

EXHIBIT F

Historical Financial Results



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CONSOLIDATED FINANCIAL STATEMENTS

**Greektown Holdings, L.L.C.
(Debtor-In-Possession)
Years Ended December 31, 2008 and 2007
With Report of Independent Auditors**

Ernst & Young LLP





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Report of Independent Auditors

To the Member of
Greektown Holdings, L.L.C.

We have audited the accompanying consolidated balance sheets of Greektown Holdings, L.L.C. (Debtor-in-Possession and the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, member's deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Greektown Holdings, L.L.C. at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in the notes to the consolidated financial statements, on May 29, 2008, the Company filed for reorganization under Chapter 11 of the United States Bankruptcy Code. The accompanying consolidated financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such consolidated financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to pre-petition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to equity accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any changes that may be made in its business.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the notes to the consolidated financial statements, the Company's ability to comply with the terms and conditions of the debtor-in-possession financing agreement; to obtain confirmation of a plan of reorganization under Chapter 11 of the United States Bankruptcy Code; to improve profitability; to generate sufficient cash flow from operations to satisfy liabilities as they come due; and to obtain additional financing to meet the Company's future obligations. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in the notes to the consolidated financial statements. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Ernst & Young LLP

March 30, 2009

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Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Consolidated Financial Statements

Years Ended December 31, 2008 and 2007

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Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Consolidated Balance Sheets

	December 31	
	2008	2007
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,032	\$ 19,251
Certificate of deposit	522	504
Accounts receivable – gaming, less allowance for doubtful accounts of \$2,417 and \$1,785 in 2008 and 2007, respectively	3,619	5,778
Accounts receivable – other, less allowance for doubtful accounts of \$166 and \$19 in 2008 and 2007, respectively	701	666
Notes receivable	2,370	–
Inventories	601	326
Prepaid expenses and other current assets	18,895	17,399
Total current assets	50,740	43,924
 Property, building, and equipment, net	 448,585	 286,890
 Other assets:		
Financing fees, net of accumulated amortization of \$10,450 and \$6,590 in 2008 and 2007, respectively	14,105	18,859
Casino development rights	–	128,808
Deposits and other assets	30	30
Notes receivable	–	2,250
Deferred Michigan business tax	1,236	1,236
 Total assets	\$ 514,696	\$ 481,997

**Greektown Holdings, L.L.C.
(Debtor-In-Possession)**

Consolidated Balance Sheets

	December 31	
	2008	2007
	<i>(In Thousands)</i>	
Liabilities and members' deficit		
Current liabilities not subject to compromise:		
Current portion of long-term debt and notes payable	\$ —	\$ 448,297
Debtor-in-possession financing	130,134	—
Secured debt in default	313,966	—
Current portion of lawsuit settlement obligation	981	981
Accounts payable	25,299	28,197
Accrued interest	6,015	6,362
Notes payable	6,671	—
Fair value of interest rate swap agreements	—	9,367
Accrued expenses and other liabilities	20,323	9,442
Total current liabilities not subject to compromise	503,389	502,646
Current liabilities subject to compromise:		
Long-term debt and notes payable	185,000	—
Pre-petition payables	12,370	—
Pre-petition accrued interest	9,944	—
Accrued interest subject to compromise	11,601	—
Pre-petition amounts due to parent	1,350	—
Total current liabilities subject to compromise	220,265	—
Total current liabilities	723,654	502,646
Long-term liabilities not subject to compromise:		
Lawsuit settlement obligation, less current portion	11,322	11,569
Long-term payables due to City of Detroit and related entities	—	49,928
Obligation under capital lease	786	786
Deferred michigan business tax	3,911	1,236
Total long-term liabilities	16,019	63,519
Total liabilities	739,673	566,165
Members' deficit pre-petition	(70,006)	(84,168)
Members' deficit post-petition	(154,971)	—
Members' deficit	(224,977)	(84,168)
Total liabilities and members' deficit	\$ 514,696	\$ 481,997

See accompanying notes.

