

**EXHIBIT I TO SECOND AMENDED DISCLOSURE STATEMENT FOR THE  
JOINT PLANS OF REORGANIZATION**



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**Greektown Holdings, LLC**  
**2005 Transaction - Senior Notes Due 2013**  
**Uses of Cash**

Papases	90,491,741.62
Gatzaros	55,000,000.00
Barden	5,000,000.00
Lac Vieux	4,500,000.00
Rob Young	40,377.00
Kewadin	22,669,780.37
Minorities	1,042,655.12
DB - Trustee	14,500.00
Bingham	9,850.00
Wolf Block	17,500.00
Deal Fees and Expenses	3,796,157.88
Finance Fees - Prepaid Interest	<u>2,417,438.01</u>
	<b>185,000,000.00</b>



**GREEKTOWN CASINO, L.L.C.**

**Consolidated Financial Statements**

**December 31, 2005 and 2004**

**(With Independent Auditors' Report Thereon)**

**GREEKTOWN CASINO, L.L.C.**

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KPMG LLP  
Suite 1200  
150 West Jefferson  
Detroit, MI 48226-4429

## Independent Auditors' Report

The Member  
Greektown Casino, L.L.C.:

We have audited the accompanying consolidated balance sheets of Greektown Casino, L.L.C. and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greektown Casino, L.L.C. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**KPMG LLP**

January 30, 2006

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

**GREEKTOWN CASINO, L.L.C.**

Consolidated Balance Sheets

December 31, 2005 and 2004

Assets	<u>2005</u>	<u>2004</u>
Current assets:		
Cash and cash equivalents	\$ 38,607,209	22,159,446
Accounts receivable—gaming, less allowance for doubtful accounts of \$253,759 and \$371,038 in 2005 and 2004, respectively	4,322,465	3,342,690
Accounts receivable—other, less allowance for doubtful accounts of \$18,967 in 2005 and 2004	1,237,004	1,139,753
Inventories	284,427	270,588
Prepaid expenses and other current assets	<u>12,060,985</u>	<u>13,056,770</u>
Total current assets	56,512,090	39,969,247
Property, building, and equipment, net (note 3)	117,937,157	128,255,296
Other assets:		
Financing fees, net of accumulated amortization of \$193,776 and \$2,400,000 in 2005 and 2004, respectively	17,459,807	12,174,455
Investment in affiliated company	—	2,832,605
Casino development rights (note 4)	127,751,736	98,281,312
Deposits and other assets	<u>30,000</u>	<u>52,080</u>
Total assets	<u>\$ 319,690,790</u>	<u>281,564,995</u>
<b>Liabilities and Members' Equity</b>		
Current liabilities:		
Current portion of long-term debt and notes payable (note 5)	\$ —	181,456,346
Current portion of long-term obligation due to member (note 5)	1,900,000	—
Current portion of lawsuit settlement obligation (note 12)	4,700,942	—
Accounts payable	6,933,313	6,581,451
Accrued interest	1,426,343	1,315,429
Accrued expenses and other liabilities	<u>12,732,855</u>	<u>9,553,182</u>
Total current liabilities	27,693,453	198,906,408
Long-term obligation due to member, less current portion (note 5)	188,100,000	—
Lawsuit settlement obligation, less current portion (note 12)	12,783,356	—
Long-term payables to city of Detroit and related entities (notes 4 and 11)	<u>49,927,978</u>	<u>49,927,978</u>
Total liabilities	<u>278,504,787</u>	<u>248,834,386</u>
Members' equity (deficit) (note 1):		
Members' contributed capital and initial contributions	—	488,947
Preferred capital contributions	—	77,865,578
Accumulated deficit	—	(45,623,916)
Member's equity	<u>41,186,003</u>	<u>—</u>
Total members' equity	41,186,003	32,730,609
Commitments and contingencies (notes 4, 5, 6, 7, 8, 9, 10, 11, and 12)		
Total liabilities and members' equity	<u>\$ 319,690,790</u>	<u>281,564,995</u>

See accompanying notes to consolidated financial statements.

**GREEKTOWN CASINO, L.L.C.**  
**Consolidated Statements of Operations**  
**Years ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>		
Casino	\$ 319,720,175	306,708,947
Food and beverage	14,514,975	14,179,267
Other	<u>3,903,712</u>	<u>3,839,991</u>
<b>Total revenues</b>	<b>338,138,862</b>	<b>324,728,205</b>
<b>Less promotional allowances</b>	<b><u>22,009,043</u></b>	<b><u>14,228,321</u></b>
	<b><u>316,129,819</u></b>	<b><u>310,499,884</u></b>
<b>Operating expenses:</b>		
Casino	82,467,453	82,754,244
Gaming taxes (note 9)	83,812,360	67,708,905
Food and beverage	9,764,735	9,190,181
Marketing, advertising, and entertainment	7,936,215	9,083,837
Facilities	15,503,270	14,854,585
General and administrative expenses (note 8)	45,241,121	44,643,441
Michigan Single Business Tax	2,100,000	2,400,000
Other	<u>249,143</u>	<u>295,326</u>
<b>Operating expenses</b>	<b><u>247,074,297</u></b>	<b><u>230,930,519</u></b>
<b>Depreciation and amortization</b>	<b><u>16,079,652</u></b>	<b><u>17,460,001</u></b>
<b>Income from operations</b>	<b><u>52,975,870</u></b>	<b><u>62,109,364</u></b>
<b>Other income (expense):</b>		
Interest expense and amortization of financing fees	(17,183,280)	(15,066,915)
Interest income	207,858	49,699
Loss on impairment of property, building, and equipment (note 3)	(14,005,456)	—
Loss on disposal of equipment	(673,650)	(2,213,761)
Other	(8,739)	24,116
Write-off of financing fees	<u>(1,179,460)</u>	<u>—</u>
<b>Total other expense</b>	<b><u>(32,842,727)</u></b>	<b><u>(17,206,861)</u></b>
<b>Net income</b>	<b><u>\$ 20,133,143</u></b>	<b><u>44,902,503</u></b>

See accompanying notes to consolidated financial statements.

**GREEKTOWN CASINO, L.L.C.**  
**Consolidated Statements of Members' Equity**  
**Years ended December 31, 2005 and 2004**

	<b>Kewadin Greektown Casino, L.L.C.</b>	<b>Monroe Partners LLC</b>	<b>Greektown Holdings, L.L.C.</b>	<b>Total members' equity</b>
Balances at December 31, 2003	\$ 28,481,903	(19,998,712)	—	8,483,191
Member distributions	(10,340,043)	(10,315,042)	—	(20,655,085)
Net income	<u>22,451,252</u>	<u>22,451,251</u>	<u>—</u>	<u>44,902,503</u>
Balances at December 31, 2004	40,593,112	(7,862,503)	—	32,730,609
Member distributions	(5,333,721)	(5,573,002)	(771,027)	(11,677,750)
Transfer of members' interest to newly formed Greektown Holdings, L.L.C. (note 1)	(48,203,990)	490,905	47,713,085	—
Net income (loss)	<u>12,944,599</u>	<u>12,944,600</u>	<u>(5,756,055)</u>	<u>20,133,144</u>
Balances at December 31, 2005	<u>\$ —</u>	<u>—</u>	<u>41,186,003</u>	<u>41,186,003</u>

See accompanying notes to consolidated financial statements.



