board with a duty to protect the public interest from nefarious actors, conclude Bally’s will be a trusted, responsible corporate citizen in Chicago? If we can offer further information to assist with your investigation and review, please contact us at (202) 567-6996 or ail@stoppredatorygambling.org. Thank you for the important work you and your colleagues do.

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