Bally's Chicago Inc. Files 8th Amendment: Hotel & Casino Operator Seeks Public Offering

Filing Information

- **Company:** Bally's Chicago Inc
- **CIK:** 1935799
- **Filing Type:** S-1/A
- **Amended Filing:** Yes
- **Filing Date:** June 23, 2025
- **State of Incorporation:** DE
- **Industry (SIC):** HOTELS & MOTELS
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Bally's Chicago filed its eighth amendment to the Form S-1/A registration statement with the U.S. Securities and Exchange Commission (SEC) on June 23, 2025. This amendment details the company's public offering as a hotel and casino operator, aiming to raise capital for the development and operation of a major casino resort in Chicago.

Overview

Bally's Chicago, Inc., an indirect subsidiary of Bally's Corporation, is conducting an IPO to raise approximately **$195.1 million** on a "best efforts" basis. This capital is crucial for funding its primary project: building and operating a world-class casino and entertainment resort in downtown Chicago. The offering has a highly unusual and complex structure involving four different classes of stock and a significant subordinated loan arrangement, making it a highly speculative investment with limited liquidity.

The Company and The Project

- **Business:** The company's sole focus is to design, build, and operate a destination casino, hotel, and entertainment venue on a 30-acre property at Chicago Avenue and Halsted Street, formerly the Chicago Tribune Publishing Center.
- **Permanent Casino:** The planned resort will feature approximately 3,400 slot machines, 173 table games, a 500-room hotel, a 3,000-person event center, multiple food and beverage venues, and public green space along the Chicago River.
- **Temporary Casino:** While the permanent resort is under construction (expected to open in Q3 2026), the company is operating a temporary casino at the Medinah Temple, which opened on September 9, 2023.
- **Relationship with Chicago:** The project is a partnership with the City of Chicago, governed by a **Host Community Agreement**. This agreement includes significant financial commitments from Bally's ($40 million upfront, $4 million annually) and strict requirements for local hiring, minority/women-owned business participation, and construction timelines. Failure to meet these milestones can result in substantial financial penalties.

The Offering (IPO) Details

The company is offering up to **$195,125,000** in Class A Interests on a **best efforts basis**, meaning the placement agents are not obligated to sell a minimum amount of shares for the offering to close. The offering is structured into four distinct classes with different price points:

- **Class A-1 Interests:** 500 shares at **$250 per share**
- **Class A-2 Interests:** 1,000 shares at **$2,500 per share**
- **Class A-3 Interests:** 1,000 shares at **$5,000 per share**
- **Class A-4 Interests:** 7,500 shares at **$25,000 per share**

This structure is designed to allow investment at various capital levels.

The Subordinated Loan Structure (Key Feature)

This is the most critical and unusual aspect of the offering. It acts as a financing mechanism for investors purchasing the lower-priced shares.

- **How it Works:** For each share of Class A-1, A-2, or A-3 Interests sold, Bally's Chicago, Inc. will take on a large **subordinated loan** from its direct parent, Bally's Chicago HoldCo.
    - For each **$250** Class A-1 share, the company incurs a **$24,750** loan.
    - For each **$2,500** Class A-2 share, the company incurs a **$22,500** loan.
    - For each **$5,000** Class A-3 share, the company incurs a **$20,000** loan.
- **No Loan for Class A-4:** The $25,000 Class A-4 shares have no associated subordinated loan.
- **Repayment and Impact on Dividends:**
    - These loans carry an **11% annual interest rate, compounding quarterly**.
    - **Crucially, any cash distributions (dividends) that would otherwise be paid to holders of Class A-1, A-2, or A-3 shares will instead be used to repay the principal and interest on these loans.**
    - This means shareholders of these classes **will not receive any cash dividends** until their respective associated loans are fully paid off, which is expected to take a very long time, if ever. The value of their investment is tied to the eventual payoff of this debt.

Relationship with Parent Company (Bally's Corporation)

- **Control:** After the IPO, Bally's Chicago HoldCo (a wholly-owned subsidiary of Bally's Corporation) will own all Class B Interests and a portion of Class A-4 Interests, giving it **74.2% of the voting power** and 16.1% of the economic interest in Bally's Chicago, Inc. The parent company will maintain firm control.
- **Use of Proceeds:** The total capital raised (both from the IPO and the subordinated loans, totaling $250 million) will be used to purchase ownership units in the operating subsidiary, **Bally's Chicago OpCo**. OpCo will then use these funds to repay **$250 million in debt owed to the parent, Bally's Corporation**. This is an intercompany transaction to recapitalize the subsidiary.
- **Service Agreements:** Bally's Corporation will provide essential corporate, management, and operational services to Bally's Chicago for a significant fee.
- **Guarantees:** Bally's Chicago, Inc. will be required to guarantee its parent company's debt obligations in the future.

Key Risks and Considerations for Investors

The filing highlights numerous risks, making this a highly speculative investment:

- **Illiquidity and Transfer Restrictions:** The shares will **not be listed on any stock exchange**. There is no public market, and transfers are highly restricted. Selling shares will be difficult.
- **No Dividends for Most Investors:** Holders of Class A-1, A-2, and A-3 shares will not receive cash dividends for a prolonged period, if ever, due to the subordinated loan structure.
- **Construction and Development Risks:** The project is subject to potential delays, cost overruns, and failure to meet deadlines, which could trigger penalties under the Host Community Agreement.
- **Operational Risks:** The company has a limited operating history (only the temporary casino). Its success depends on the competitive Chicago gaming market and discretionary consumer spending.
- **Conflicts of Interest:** As a controlled subsidiary, decisions may be made that benefit the parent, Bally's Corporation, over the public shareholders of Bally's Chicago, Inc.
- **Litigation History:** The company faced lawsuits over its initial plan to restrict the offering to specific demographic groups to meet community requirements. The plan was amended to open the offering more broadly, and the lawsuits were dismissed. However, this highlights the complex regulatory and social environment of the project.