**GREEKTOWN CASINO, L.L.C.**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2005 and 2004**

	2005	2004
Cash flows from operating activities:		
Net income	\$ 20,133,144	44,902,503
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,079,652	17,460,001
Other	8,739	(24,116)
Amortization of financing fees	332,111	2,400,000
Loss on impairment of property, building and equipment	14,005,456	—
Write-off of financing fees	1,179,460	—
Loss on disposal of equipment	673,650	2,213,761
Changes in assets and liabilities:		
Accounts receivable—gaming	(979,775)	(677,745)
Accounts receivable—other	(97,251)	171,459
Inventories	(13,839)	(48,026)
Prepaid expenses, deposits, and other assets	1,009,126	(823,873)
Accounts payable	351,862	(4,333,779)
Accrued expenses, interest, and other liabilities	3,290,587	(617,415)
Net cash provided by operating activities	55,972,922	60,622,770
Cash flows from investing activities:		
Capital expenditures	(21,222,199)	(18,525,079)
Proceeds from sale of equipment	781,580	—
Casino development rights	(1,903,521)	(2,103,334)
Net cash used in investing activities	(22,344,140)	(20,628,413)
Cash flows from financing activities:		
Proceeds from long-term obligation due to member	190,000,000	—
Payments on long-term debt and notes payable	(181,456,346)	(13,972,614)
Payments to city of Detroit and related entities	—	(7,083,331)
Lawsuit settlement obligation payment	(7,250,000)	—
Financing fees paid	(6,796,923)	(770,874)
Member distributions paid	(11,677,750)	(20,655,085)
Net cash used in financing activities	(17,181,019)	(42,481,904)
Net increase (decrease) in cash and cash equivalents	16,447,763	(2,487,547)
Cash and cash equivalents at beginning of year	22,159,446	24,646,993
Cash and cash equivalents at end of year	\$ 38,607,209	22,159,446
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 16,740,255	12,670,813

Supplemental schedule of noncash investing and financing activities:

The Company has entered into a lawsuit settlement whereby it has agreed to pay \$30,750,000 over a 26-year period (note 12).

The Company has transferred the investment in affiliated company in the amount of \$2,832,605 to the city of Detroit during 2005 (notes 2(o) and 4).

See accompanying notes to consolidated financial statements.

**GREEKTOWN CASINO, L.L.C.**  
Notes to Consolidated Financial Statements  
December 31, 2005 and 2004

**(1) Description of Business**

Greektown Casino, L.L.C. (the Company) is principally engaged in the operation of a casino gaming facility in the city of Detroit, which opened November 10, 2000 under a license granted by the Michigan Gaming Control Board (MGCB), and the ongoing development of a permanent hotel/casino complex under the terms of a development agreement between the Company and the city of Detroit (Development Agreement). The Company is a limited liability company owned by Greektown Holdings, L.L.C. (Member or Holdings). Prior to the fourth quarter of 2005, the Company was owned by Kewadin Greektown Casino, L.L.C. (Kewadin) and Monroe Partners, L.L.C. (Monroe) (see note 8).

On August 2, 2002, the city of Detroit approved revised development agreements for all three Detroit casino developers. Under the terms of its revised Development Agreement, the Company plans to develop a permanent hotel/casino complex containing hotel, parking, expanded gaming, and other amenities.

**(2) Summary of Significant Accounting Policies**

**(a) Presentation and Basis of Accounting**

The accompanying consolidated financial statements present the financial position, results of operations, and cash flows of Greektown Casino, L.L.C. and its wholly owned subsidiaries—Trappers GC Partner, LLC and two nonoperating real estate subsidiaries—as of and for the years ended December 31, 2005 and 2004.

These consolidated financial statements are presented using the accrual basis of accounting.

**(b) Casino Revenues**

In accordance with industry practice, the Company recognizes as casino revenues the net win from gaming activities, which is the difference between gaming wins and losses.

**(c) Promotional Allowances**

The retail value of food, beverage, and other complimentary items furnished to customers without charge is included in revenues and then deducted as promotional allowances. The estimated costs of providing such promotional allowances are as follows:

	2005	2004
Casino	\$ 17,335,034	9,927,305
Food and beverage	4,644,452	4,257,669
Other	14,779	25,441

**(d) Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

GREEKTOWN CASINO, L.L.C.

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

(e) *Accounts Receivable*

Accounts receivable consist primarily of gaming markers issued to casino patrons on the gaming floor. A marker is a voucher for a specified amount of dollars negotiable solely within Greektown Casino. Markers are recorded at issued value and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience and review of returned gaming markers, past-due balances, and individual collection analysis. Account balances are charged off against the allowance after all reasonable means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

(f) *Inventories*

Inventories, consisting of food, beverage, and gift shop items, are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

(g) *Property, Building, and Equipment*

Property, building, and equipment are stated at cost and are depreciated using the straight-line method. Gaming assets are depreciated over the remaining estimated useful lives of the assets (see note 3).

(h) *Reserve for Club Greektown*

The Company sponsors a players club (Club Greektown) for its repeat customers. Members of the club earn points for playing the Company's electronic video and table games. Club members may redeem points for cash. Club members may also earn special coupons or awards as determined by the Company. The Company expenses the cash value of points earned by club members and recognizes a related liability for any unredeemed points. The Company has adopted the provisions of Emerging Issues Task Force Consensus 01-9, *Accounting for Consideration Given by a Vendor to a Customer* (EITF 01-9). Accordingly, the Company has recognized the cash value of points earned as a direct reduction in casino revenue. For the years ended December 31, 2005 and 2004, this reduction totaled \$4,881,293 and \$4,291,473, respectively, and is deducted from casino revenue in the accompanying financial statements.

(i) *Fair Value of Financial Instruments*

The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable approximates fair value because of the short-term maturity of these instruments. The fair value of long-term debt/long-term obligation due to member, lawsuit settlement obligation, and long-term payables approximates their carrying value, as determined by the Company using available market information.

(j) *Derivative Financial Instruments*

The Company complies with Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities*. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their respective fair values.

GREEKTOWN CASINO, L.L.C.

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

Prior to refinancing of long term debt in December 2005, the Company has entered into interest rate cap and/or swap agreements to reduce its exposure to market risks from changing interest rates. For interest rate swaps, the differential to be paid or received is accrued and recognized in interest expense, and may change as market interest rates change. If a swap is terminated prior to its maturity, the gain or loss is recognized over the remaining original life of the swap if the item remains outstanding, or immediately if the item does not remain outstanding. If the swap is not terminated prior to maturity, but the underlying item is no longer outstanding, the interest rate swap is marked to market, and any unrealized gain or loss is recognized immediately. As of December 31, 2005, there were no interest rate cap and/or swap agreements outstanding.

**(k) Financing Fees**

The Company has incurred certain financing costs in order to secure the necessary financing for its current casino and planned expansion. These costs are capitalized until such financing occurs, at which time the financing fees will be amortized over the life of the respective financing agreements. During the years ended December 31, 2005 and 2004, the Company incurred additional finance fees in the amount of \$6,796,923 and \$770,874, respectively, related to the current operations and planned expansion, and the amortization of these fees totaled approximately \$332,111 and \$2,400,000, respectively. In connection with the refinancing described in note 5, the Company began amortizing these fees effective December 2005. Capitalized financing fees, net of amortization, totaled \$17,459,807 and \$12,174,455 as of December 31, 2005 and 2004, respectively.

During the year 2005, the Company wrote off fees in the amount of \$1,179,460 related to permanent financing alternative that the Company decided to no longer pursue.

**(l) Income Taxes**

A provision for income taxes is not recorded because, as a limited liability company, taxable income or loss is allocated to the Member.

**(m) Impairment or Disposal of Long-lived Assets**

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell (see note 3).

**(n) Intangible Assets**

The Company complies with the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 provides guidance on how identifiable intangible assets should be accounted for upon acquisition and subsequent to their initial financial statement recognition. SFAS No. 142 requires that identifiable intangible assets with indefinite lives should be capitalized and tested for

**GREEKTOWN CASINO, L.L.C.**

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

impairment at least annually by comparing the fair values of those assets with their recorded amounts.

The revised Development Agreement gives rise to an identifiable intangible asset that has been determined to have an indefinite life. At December 31, 2005, the carrying value of this intangible asset, casino development rights, is \$127,751,736 (\$98,281,312 at December 31, 2004) (see note 4).

