

# McTevia analysis of Greektown's Chapter 11 - "A Good Move"

Expert: Greektown Casino Bankruptcy Could Mean Creditors Get Equity

Detroit's Greektown Casino filed for Chapter 11 bankruptcy protection Friday – the result of a cash-flow problem related to its ongoing expansion into a much larger hotel/casino complex similar to its two competitors in the city.

A turnaround expert says the result could be that some of the casino's creditors end up as partial owners.

Casino spokesman Roger Martin told WWJ Newsradio 950 that it is "business as usual" at the casino, despite the filing. "We are a financially healthy company that basically has a liquidity issue right now, and Chapter 11 allows us to make a new beginning."

"Chapter 11 is a path that many, many companies have followed to emerge much healthier," said Martin, who cited many other big companies that have done so.

James McTevia, managing member of McTevia & Associates, a turnaround management firm based in Bingham Farms, called Chapter 11 "the best place for Greektown Casino to be," given its situation.

"There are a lot of reasons why companies go into Chapter 11," McTevia said. "But, what it comes down to is that something is not working."

In Greektown Casino's case, McTevia said, the problem is that it has more debt than it can service and needs to work out a deal that will allow it to keep operating while it finishes its construction. He said the result of the reorganization could be that some of the casino's bondholders accept some sort of an equity stake, in exchange for forgiving some of the outstanding debt.

In addition, McTevia said, unsecured creditors might end up accepting less than they are owed, in exchange for helping to salvage a valuable customer.

Greektown's majority owner is the Sault Ste. Marie Tribe of Chippewa Indians.

Tribe Chairman Aaron Payment told The Detroit News last week that the Chapter 11 filing effectively blocks the Michigan Gaming Control Board's ability to force a sale of the casino. He also charged that gaming board has unfairly levied debt requirements on Greektown that Detroit's other two casinos don't have to meet.

In early May, Entertainment Interests Group LLC of Bloomfield Hills announced plans to invest \$100 million to buy a 40 percent stake in Greektown Casino. But, according to the News, that deal now appears to be off. The paper quoted Payment as saying that Entertainment Interests Group had not filed the necessary paperwork to get a gaming operator's license.

Martin said gamblers shouldn't notice anything different. "We're open for fun and entertainment like we are every night. There are no changes in employees. There are no changes for our guests," said Martin.

The casino's expansion project was a catalyst for the filing. "The casino hotel and gaming floor expansion we are undertaking right at the moment has caused liquidity issues, and that's the purpose of reorganization. We are seeking a new beginning and this will help us get there," Martin told WWJ.

The casino says it is also finalizing \$150 million in additional financing for operations and to complete the construction of its new 400-room hotel and gaming floor expansion. The completion would, among other things, lower the tax rate the casino pays, McTevia said. That's because the development agreement provides for all three Detroit casinos to be taxed at a lower rate once their larger, permanent complexes are completed.

McTevia said the woes of Greektown Casino are not unique – noting that even legendary investor Donald Trump was once forced to put a casino into Chapter 11 bankruptcy. But he said the fact that the casino is in this situation "begs the question" of whether the plans for Detroit's casinos – developed before the state's current economic woes hit – are still realistic in the current marketplace.

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