Greentown Holdings, L.L.C.
(Debtor-In-Possession)

Consolidated Statements of Operations

	Year Ended December 31	
	2008	2007
	<i>(In Thousands)</i>	
Revenues		
Casino	\$ 297,329	\$ 321,779
Food and beverage	11,862	13,959
Other	4,608	4,891
Total revenues	313,799	340,629
Less promotional allowances	27,070	25,982
Net revenues	286,729	314,647
Operating expenses		
Casino	77,953	83,449
Gaming taxes	83,116	89,596
Food and beverage	9,713	11,105
Marketing, advertising, and entertainment	5,549	7,389
Facilities	17,932	17,879
Depreciation and amortization	7,590	8,629
Bad debt	1,202	-
General and administrative expenses	39,674	43,269
Lease restoration expense	-	2,250
Michigan Single Business Tax	-	1,275
Other	651	371
Pre-opening expenses	828	-
Impairment of casino development rights	128,240	-
Operating expenses	372,448	265,212
(Loss) income from operations	(85,719)	49,435
Other income (expense)		
Interest expense	(38,629)	(37,052)
Amortization of finance fees and accretion of discount on senior notes	(10,252)	(3,680)
Interest income	235	735
Unrealized loss on interest rate swaps	(2,650)	(7,385)
Other	2	(63)
Total other expense	(51,294)	(47,445)
(Loss) income before reorganization costs and provisions for state income taxes	(137,013)	1,990
Chapter 11 related reorganization costs	(11,667)	-
Michigan business tax expense -- current	(3,068)	-
Michigan business tax expense -- deferred	(1,160)	-
Net (loss) income	\$ (152,908)	\$ 1,990

See accompanying notes.

**Greektown Holdings, L.L.C.
(Debtor-In-Possession)**

Consolidated Statements of Members' Deficit

	Kewadin Greektown Casino LLC	Monroe Partners LLC	Total Members' Deficit
	<i>(In Thousands)</i>		
Balance at December 31, 2006	\$ (90,223)	\$ (30,935)	\$ (121,158)
Member contribution	35,000	-	35,000
Net income	995	995	1,990
Balance at December 31, 2007	(54,228)	(29,940)	(84,168)
Member contribution	12,099	-	12,099
Net loss	(76,454)	(76,454)	(152,908)
Balance at December 31, 2008	<u>\$ (118,583)</u>	<u>\$ (106,394)</u>	<u>\$ (224,977)</u>

See accompanying notes.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2008	2007
	<i>(In Thousands)</i>	
Operating activities		
Net (loss) income	\$ (152,988)	\$ 1,990
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	7,590	8,629
Amortization of financing fees and accretion of discount on senior notes	10,252	3,680
Impairment of casino development rights	128,240	—
Deferred Michigan business tax	2,675	—
Unrealized loss on interest rate swaps	2,650	7,385
Changes in current assets and liabilities:		
Accounts receivable -- gaming	2,159	(1,860)
Accounts receivable -- other and notes receivable	(35)	(266)
Inventories	(275)	(37)
Prepaid expenses and other current assets	(1,496)	196
Notes receivables	(120)	—
Accounts payable:		
Pre-petition payables	12,370	3,373
Pro-petition amounts due to parent	1,350	—
Post-petition payables	(2,898)	—
Accrued expenses, interest, and other liabilities	20,062	4,274
Net cash provided by operating activities	<u>29,616</u>	<u>27,364</u>
Investing activities		
Capital expenditures	(169,285)	(105,091)
Payment for Casino development rights	—	(1,056)
Investment in certificate of deposit	(18)	(504)
Net cash used in investing activities	<u>(169,303)</u>	<u>(106,651)</u>
Financing activities		
Proceeds from borrowings on long-term debt and notes payable	181,907	42,572
Payments on long-term debt and note payable	(2,892)	(2,013)
Net payments on long-term debt and notes payable	(49,360)	—
Notes payable	6,671	—
Lawsuit settlement obligation payments	(247)	(233)
Financing fees paid	(3,710)	(2,490)
Proceeds from member contribution	12,099	35,000
Net cash provided by financing activities	<u>144,468</u>	<u>72,836</u>
Net increase (decrease) in cash and cash equivalents	4,781	(6,451)
Cash and cash equivalents at beginning of year	19,251	25,702
Cash and cash equivalents at end of year	<u>\$ 24,032</u>	<u>\$ 19,251</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 29,851</u>	<u>\$ 45,135</u>
Supplemental noncash activity		
Conversion of accounts receivable -- other to notes receivable	<u>\$ —</u>	<u>\$ 2,250</u>
<i>See accompanying notes.</i>		