*(o) Investment in Affiliated Company*

Investment in affiliated company relates to a one-third member interest in Jefferson Holdings LLC, which owns certain property within the city of Detroit, and is accounted for under the equity method. Under the terms of the revised Development Agreement, this investment was transferred to the city of Detroit during 2005.

*(p) Use of Estimates*

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, building, and equipment and valuation allowances for receivables. Actual results could differ from those estimates.

*(q) Reclassification*

Certain prior-year amounts have been reclassified to conform to the presentation in the current year.

**(3) Property, Building, and Equipment**

Property, building, and equipment as of December 31, 2005 and 2004 and related depreciable lives as of December 31, 2005 were as follows:

	Amount		Depreciable lives
	2005	2004	
Land	\$ 61,109,526	61,028,428	—
Gaming building and improvements	77,769,558	77,822,054	3 – 35 years
Gaming equipment and furnishings	64,216,359	57,375,503	3 – 5 years
Nongaming buildings and improvements	19,616,094	22,823,673	39 years
Nongaming office furniture and equipment	<u>5,745,624</u>	<u>5,403,440</u>	5 – 7 years
	228,457,161	224,453,098	
Less accumulated depreciation and amortization	<u>110,520,004</u>	<u>96,197,802</u>	
Property, building, and equipment, net	<u>\$ 117,937,157</u>	<u>128,255,296</u>	

**GREEKTOWN CASINO, L.L.C.**  
Notes to Consolidated Financial Statements  
December 31, 2005 and 2004

Certain costs incurred relate to the development and construction of an expanded hotel/casino complex, in accordance with the terms of the revised Development Agreement. These costs are capitalized, and depreciation shall commence once the expanded hotel/casino complex opens.

In the fourth quarter of 2005, in light of economic, legal, and financial considerations, the Company determined that its planned hotel/casino expansion would not be built on a new site but, rather, be based at the current casino location. As such, capitalized assets and related costs of approximately \$14,000,000 were deemed to be impaired and written down to their net realizable value. Further, as a result, the depreciable lives of certain gaming building and improvements assets were increased to 35 years, since their current casino would not be abandoned as initially anticipated. This change in estimate of depreciable lives resulted in a positive impact to depreciation expense of \$1,371,000 in the year ended December 31, 2005.

**(4) Casino Development Rights**

The revised Development Agreement authorizes the Company to own and operate on a permanent basis, within certain boundaries in the city of Detroit, a casino complex containing specified amenities. Under the terms of the revised Development Agreement, the Company agreed to pay the city of Detroit \$44,000,000 in various installments (installment payments) through May 2004, as well as contribute certain investment assets. As of December 31, 2004, these installments were paid in full. The Company must also continue its standby letters of credit, totaling approximately \$49,900,000, to secure principal and interest payments on certain bonds issued by the Economic Development Corporation of the city of Detroit (EDC) and must also make the principal and interest payments under these bonds (EDC payments) (see note 11). The Company also signed an indemnity agreement with the city of Detroit and the EDC with respect to certain matters. Payments under this indemnity agreement through December 31, 2005, plus current accrued liabilities, totaled \$30,985,153. Additionally, as more fully described in note 12, the Company settled a lawsuit and included the present value of the settlement payments in its intangible asset value. In addition, the Company contributed its one-third interest in Jefferson Holdings, LLC, in the amount of \$2,832,605, to the city of Detroit. The installment payments, EDC payments, payments under the indemnity agreement and lawsuit settlement, and the contribution of the ownership interest in Jefferson Holdings, LLC give rise to an identifiable intangible asset, casino development rights, in the amount of \$127,751,736, which, under the terms of the revised Development Agreement, have an indefinite life.

**GREEKTOWN CASINO, L.L.C.**  
Notes to Consolidated Financial Statements  
December 31, 2005 and 2004

**(5) Long-Term Debt/Long-Term Obligation Due to Member**

Long-term debt/long-term obligation due to member consists of the following as of December 31, 2005 and 2004:

	2005	2004
Long-term obligation due to member	\$ 190,000,000	—
Term D loan, bearing interest at 5.7%, payable in full at December 31, 2005	—	172,657,324
Replacement-revolving loan, bearing interest at 5.3%, payable on demand	—	8,799,022
	190,000,000	181,456,346
Less current portion	1,900,000	181,456,346
Long-term debt/long-term obligation due to member, less current portion	\$ 188,100,000	—

During December 2005, long-term obligation due to member arose from proceeds generated by Greektown Holdings, L.L.C. (Holdings) as borrower under a seven-year term loan agreement to fund the payment of existing credit facilities that were either expiring at December 31, 2005 or payable on demand. Holdings has advanced these funds to the Company under terms similar to those contained in the Holdings' agreement. These terms include the following:

- Seven-year maturity.
- Quarterly principal amortization of \$475,000 until maturity.
- Interest payments at LIBOR plus 2.5% payable quarterly. At December 31, 2005, this loan bore interest at 6.86%.

As security for this borrowing, and certain other revolving credit and letter of credit facilities totaling \$100,000,000, Holdings has pledged its 100% equity interest in the Company. In addition, the Company has guaranteed repayment of these borrowings.

Except as permitted under the terms of the loan advanced by Holdings and other credit facilities (i.e., revolver and letter of credit) and unsecured note arrangements described below, the Company will not be permitted to incur any other indebtedness.

Holdings has also entered into a \$185,000,000 unsecured note arrangement to fund its operations and meet certain obligations and equity commitments. The operations of the Company are expected to generate cash to meet this unsecured borrowing obligation of Holdings; however, the Company has not guaranteed repayment of this unsecured note.

Holdings is required to comply with certain covenant requirements under the above loans.

**GREEKTOWN CASINO, L.L.C.**  
Notes to Consolidated Financial Statements  
December 31, 2005 and 2004

**(6) Leases**

The Company has entered into several noncancelable operating leases, primarily for office and parking space, equipment, and vehicles. Rental expense under these agreements for the years ended December 31, 2005 and 2004 was approximately \$2,462,179 and \$1,740,000, respectively. The Company also subleases certain portions of its owned or leased facilities under noncancelable operating leases. Rental income under these leases for the years ended December 31, 2005 and 2004 was approximately \$538,719 and \$483,000, respectively.

The Company entered into a master lease agreement for property known as Trappers Alley, on which a portion of the casino has been built, from Trappers Alley Limited Partnership (TALP), which at one time was affiliated with members of Monroe. The initial master lease had a 4-year term and can be renewed for four 1-year periods and four 10-year periods thereafter.

In 2001, the Company's wholly owned subsidiary, Trappers GC Partner, LLC, acquired a general partner interest and a limited partner interest in TALP, the lessor of the Trappers Alley property. The Company's subsidiary then entered into a series of transactions whereby it transferred all of its interests in TALP to the other investors in TALP in exchange for a fee-simple interest in the Trappers Alley property.

Further, the Company also assigned a security interest in all of its assets as collateral.

At December 31, 2005, future minimum rental payments required under noncancelable operating leases with initial or remaining lease terms in excess of one year and lease and sublease income were as follows:

	<u>Future minimum payments</u>	<u>Lease and sublease income</u>
Year ending December 31:		
2006	\$ 59,993	562,956
2007	59,993	562,406
2008	59,993	549,262
2009	24,997	412,492
2010	—	363,600
Thereafter	—	2,882,119
	<u>\$ 204,976</u>	<u>5,332,835</u>



GREEKTOWN CASINO, L.L.C.

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

Future minimum lease payments noted above include the following amounts that are payable to related parties:

Year ending December 31:	
2006	\$ 59,993
2007	59,993
2008	59,993
2009	24,997
	<hr/>
	\$ 204,976

Certain of the leases include escalation clauses relating to the consumer price index, utilities, taxes, and other operating expenses. The Company will receive additional rental income in future years based on those factors that cannot be estimated currently.