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements

December 31, 2008

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, Greektown Casino is continuing its development of a permanent hotel/casino complex containing hotel, parking, expanded gaming, and other amenities at its current site (the Expanded Complex).

2. Summary of Significant Accounting Policies

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.

On May 29, 2008 (the petition date), the Company filed a voluntary petition for reorganization (the Restructuring Proceedings) under Chapter 11 of the United States Bankruptcy Code (see Note 3). The accompanying consolidated financial statements have been prepared in accordance with AICPA Statement of Position 90-7 (SOP 90-7), *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*, and on a going-concern basis, which contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Restructuring Proceedings, such realization of assets and liquidation of liabilities is uncertain. While operating as debtors-in-possession (DIP) under the protection of Chapter 11 of the Bankruptcy Code, and subject to approval of the Bankruptcy Court, the Company may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

SOP 90-7, which is applicable to companies in Chapter 11, generally does not change the manner in which financial statements are prepared. However, it does require that the financial statements for periods subsequent to the filing of the Chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses, realized gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the business must be reported separately as reorganization items in the statement of operations beginning in the period ended June 30, 2008. The balance sheet must distinguish pre-petition liabilities subject to compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. Liabilities that may be affected by a plan of reorganization must be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts. In addition, reorganization items must be disclosed separately in the statement of cash flows. The Company adopted SOP 90-7 effective on May 29, 2008, and has segregated those items as outlined above for all reporting periods subsequent to such date.

The appropriateness of using the going-concern basis for the Company's financial statements is dependent upon, among other things: (i) the Company's ability to comply with the terms of the DIP credit facility and any cash management order entered by the Bankruptcy Court in connection with the Chapter 11 case; (ii) the ability of the Company to maintain adequate cash on hand; (iii) the ability of the Company to generate cash from operations; and (iv) the Company's ability to improve profitability.

As further described in Note 6, the Company has long-term obligations. These obligations have been classified as a current liability as a result of the filing for Chapter 11 bankruptcy protection under the United States Bankruptcy Code.

Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make 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, valuation allowances for receivables, tax obligations and certain other accrued liabilities. Actual results could differ from those estimates.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenues

Greektown Holdings recognizes as Casino revenues the net win from gaming activities, which is the difference between gaming wins and losses.

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 years ended December 31, 2008 and 2007, are as follows (in thousands):

	December 31	
	2008	2007
Casino	\$ 23,400	\$ 21,600
Food and beverage	3,700	4,400
	<u>\$ 27,100</u>	<u>\$ 26,000</u>

Cash, Cash Equivalents, and Certificates of Deposit

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Certificates of deposit represent cash deposits with maturities in excess of six months.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable – gaming 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 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.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Advertising Expense

The Company expenses costs associated with advertising and promotion as incurred. Advertising and promotion expense was approximately \$4,620,000 and \$5,541,000 for the years ended December 31, 2008 and 2007, respectively.

Prepaid Expenses

Prepaid expenses consist of payments made for items to be expensed over future periods. At December 31, 2008 and 2007, prepaid expenses include approximately \$12,333,000 and \$12,186,000, respectively, related to the annual gaming license and municipal service fees that will be expensed in subsequent periods.

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.

Property, Building, and Equipment

Property, building, and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred and approximated \$584,000 and \$888,000 for the years ended December 31, 2008 and 2007, respectively. Depreciation and amortization expense includes amortization of assets recorded under capital leases.

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 years ended December 31, 2008 and 2007, this reduction totaled \$6,459,000 and \$7,151,000, respectively, and is deducted from casino revenue in the accompanying consolidated statement of operations.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Concentrations of Risk

All nonmanagement positions are covered by collective bargaining agreements.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, certificates of deposit, 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.

Financing Fees

The Company has incurred certain financing costs in order to secure financing for its current casino and the Expanded Complex. These costs were capitalized and are being amortized over the term of the respective financing agreements. Capitalized financing fees, net of amortization, totaled \$14,105,000 and \$18,859,000 at December 31, 2008 and 2007, respectively. The amortization of these fees was \$8,464,000 and \$3,378,000 for the years ended December 31, 2008 and 2007, respectively.

Income and Other Taxes

A provision for federal income taxes is not recorded because, as a limited liability company, taxable income or loss is allocated to the members based on their respective ownership percentages in accordance with the Member Agreement (as defined elsewhere herein). The Company has state tax obligations in the state of Michigan under the Single Business Tax (repealed as of January 1, 2008) regime, which is not considered an income tax under the provisions of SFAS 109, *Accounting for Income Taxes*. On July 12, 2007, the Michigan legislature enacted the Michigan Business Tax (MBT) which is considered an income tax under the provisions of SFAS 109. Due to these changes, the enactment has resulted in the recording of both a deferred tax asset and a deferred tax liability. At December 31, 2008 and 2007, the deferred tax asset was \$1.2 million and \$1.2 million, respectively, and the deferred tax liability was \$3.9 million and \$1.2 million, respectively. The deferred tax asset is the result of future deductions allowed under the enactment provisions of the new law for the 2015 to 2029 tax years, whereas the deferred tax liability is the result of the enactment of the law and the liability resulting from the temporary differences related to capital acquisitions reversing in future periods. During the year ended December 31, 2008, the Company recorded a current provision for MBT of \$3,068,000 and a deferred provision of \$1,160,000.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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*. SFAS No. 144 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.

Intangible Assets

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

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. In accordance with SFAS 142 the Company performs its impairment test as of October 1 of each year by comparing their estimated fair value to the related carrying value as of that date. We completed our annual impairment test and determined the Casino Development rights were impaired (see Note 5).

Interest Costs

The interest costs associated with debt incurred in connection with the 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. The Company uses either the interest rate on the borrowing specific to the capital expenditure or a weighted-average interest rate on outstanding indebtedness. Interest costs capitalized were \$6,987,000 and \$7,199,000 for the years ended December 31, 2008 and 2007, respectively, in connection with the Expanded Complex.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Reclassification

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

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and expands the disclosure requirements regarding fair value measurements. SFAS 157 does not introduce new requirements mandating the use of fair value. SFAS 157 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The definition is based on an exit price rather than an entry price, regardless of whether the entity plans to hold or sell the asset. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company adopted SFAS 157 on January 1, 2008, as required for financial assets and financial liabilities. However, the FASB deferred the effective date of SFAS 157 for one year as it relates to fair value measurement requirements for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis. The adoption of SFAS 157 related to financial assets and financial liabilities did not have a material impact on the Company’s consolidated financial statements. The Company is evaluating the effect the implementation of SFAS 157 for nonfinancial assets and nonfinancial liabilities will have on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 115*. SFAS 159 permits entities to choose, at specified election dates, to measure many financial instruments and certain other items at fair value that are not currently measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected would be reported in earnings at each subsequent reporting date. SFAS 159 also establishes presentation and disclosure requirements in order to facilitate comparisons between entities choosing different measurement attributes for similar types of assets and liabilities. SFAS 159 does not affect existing accounting requirements for certain assets and liabilities to be carried at fair value. SFAS 159 is effective as of the beginning of a reporting entity’s first fiscal year that begins after November 15, 2007. The Company adopted SFAS 159 effective January 1, 2008. Upon adoption, the Company did not elect the fair value option for any terms within the scope of SFAS 159 and, therefore, the adoption of SFAS 159 did not have an impact on the Company’s consolidated financial statements.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In March 2008, the FASB announced the issuance of Financial Accounting Standards No. 161 (SFAS 161), *Disclosures about Derivative Instruments and Hedging Activities*. The new standard amends Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), and seeks to enhance disclosure about how and why a company uses derivative and hedging activities, how derivative instruments and related hedged items are accounted for under SFAS 133 (and the interpretations of that standard) and how derivatives and hedging activities affect a company's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early application of the standard is encouraged, as well as comparative disclosures for earlier periods at initial adoption (although such comparative information is not required). The Company did not elect to early adopt SFAS 161.