(7) Related-Party Transactions

The Company has entered into certain business transactions with individuals or entities related to the ownership of direct or indirect member interests. Under the provisions of the Company's internal control system, expenditures to any one related party in excess of \$50,000 annually must be approved by the Company's management board. For the years ended December 31, 2005 and 2004, payments to related parties, other than financing-related activities and member distributions, totaled approximately \$5,623,000 and \$6,100,000, respectively.

The Company has also entered into a management services agreement with the Sault Ste. Marie Tribe of Chippewa Indians (the Tribe), a related entity to Kewadin and Monroe, which requires the Company to pay a base management fee of \$110,000 per month, as well as reimbursement of travel, lodging, and out-of-pocket expenses incurred and all reasonable salary costs and fringe benefit expenses of key personnel who are providing such contracted services. Total fees paid are not to exceed \$2,000,000 annually. The base fee and fee cap shall be adjusted annually to reflect any change in the consumer price index. This agreement may be terminated by the Company upon 90 days' prior written notice, by the Tribe upon 30 days' prior written notice, or by mutual agreement of the parties. The total expense incurred for the years ended December 31, 2005 and 2004 was \$1,335,000 and \$1,300,000, respectively.

(8) Members' Equity

In the fourth quarter of 2005, the members' interest in the Company was transferred to a newly formed entity, Greektown Holdings, L.L.C., by the former owners, Kewadin Greektown Casino, L.L.C. (Kewadin) and Monroe Partners LLC (Monroe). Consistent with their former ownership interests in the Company, Kewadin and Monroe each own a 50% interest in Holdings. The transactions involving the transfer of the members' interest in Greektown Casino to Holdings have been considered as transactions between entities under common control and, therefore, have been accounted for at carrying value.

As part of this ownership transaction, the member agreement among Kewadin, Monroe, and Greektown became the member agreement among Kewadin, Monroe, and Holdings. All equity distribution preferences, including undeclared distribution returns of approximately \$32,370,000, became an obligation of Holdings and not Greektown Casino, L.L.C.

**GREEKTOWN CASINO, L.L.C.**  
Notes to Consolidated Financial Statements  
December 31, 2005 and 2004

**(9) Gaming Taxes and Fees**

Under the provisions of the Michigan Gaming Control and Revenue Act (the Act), casino licensees are subject to the following gaming taxes and fees on an ongoing basis:

- An annual licensing fee.
- A wagering tax, calculated based on adjusted gross gaming receipts, payable daily. The Michigan Legislature amended the Act to increase the wagering tax, effective September 1, 2004, from 18% to 24%. The amended Act provides for elimination of that tax increase if video lottery operations occur at Michigan horse racetracks pursuant to amendment of the Michigan Lottery Act. The amended Act also provides for certain increases in the wagering tax if the Company's expanded hotel/casino facilities are not operational from and after July 1, 2009, and a reduction in that tax once they are operational.
- A municipal services fee in an amount equal to the greater of 1.25% of adjusted gross gaming receipts or \$4,000,000 annually.
- An annual payment, together with the other two casino licensees, of all MGCB regulatory and enforcement costs up to a maximum of \$25,000,000 (subject to annual adjustment to reflect changes in the Detroit consumer price index), with each licensee paying one third of the amount. The current annual maximum is approximately \$27,800,000.

These gaming taxes and fees are in addition to the taxes, fees, and assessments customarily paid by business entities conducting business in the state of Michigan and the city of Detroit, and amounted to approximately \$83,812,000 and \$67,695,000 for the years ended December 31, 2005 and 2004, respectively.

Under the terms of the revised Development Agreement, effective January 1, 2006, the Company will begin to pay additional fees to the city of Detroit as follows:

- Daily payment of 1% of adjusted gross receipts
- Daily payment of 2% of adjusted gross receipts if adjusted gross receipts exceed \$400,000,000 in any calendar year

**(10) Commitments and Contingencies**

Millennium Management Group LLC (Millennium) has been retained to provide the Company with certain consulting services related to the operation of the casino for a period through November 30, 2010. For these services, the Company shall compensate Millennium via a consulting fee of \$83,333 per month, plus certain expenses. These fees amounted to approximately \$1,000,000 for the years ended December 31, 2005 and 2004, respectively.

The Company continues to enter into several agreements with various vendors providing goods and services related to the development of the permanent hotel/casino complex.

**GREEKTOWN CASINO, L.L.C.**

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

The Company is a defendant in various pending litigation. In management's opinion, the ultimate outcome of such litigation will not have a material adverse effect on the results of operations or the financial position of the Company.

The Company has entered into several agreements with various vendors related to the construction of a parking garage facility. The Company also entered into an agreement prior to December 31, 2005 to purchase Parkwycke Tower Complex for \$6,500,000. The transaction to acquire Parkwyck Tower Complex was closed subsequent to December 31, 2005.

In connection with the revised Development Agreement, the Company signed an indemnification agreement to indemnify the city of Detroit and the EDC with respect to certain judgments, fines, liabilities, losses, damages, costs, expenses, claims, obligations, and penalties. To date, \$30,985,153 has been paid or accrued to the city of Detroit under this indemnification agreement. Payments incurred are considered additional costs of obtaining casino development rights.

Under the revised Development Agreement, the Company has signed a Guaranty and Keep Well Agreement (Guaranty), whereby the Company agreed to certain conditions and performance obligations related to construction of the expanded hotel/casino complex and casino operations. The revised Development Agreement also provides that should a triggering event, as defined, occur, the Company may sell its assets, business, and operations as a going concern at their fair market value to a developer named by the city of Detroit.

**(11) Other Guarantees**

Under the original Development Agreement among the Company, the city of Detroit, and the EDC, the Company was required to provide letters of credit (LOCs) to support certain bonds issued by the EDC in connection with the acquisition and development of a proposed permanent casino site. Under the revised Development Agreement, the Company must continue its standby LOCs, totaling approximately \$49,900,000, to secure principal and interest payments on certain bonds issued by the EDC and must also make the principal and interest payments required under these bonds. The proceeds of the bonds were used to acquire land along the Detroit River, where the permanent casino facilities were initially proposed to be located. Under the revised Development Agreement, the Company and the other developers will forgo their right to receive any of the land, but will remain obligated to repay the bonds. The Company's \$49,900,000 obligation has been recorded as a long-term payable in the Company's balance sheets. The EDC bonds bear interest at a variable rate (3.0% as of December 31, 2005), payable monthly, and the principal is due in November 2009.

**GREEKTOWN CASINO, L.L.C.**

**Notes to Consolidated Financial Statements**

**December 31, 2005 and 2004**

**(12) Licensee Selection Process**

Various lawsuits were filed in the state and federal courts challenging the constitutionality of the Casino Development Competitive Selection Process Ordinance and seeking revocation of the casino licenses issued to the three Detroit casino developers and a reselection of casino developers by the city of Detroit. The Company and the plaintiff reached a settlement of this lawsuit in April 2005. The agreement calls for payments of \$39,500,000, together with \$500,000 for attorney's fees, to be made over an extended period of time. The Company recorded a liability for the present value of the lawsuit settlement obligation and a corresponding increase in casino development rights in the amount of \$24,734,298. As of December 31, 2005, payments totaling \$9,250,000 have been made. Additional payments required under the agreement include \$5,750,000 (inclusive of interest) on the second anniversary of the initial payment and \$1,000,000 (inclusive of interest) annually for 25 years beginning on the third anniversary of the initial payment. Of the remaining net present value to be paid of \$17,484,298, approximately \$4,700,000 has been classified in current liabilities, as this portion of the total obligation is due within one year.

**(13) 401(k) Plan**

Employees of the Company can participate in a 401(k) plan whereby the Company matches a certain percentage of the employees' contribution. The matching contribution made by the Company for the years ended December 31, 2005 and 2004 amounted to approximately \$2,020,600 and \$2,056,000, respectively.