3. Petition for Relief Under Chapter 11

On May 29, 2008 (the petition date), the Company filed voluntary petitions for reorganization (the Restructuring Proceedings) under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court, Eastern District of Michigan (the Bankruptcy Court). The Company sought protection under Chapter 11 of the United States Bankruptcy Code to allow the Company time to secure adequate funding to complete the construction project and to protect itself from a forced sale of Greektown Casino by the Michigan Gaming Control Board as provided in the Revised Development Agreement. The Restructuring Proceedings were initiated in response to the Company not meeting the loan covenants put in place by both the lenders and the Michigan Gaming Control Board. Curing these covenants would have required the equity owners of the Company to contribute capital far in excess of their financial strength. As a result, the Company sought protection under Chapter 11 to stay the potential forced sale, and allow it to obtain the financing required to preserve its going concern value for the benefit of all parties involved. On February 20, 2009, the Company amended and restated their DIP Credit Facility (see Note 6). The amended and restated credit facility requires the Company to satisfy the following exit milestones, as set forth below:

- (a) Submission of bidding procedures pursuant to the offering memorandum for the sale of the assets and operations of the Company by May 1, 2009;

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

3. Petition for Relief Under Chapter 11 (continued)

- (b) By June 1, 2009, the Company shall have either (1) received all final bids from potential buyers or (2) filed a reorganization plan acceptable to the DIP Credit Facility lenders, the Prepetition Lenders with the Bankruptcy Court;
- (c) If the Company accepts a final bid, such final bid shall be filed with the Bankruptcy Court by June 15, 2009;
- (d) If a reorganization plan is filed with the Bankruptcy Court in accordance with (b) above, or files a final bid with the Bankruptcy Court in accordance with (c) above, and no event of default has occurred, the DIP Credit Facility termination date shall be extended from June 1, 2009 to September 1, 2009; and
- (e) The Company shall have either completed the sale of the Company's assets and operations or consummated a plan of reorganization by September 1, 2009.

Under Chapter 11, certain claims against the Company in existence prior to the filing of the petitions for relief under the federal bankruptcy laws are stayed while the Company continues business operations as DIP. These claims are reflected in the consolidated balance sheet as "pre-petition payables" and "pre-petition amounts due to related parties." These amounts represent the Company's estimate of known or potential prepetition claims and related post-petition interest to be resolved in connection with the Restructuring Proceedings. Such claims remain subject to future adjustments. Future adjustments may result from (i) negotiations; (ii) actions of the Bankruptcy Court; (iii) further developments with respect to disputed claims; (iv) rejection of executory contracts; (v) the determination as to the value of any collateral securing claims; (vi) proofs of claim; or (vii) other events. Payment terms for these claims will be established in connection with the Restructuring Proceedings.