**GREEKTOWN HOLDINGS, L.L.C.**  
**Consolidated Financial Statements**  
**December 31, 2006 and 2005**  
**(With Independent Auditors' Report Thereon)**

**GREEKTOWN HOLDINGS, L.L.C.**

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KPMG LLP  
Suite 1200  
150 West Jefferson  
Detroit, MI 48226-4429

### Independent Auditors' Report

The Members  
Greektown Holdings, L.L.C.:

We have audited the accompanying consolidated balance sheets of Greektown Holdings, L.L.C. and subsidiaries (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of operations, members' equity (deficit), and cash flows for the year ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated balance sheets of Greektown Holdings, L.L.C. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, members' equity (deficit), and cash flows for the year ended December 31, 2006, present fairly, in all material respects, the financial position of Greektown Holdings, L.L.C. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the year ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

March 21, 2007

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

**GREEKTOWN HOLDINGS, L.L.C.**

Consolidated Balance Sheets

December 31, 2006 and 2005

Assets	2006	2005
Current assets:		
Cash and cash equivalents	\$ 25,701,966	38,607,209
Accounts receivable – gaming, less allowance for doubtful accounts of \$366,616 and \$253,759 in 2006 and 2005, respectively	3,895,094	4,322,465
Accounts receivable – other, less allowance for doubtful accounts of \$18,967 in 2006 and 2005, respectively	2,672,170	1,237,004
Inventories	289,128	284,427
Prepaid expenses and other current assets	17,595,437	12,060,985
Total current assets	50,153,795	56,512,090
Property, building, and equipment, net (note 3)	189,641,986	117,937,157
Other assets:		
Financing fees, net of accumulated amortization of \$3,217,289 and \$241,787 in 2006 and 2005, respectively	19,745,850	22,020,830
Casino development rights (note 4)	127,751,736	127,751,736
Deposits and other assets	30,000	30,000
Total assets	\$ 387,323,367	324,251,813
<b>Liabilities and Members' Equity (Deficit)</b>		
Current liabilities:		
Current portion of long-term debt and notes payable (note 5)	1,900,000	475,000
Current portion of lawsuit settlement obligation (note 12)	981,425	5,643,192
Accounts payable	23,984,477	6,933,313
Accrued interest	5,834,914	3,028,393
Accrued expenses and other liabilities	8,515,797	12,732,855
Total current liabilities	41,216,613	28,812,753
Long-term debt and notes payable, less current portion (note 5)	405,534,923	372,132,744
Lawsuit settlement obligation, less current portion (note 12)	11,801,931	11,841,106
Long-term payables to City of Detroit and related entities (notes 4 and 11)	49,927,978	49,927,978
Total long-term liabilities	467,264,832	433,901,828
Total liabilities	508,481,445	462,714,581
Members' equity (deficit) (note 1):		
Members' contributed capital	488,947	488,947
Accumulated deficit	(121,647,025)	(138,951,715)
Total members' deficit	(121,158,078)	(138,462,768)
Commitments and contingencies (notes 4, 5, 6, 7, 9, 10, 11, and 12)		
Total liabilities and members' equity (deficit)	\$ 387,323,367	324,251,813

See accompanying notes to consolidated financial statements.



**GREEKTOWN HOLDINGS, L.L.C.**

**Consolidated Statement of Operations**

**Year ended December 31, 2006**

Revenues:	\$ 330,055,806
Casino	16,235,435
Food and beverage	4,974,542
Other	<u>351,265,783</u>
Total revenues	<u>22,053,107</u>
Less promotional allowances	<u>329,212,676</u>
Operating expenses:	84,726,662
Casino	89,590,427
Gaming taxes (note 9)	11,019,928
Food and beverage	6,784,314
Marketing, advertising, and entertainment	16,771,509
Facilities	42,963,726
General and administrative expenses (note 7)	1,600,000
Michigan Single Business Tax	328,263
Other	<u>253,784,829</u>
Operating expenses	<u>8,789,549</u>
Depreciation and amortization	<u>66,638,298</u>
Income from operations	
Other income (expense):	(38,745,762)
Interest expense	(3,277,682)
Amortization of finance fees and accretion of discount on senior notes	649,754
Interest income	(1,785,092)
Unrealized loss on interest rate swaps	75,174
Other	<u>(43,083,608)</u>
Total other expense	<u>23,554,690</u>
Net income	\$ <u>23,554,690</u>

See accompanying notes to consolidated financial statements.

**GREETOWN HOLDINGS, L.L.C.**  
**Consolidated Statement of Members' Equity (Deficit)**  
**Year ended December 31, 2006**

	<u>Kewadin Greektown Casino LLC</u>	<u>Monroe Partners LLC</u>	<u>Total Members' Equity (Deficit)</u>
Balances at December 31, 2005	(99,500,255)	(38,962,513)	(138,462,768)
Member distributions	(2,500,000)	(3,750,000)	(6,250,000)
Net income	<u>11,777,345</u>	<u>11,777,345</u>	<u>23,554,690</u>
Balances at December 31, 2006	<u>\$ (90,222,910)</u>	<u>(30,935,168)</u>	<u>(121,158,078)</u>

See accompanying notes to consolidated financial statements.

**GREEKTOWN HOLDINGS, L.L.C.**  
**Consolidated Statement of Cash Flows**  
**Year ended December 31, 2006**

Cash flows from operating activities:	\$ 23,554,690
Net income	
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	8,789,549
Amortization of financing fees and accretion of discount on senior notes	3,277,682
Unrealized loss on interest rate swaps	1,785,092
Changes in current assets and liabilities:	
Accounts receivable – gaming	427,371
Accounts receivable – other	(1,435,166)
Inventories	(4,701)
Prepaid expenses, deposits, and other assets	(5,337,668)
Accounts payable	17,051,164
Accrued expenses, interest, and other liabilities	(2,343,357)
Net cash provided by operating activities	<u>45,764,656</u>
Cash flows from investing activities:	<u>(80,494,378)</u>
Capital expenditures	(80,494,378)
Net cash used in investing activities	<u>(80,494,378)</u>
Cash flows from financing activities:	34,525,000
Net proceeds from long-term debt and notes payable	(5,750,000)
Lawsuit settlement obligation payments	(700,521)
Financing fees paid	(6,250,000)
Member distributions paid	<u>21,824,479</u>
Net cash provided by financing activities	<u>(12,905,243)</u>
Net decrease in cash and cash equivalents	<u>38,607,209</u>
Cash and cash equivalents at beginning of year	<u>\$ 25,701,966</u>
Cash and cash equivalents at end of year	<u>\$ 25,701,966</u>
Supplemental disclosure of cash flow information:	\$ 37,314,241
Cash paid during the year for interest	

See accompanying notes to consolidated financial statements.

**GREEKTOWN HOLDINGS, L.L.C.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2006 and 2005**

**(1) Description of Business**

Greektown Holdings L.L.C. (the Company) was formed in September 2005 as a limited liability company owned by Kewadin Greektown Casino, L.L.C. (Kewadin) and Monroe Partners, L.L.C. (Monroe) (see note 8). The Company owns Greektown Casino L.L.C. (Greektown Casino), which is engaged in the operation of a casino gaming facility in the City of Detroit, which opened November 10, 2000 under a license granted by the Michigan Gaming Control Board (MGCB), and the ongoing development of an expanded hotel/casino complex under the terms of a development agreement between Greektown Casino and the City of Detroit (Development Agreement).

On August 2, 2002, the City of Detroit approved revised Development Agreements for all three Detroit casino developers. Under the terms of its revised Development Agreement, the Greektown Casino plans to develop a permanent hotel/casino complex containing hotel, parking, expanded gaming, and other amenities at its current site.

**(2) Summary of Significant Accounting Policies**

**(a) Presentation and Basis of Accounting**

The accompanying consolidated financial statements present the financial position, results of operations, and cash flows of Greektown Holdings, L.L.C. and its wholly owned subsidiaries – Greektown Holdings II, Inc., and Greektown Casino L.L.C. and its wholly owned subsidiary, Trappers GC Partner, LLC, and three nonoperating real estate subsidiaries.

The consolidated financial statements are presented using the accrual basis of accounting. All significant intercompany balances have been eliminated in consolidation.

**(b) Casino Revenues**

In accordance with industry practice, Greektown Casino recognizes as casino revenues the net win from gaming activities, which is the difference between gaming wins and losses.

**(c) Promotional Allowances**

The retail value of food, beverage, and other complimentary items furnished to customers without charge is included in revenues and then deducted as promotional allowances. The estimated costs of providing such promotional allowances for the year ended December 31, 2006 are as follows:

Casino	\$ 16,570,655
Food and beverage	5,416,994
Other	32,729

**(d) Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

**GREEKTOWN HOLDINGS, L.L.C.**  
Notes to Consolidated Financial Statements  
December 31, 2006 and 2005

**(e) Accounts Receivable**

Accounts receivable consists primarily of gaming markers issued to casino patrons on the gaming floor. A marker is a voucher for a specified amount of dollars negotiable solely within Greektown Casino. Markers are recorded at issued value and do not bear interest. The allowance for doubtful accounts is Greektown Casino's best estimate of the amount of probable credit losses in the Greektown Casino's existing accounts receivable. Greektown Casino determines the allowance based on historical write-off experience and review of returned gaming markers, past-due balances, and individual collection analysis. Account balances are charged off against the allowance after all reasonable means of collection have been exhausted and the potential for recovery is considered remote. Greektown Casino does not have any off-balance-sheet credit exposure related to its customers.

**(f) Inventories**

Inventories, consisting of food, beverage, and gift shop items, are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

**(g) Property, Building, and Equipment**

Property, building, and equipment are stated at cost and are depreciated using the straight-line method. Gaming assets are depreciated over the remaining estimated useful lives of the assets.

**(h) Reserve for Club Greektown**

Greektown Casino sponsors a players club (Club Greektown) for its repeat customers. Members of the club earn points for playing Greektown Casino's electronic video and table games. Club Greektown members may redeem points for cash. Club Greektown members may also earn special coupons or awards as determined by Greektown Casino. Greektown Casino expenses the cash value of points earned by club members and recognizes a related liability for any unredeemed points. Greektown Casino has adopted the provisions of Emerging Issues Task Force Consensus 01-9, *Accounting for Consideration Given by a Vendor to a Customer* (EITF 01-9). Accordingly, Greektown Casino has recognized the cash value of points earned as a direct reduction in casino revenue. For the year ended December 31, 2006, this reduction totaled \$5,972,566, and is deducted from casino revenue in the accompanying statement of operations.

**(i) Fair Value of Financial Instruments**

The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable approximates fair value because of the short-term maturity of these instruments. The fair value of long-term debt, lawsuit settlement obligation, and long-term payables approximates their carrying value, as determined by the Company using available market information.

**(j) Derivative Financial Instruments**

The Company complies with Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities*. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their respective fair values.

**GREEKTOWN HOLDINGS, L.L.C.**

**Notes to Consolidated Financial Statements**

**December 31, 2006 and 2005**

The Company has entered into interest rate swap agreements to reduce its exposure to market risks from changing interest rates. For interest rate swaps, the differential to be paid or received is accrued and recognized in interest expense, and may change as market interest rates change. If a swap is terminated prior to its maturity, the gain or loss is recognized over the remaining original life of the swap if the item remains outstanding, or immediately if the item does not remain outstanding. If the swap is not terminated prior to maturity, but the underlying item is no longer outstanding, the interest rate swap is marked to market, and any unrealized gain or loss is recognized immediately. For the year ended December 31, 2006, the Company has recorded an unrealized loss of \$1,785,092.

**(k) Financing Fees**

The Company has incurred certain financing costs in order to secure the necessary financing for its current casino and planned expansion. These costs are capitalized until such financing occurs, at which time the financing fees will be amortized over the life of the respective financing agreements. Capitalized financing fees, net of amortization, totaled \$19,745,850 and \$22,020,830 as of December 31, 2006 and 2005, respectively. The amortization of these fees totaled \$2,975,502 for the year ended December 31, 2006. In connection with the refinancing described in note 5, the Company began amortizing these fees effective December 2005.

**(l) Income Taxes**

A provision for income taxes is not recorded because, as a limited liability company, taxable income or loss is allocated to the members based on their respective percentages of ownership or as defined under the terms of the members' agreement.

**(m) Impairment or Disposal of Long-lived Assets**

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

**(n) Intangible Assets**

The Company complies with the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 provides guidance on how identifiable intangible assets should be accounted for upon acquisition and subsequent to their initial financial statement recognition. SFAS No. 142 requires that identifiable intangible assets with indefinite lives be capitalized and tested for impairment at least annually by comparing the fair values of those assets with their recorded amounts.

The revised Development Agreement gives rise to an identifiable intangible asset that has been determined to have an indefinite life.

**GREEKTOWN HOLDINGS, L.L.C.**

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

**(o) Interest Costs**

Greektown Casino capitalizes interest costs associated with debt incurred in connection with the expansion of the casino/hotel complex. The interest costs related to the acquisition or construction of long-lived assets are capitalized until the project is complete, at which time the interest is amortized over the life of the related capitalized assets. When debt is not specifically identified, Greektown Casino uses its average cost of borrowed money to determine the amount of interest to capitalize. As of and for the year ended December 31, 2006, capitalized interest costs totaled \$1,375,000. There were no capitalized interest costs as of December 31, 2005.

**(p) Use of Estimates**

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, building, and equipment and valuation allowances for receivables. Actual results could differ from those estimates.

**(q) Reclassification**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**(3) Property, Building, and Equipment**

Property, building, and equipment and related depreciable lives as of December 31, 2006 and 2005 were as follows:

	Amount		Depreciable lives
	2006	2005	
Land	\$ 103,401,590	61,109,526	—
Gaming building and improvements	77,782,758	77,769,558	3 – 35 years
Gaming equipment and furnishings	57,557,573	64,216,359	3 – 5 years
Nongaming buildings and improvements	20,979,285	19,616,094	39 years
Nongaming office furniture and equipment	17,745,097	5,745,624	5 – 7 years
Construction in progress	31,485,236	—	—
	<u>308,951,539</u>	<u>228,457,161</u>	
Less accumulated depreciation and amortization	<u>119,309,553</u>	<u>110,520,004</u>	
Property, building, and equipment, net	<u>\$ 189,641,986</u>	<u>117,937,157</u>	

**GREEKTOWN HOLDINGS, L.L.C.**  
Notes to Consolidated Financial Statements  
December 31, 2006 and 2005

Certain costs incurred relate to the development and construction of an expanded hotel/casino complex, in accordance with the terms of the revised Development Agreement. These costs are capitalized, and depreciation shall commence once the expanded hotel/casino complex opens.

In the fourth quarter of 2005, in light of economic, legal, and financial considerations, Greektown Casino determined that its planned hotel/casino expansion would not be built on a new site but, rather, be based at the current casino location. As such, capitalized assets and related costs of approximately \$14,000,000 were deemed to be impaired and written down to their net realizable value.

**(4) Casino Development Rights**

In accordance with the revised Development Agreement, Greektown Casino is authorized to own and operate on a permanent basis, within certain boundaries in the City of Detroit, a casino complex containing specified amenities. Under the terms of the revised Development Agreement:

- (a) Greektown Casino agreed to pay the City of Detroit \$44,000,000 in installment payments (installment payments), as well as contribute certain investment assets.
- (b) Greektown Casino is required to continue its standby letters of credit, totaling \$49,927,978, to secure principal and interest payments on certain bonds issued by the Economic Development Corporation of the City of Detroit (EDC) and must also make the principal and interest payments under these bonds (EDC payments) (see note 11).
- (c) Greektown Casino signed an indemnity agreement with the City of Detroit and the EDC with respect to certain matters. Payments to date under this indemnity agreement through December 31, 2006, plus current accrued liabilities, totaled \$30,991,153. As more fully described in note 12, Greektown Casino settled a lawsuit and included the present value of the lawsuit settlement payments of \$24,734,298, plus the settlement payment of \$2,000,000, in its intangible asset value as a part of the \$30,991,153.
- (d) Greektown Casino agreed to contribute to the City of Detroit its one third interest, with a cost basis of \$2,832,605, in Jefferson Holdings, LLC.

The installment payments, EDC payments, payments under the indemnity agreement and lawsuit settlement, and the contribution of the ownership interest in Jefferson Holdings, LLC give rise to an identifiable intangible asset, casino development rights, in the amount of \$127,751,736, which, under the terms of the revised Development Agreement, have an indefinite life.



**GREEKTOWN HOLDINGS, L.L.C.**  
Notes to Consolidated Financial Statements  
December 31, 2006 and 2005

**(5) Long -Term Debt and Notes Payable**

Long-term debt and notes payable consist of the following as of December 31, 2006 and 2005:

	2006	2005
Term loan	\$ 189,525,000	190,000,000
Revolving credit facility	35,000,000	—
10 ¾% Senior Notes, due 2013, face value of \$185,000,000		
Less discount on the senior notes	182,909,923	182,607,744
	407,434,923	372,607,744
Less current portion	1,900,000	475,000
Long-term debt, less current portion	\$ 405,534,923	372,132,744

*Term Loan and Revolving Credit Facility*

The Company is the borrower under a \$190,000,000, seven-year term loan agreement and a \$100,000,000, five-year revolving credit facility (including letters of credit).

The terms of the term loan facility include the following:

- Seven-year maturity.
- Quarterly principal amortization payments of \$475,000, beginning on December 31, 2006 through December 31, 2011; thereafter, quarterly principal amortization payments of one fourth the outstanding amount for each of the four quarters beginning on March 31, 2012.
- Interest payments are payable quarterly, at a rate equal to, at the Company's option: (i) for a base rate loan, (A) the greater of (I) the rate of interest then most recently established by the administrative agent (Merrill Lynch Capital Corporation) in New York, New York as its base rate for U.S. dollars loaned in the United States, and (II) the federal funds rate plus 0.50%, plus (B) a margin based on the ratio of total net senior debt to EBITDA (1.50% or 1.75%) or (ii) for a LIBOR loan, LIBOR plus a margin based on the ratio of total net senior debt to EBITDA (2.50% or 2.75%).
- Mandatory prepayments based on specified percentages of excess cash flows.

The terms of the revolving credit facility include the following:

- Five-year maturity.
- Interest payments are payable monthly or quarterly, at a rate equal to, at the Company's option: (i) for a base rate loan, (A) the greater of (I) the rate of interest then most recently established by the administrative agent (Merrill Lynch Capital Corporation) in New York, New York as its base rate for U.S. dollars loaned in the United States, and (II) the federal funds rate plus 0.50%, plus (B) a margin based on the ratio of total net senior debt to EBITDA (1.25% or 1.50%) or (ii) for a LIBOR loan, LIBOR plus a margin based on the ratio of total net senior debt to EBITDA (2.25% or 2.50%).

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The proceeds from the term loan and the revolving credit facility have been advanced to Greektown Casino in exchange for a note payable having terms similar to those contained in such facilities. The Company advanced these proceeds to Greektown Casino in the following periods, and the stated rate of interest on such amounts were as follows:

Date	Amount of obligation	Rate of interest	Rate of interest at December 31, 2006
December 2005	\$ 190,000,000	LIBOR + 2.50% payable quarterly	7.89%
May 2006	25,000,000	LIBOR + 2.25% payable quarterly	7.64%
November 2006	5,000,000	LIBOR + 2.25% payable monthly	7.57%
December 2006	5,000,000	LIBOR + 2.25% payable monthly	7.60%

As security for the term loan and any amounts owing under the revolving credit facility, the Company has pledged its 100% equity interest in Greektown Casino. In addition, Greektown Casino has guaranteed repayment of these borrowings. Further, Greektown Casino assigned a security interest in all of its assets as collateral for the above agreements.

Except as permitted under the terms of the loan and other credit facilities (i.e., revolver and letter of credit) and unsecured note arrangements described below, Greektown Casino will not be permitted to incur any other indebtedness.

**10 3/4% Senior Notes Due 2013**

The Company and Greektown Holdings II, Inc. have also borrowed \$185,000,000 unsecured and unsubordinated note arrangement to fund its operations and meet certain obligations and equity commitments. The Company believes that the operations of Greektown Casino will generate sufficient cash to meet this unsecured borrowing obligation of the Company; however, Greektown Casino has not guaranteed repayment of these borrowings. The terms of the Senior Notes include the following:

- Maturity date of December 1, 2013.
- Interest payments on Notes will accrue at the rate of 10 3/4% per annum and will be payable semi-annually in arrears on each June 1 and December 1, commencing June 1, 2006, to the Holders of record of Notes at the close of business on November 15 and May 15, respectively, immediately preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.
- The Notes will be equal in right of payment to all existing and future unsubordinated indebtedness of the Company, and will effectively be subordinated to all secured indebtedness of the Company to the extent of the value of the assets securing such indebtedness. In addition, the Notes will be senior in right of payment to any future indebtedness of the Company that is expressly subordinated to the Notes.

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- The Notes will be redeemable at the option of the Company, in whole or in part, at any time on or after December 1, 2010, at the redemption prices set forth below, plus accrued and unpaid interest thereon, if any, to the redemption date subject to the rights of the Holders of the Notes.

<u>Year</u>	<u>Redemption Price</u>
2010	105.375%
2011	102.688%
2012 and thereafter	100.000%

In addition, at any time and from time to time prior to December 1, 2008, the Company may redeem in the aggregate up to 35% of the original aggregate principal amount of the Notes with the net cash proceeds from one or more public equity offerings, at a redemption price in cash equal to 110.75% of the principal amount thereof, plus accrued and unpaid interest therein, if any, to the date of redemption subject to the condition that at least 65% of the aggregate principal amount of the Notes originally issued remains outstanding after such redemption.

The Notes were issued by the Company at a discount of 1.307%. As of December 31, 2006 and 2005, the Senior Notes payable have been reported on the balance sheet, net of the unamortized discount of \$2,090,077 and \$2,392,256, respectively.

Additional Notes may be issued in one or more series from time to time subject to compliance with the covenant requirements.

The Company is required to comply with certain covenants requirements under the above debts and Notes. The Company is in compliance with these requirements.

Maturities of long-term debt and notes payable at December 31, 2006 are as follows:

<b>Year ending December 31:</b>	
2007	\$ 1,900,000
2008	1,900,000
2009	1,900,000
2010	1,900,000
2011	1,900,000
Thereafter	<u>397,934,923</u>
	<u>\$ 407,434,923</u>

**Derivative Financial Instruments**

The Company uses derivative financial instruments to manage well-defined interest rate risks. The Company is party to various interest rate swap agreements, which are used for reducing the potential impact of increases in interest rates on the value of variable rate debt.

As of December 31, 2006, the Company was a party to interest rates swap agreements as follows.

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Notional amount	Borrower pays	Counterparty pays	Agreement expires
\$ 70,000,000	LIBOR + 2.50%	5.11% fixed	December 31, 2008
95,000,000	LIBOR + 6%	10.75% fixed	December 1, 2013
95,000,000	4.3% fixed	LIBOR + 6%	April 1, 2011

Greektown Casino has agreed to undertake interest payments to the Company consistent with the Company's terms under the \$70 million swap agreement.

**(6) Leases**

Greektown Casino has entered into several noncancelable operating leases, primarily for office space, equipment, and vehicles. Rental expense under these agreements for the year ended December 31, 2006 was \$288,398. Greektown Casino also subleases certain portions of its owned or leased facilities under noncancelable operating leases. Rental income under these leases for the year ended December 31, 2006 was \$562,880.

At December 31, 2006, future minimum rental payments required under noncancelable operating leases with initial or remaining lease terms in excess of one year and lease and sublease income were as follows. Future minimum lease payments include some operating leases with related parties.

	Future minimum payments	Lease and sublease income
Period ending December 31:		
2007	\$ 1,580,000	560,306
2008	390,000	524,596
2009	358,500	387,592
2010	336,000	356,828
2011	336,000	70,744
Thereafter	<u>8,372,000</u>	<u>2,757,088</u>
	<u>\$ 11,372,500</u>	<u>4,657,154</u>

Certain of the leases include escalation clauses relating to the consumer price index, utilities, taxes, and other operating expenses. Greektown Casino will receive additional rental income in future years based on those factors that cannot be estimated currently.

**(7) Related-Party Transactions**

The Company and Greektown Casino have entered into certain business transactions with individuals or entities related to the ownership of direct or indirect member interests. Under the provisions of their internal control system, expenditures to any one related party in excess of \$50,000 annually must be approved by the management board. For the years ended December 31, 2006 and 2005, payments to related parties, other than financing-related activities and member distributions, totaled approximately \$1,056,635 and \$5,623,000, respectively.

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Greektown Casino has also entered into a management services agreement with the Sault Ste. Marie Tribe of Chippewa Indians (the Tribe), a related entity to Kewadin, Monroe, and the Company, which requires Greektown Casino to pay a base management fee of \$110,000 per month, as well as reimbursement of travel, lodging, and out-of-pocket expenses incurred and all reasonable salary costs and fringe benefit expenses of key personnel who are providing such contracted services. Effective November 2006, the base management fee has been reduced to \$70,000 per month. Total fees paid are not to exceed \$2,000,000 annually. The base fee and fee cap shall be adjusted annually to reflect any change in the consumer price index. This agreement may be terminated by Greektown Casino upon 90 days' prior written notice, by the Tribe upon 30 days' prior written notice, or by mutual agreement of the parties. The total expense incurred for the year ended December 31, 2006 was \$1,240,000.

Accounts receivable – other includes \$2,298,264 and \$796,954 as of December 31, 2006 and 2005, respectively for the amounts due from Monroe, a member of the Company.

**(8) Members' Equity (Deficit)**

Upon formation of the Company in September 2005, the members' interest in Greektown Casino was transferred to the Company by the two owners. Consistent with their former ownership interests in the Greektown Casino, Kewadin and Monroe each own a 50% interest in the Company. The transactions involving the substitution of the Company for the members' interests in Greektown Casino have been considered as transactions between common control entities, and therefore have been accounted for at carrying value.

As part of this ownership transaction, the member agreement among Kewadin, Monroe, and Greektown Casino became the member agreement among Kewadin, Monroe, and the Company.

Members' distributions for the year ended December 31, 2006 amounted to \$6,250,000.

**(9) Gaming Taxes and Fees**

Under the provisions of the Michigan Gaming Control and Revenue Act (the Act), casino licensees are subject to the following gaming taxes and fees on an ongoing basis:

- An annual licensing fee
- An annual payment, together with the other two casino licensees, of all MGCB regulatory and enforcement costs up to a maximum of \$25,000,000 (subject to annual adjustment to reflect changes in the Detroit consumer price index, currently \$28,620,535), with each licensee paying one third of the amount
- A wagering tax is calculated based on adjusted gross gaming receipts, payable daily, of 24%. The amended Act also provides for certain increases in the wagering tax if the Company's expanded hotel/casino facilities are not operational from and after July 1, 2009, and a reduction in that tax once they are operational
- A municipal services fee in an amount equal to the greater of 1.25% of adjusted gross gaming receipts or \$4,000,000 annually

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These gaming taxes and fees are in addition to the taxes, fees, and assessments customarily paid by business entities conducting business in the State of Michigan and the City of Detroit, and amounted to \$89,590,427 for the year ended December 31, 2006.

Effective January 1, 2006, Greektown Casino is required to pay a daily fee to the City of Detroit in the amount of 1% of adjusted gross receipts, increasing to 2% of adjusted gross receipts if adjusted gross receipts exceed \$400,000,000 in any one calendar year. Additionally, if and when adjusted gross receipts exceed \$400,000,000, Greektown Casino will be required to pay \$4,000,000 to the City of Detroit. The Company's adjusted gross receipts did not exceed \$400,000,000 during the calendar year 2006.

**(10) Commitments and Contingencies**

Millennium Management Group LLC (Millennium) has been retained to provide Greektown Casino with certain consulting services related to the operation of the casino for a period through November 30, 2010. For these services, Greektown Casino shall compensate Millennium via a consulting fee of \$83,333 per month, plus certain expenses. The fee amounted to \$1,000,000 for the year ended December 31, 2006.

Greektown Casino continues to enter into several agreements with various vendors providing goods and services related to the development of the expanded hotel/casino complex. As of December 31, 2006, the commitments related to construction of expanded casino/hotel complex amounted to \$53,258,000.

Greektown Casino is a defendant in various pending litigation. In management's opinion, the ultimate outcome of such litigation will not have a material adverse effect on the results of operations or the financial position of Greektown Casino.

Under the revised Development Agreement, Greektown Casino has signed a Guaranty and Keep Well Agreement (Guaranty), whereby Greektown Casino agreed to certain conditions and performance obligations related to construction of the expanded hotel/casino complex and casino operations. The revised Development Agreement also provides that should a triggering event, as defined, occur, Greektown Casino may sell its assets, business, and operations as a going concern at their fair market value to a developer named by the City of Detroit.

**(11) Long-Term Payable to City of Detroit**

Under the original Development Agreement among Greektown Casino, the City of Detroit, and the EDC, Greektown Casino was required to provide letters of credit (LOCs) to support certain bonds issued by the EDC in connection with the acquisition and development of a proposed permanent casino site. Under the revised Development Agreement, Greektown Casino must continue its standby LOCs, totaling \$49,927,978, to secure principal and interest payments on certain bonds issued by the EDC and must also make the principal and interest payments required under these bonds. The proceeds of the bonds were used to acquire land along the Detroit River, where the permanent casino facilities were initially proposed to be located. Under the revised Development Agreement, Greektown Casino and the other developers will forgo their right to receive any of the land, but will remain obligated to repay the bonds. Greektown Casino's \$49,927,978 obligation has been recorded as a long-term payable in the accompanying balance sheet. The EDC bonds bear interest at a variable rate (5.35% as of December 31, 2006), payable monthly, and the principal is due in November 2009.

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**(12) Lawsuit Settlement Obligation**

A settlement agreement was reached in various lawsuits that were filed challenging the constitutionality of the Casino Development Competitive Selection Process Ordinance. As of December 31, 2006, payments totaling \$15,000,000 have been made against this settlement obligation. Additional payments required under the agreement include \$1,000,000 (inclusive of interest) annually for 25 years beginning April 23, 2007. As of December 31, 2006 and 2005, the lawsuit settlement obligation consisted of the following:

	2006	2005
Total lawsuit settlement obligation	\$ 40,000,000	40,000,000
Less payments made to date	(15,000,000)	(9,250,000)
Lawsuit settlement obligation to be paid	25,000,000	30,750,000
Less imputed interest at 6%	(12,216,644)	(13,265,702)
Amounts to be paid, at present value	12,783,356	17,484,298
Less current portion at present value	981,425	5,643,192
Lawsuit settlement obligation at present value, less current portion	\$ 11,801,931	11,841,106

**(13) 401(k) Plan**

Salaried employees of Greektown Casino can participate in a 401(k) Plan ("the Plan") whereby Greektown Casino matches a certain percentage of the employees' contribution. For union employees, Greektown Casino shall make contributions to the Plan based on years of contribution. The total payments made by Greektown Casino for the year ended December 31, 2006 amounted to \$2,164,021.