Chapter 11 related reorganization expenses in the consolidated statement of operations consist of legal and financial advisory fees resulting from or related to the bankruptcy proceedings.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

3. Petition for Relief Under Chapter 11 (continued)

The Company's unaudited results of operations from the petition date, May 29, 2008, to December 31, 2008, are presented below:

Revenues:	
Casino	\$ 164,311
Food and beverage	6,342
Other	<u>2,668</u>
Total revenues	173,321
Less promotional allowances	<u>16,822</u>
Net revenues	156,499
 Operating expenses:	
Casino	44,741
Gaming taxes	46,049
Food and beverage	5,510
Marketing, advertising, and entertainment	2,907
Facilities	10,244
General and administrative expenses	23,069
Bad debt expense	1,202
Depreciation and amortization	4,312
Pre-opening expenses	828
Other	332
Impairment of casino development rights	<u>128,240</u>
Operating expenses	267,434
Loss from operations	(110,935)
 Other income (expense)	
Interest expense	(23,097)
Amortization of finance fees	(8,683)
Interest income	131
Other non-operating income	<u>2</u>
Total other expense	<u>(31,647)</u>
Loss before reorganization costs and provision for state income taxes	(142,582)
Chapter 11 related reorganization costs	(9,537)
Michigan business tax expense – current	(806)
Michigan business tax expense – deferred	<u>(2,046)</u>
Net loss	<u>\$ (154,971)</u>

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

4. Property, Building, and Equipment

Property, building, and equipment and related depreciable lives as of December 31, 2008 and 2007, were as follows (in thousands):

	Amount		Depreciable Lives
	2008	2007	
Land	\$ 104,391	\$ 104,391	—
Gaming building and improvements	136,865	77,770	3–35 years
Gaming equipment and furnishings	59,772	57,558	3–5 years
Nongaming buildings and improvements	70,968	67,060	39 years
Nongaming office furniture and equipment	28,208	20,641	5–7 years
Construction in progress	183,910	87,409	—
	<u>584,114</u>	<u>414,829</u>	
Less accumulated depreciation and amortization	135,529	127,939	
Property, building, and equipment, net	<u>\$ 448,585</u>	<u>\$ 286,890</u>	

Certain costs incurred relate to the development and construction of the Expanded Complex, in accordance with the terms of the Revised Development Agreement. These costs are capitalized, and depreciation shall commence once the Expanded Complex opens.

5. Casino Development Rights and Impairment

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 million in installment payments (installment payments), and contributed certain investment assets.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

5. Casino Development Rights and Impairment (continued)

- (b) Greektown Casino was required to maintain standby letters of credit, totaling \$49,360,000, to secure principal and interest payments on certain bonds issued by the Economic Development Corporation of the City of Detroit (EDC); however, these letters of credit were called by the EDC in June 2008 as a result of the Chapter 11 Bankruptcy filing (see Note 12).
- (c) Greektown Casino signed an indemnity agreement with the City of Detroit and the EDC with respect to certain matters. Payments made under this indemnity agreement plus liabilities accrued, resulted in capitalizing costs of \$32,047,000 at December 31, 2008 and 2007. This amount includes the costs to settle a lawsuit as more fully described in Note 13.
- (d) Greektown Casino contributed to the City of Detroit its one-third interest, with a cost basis of \$2,833,000, in Jefferson Casino, 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 \$128,240,000, which under the terms of the Development Agreement, have an indefinite life.

Goodwill and indefinite-lived intangible assets must be reviewed for impairment at least annually or more frequently if impairment indicators are present. The Company performs its annual impairment test for Casino Development Rights as of October 1 of each fiscal year. In the fourth quarter of 2008, the Company determined that the general decline in consumer spending as a result of the deteriorating economic conditions in the United States and the resulting impact on the gaming markets negatively affected the Company's projected results of operations. Given the current uncertainties in the gaming markets, coupled with the Company's bankruptcy filing, management has determined that the Casino Development Rights of the Company have been impaired. Accordingly, during the fourth quarter of 2008, the Company impaired this asset in its entirety based on a discounted cash flow analysis. As a result, the company recorded an impairment charge of \$128,240,000 in the statement of operations for the year ended December 31, 2008.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt, Notes Payable, and Debtor in Possession Financing

The Company entered into a financing agreement on December 2, 2005 to finance the payment for Greektown Casino's existing credit facilities that were expiring. Also effective December 2, 2005, the Company's existing five-year revolving credit facilities (including letter-of-credit facilities) were increased to \$125,000,000, expiring December 2010. The funds received by the Company under these credit facilities were advanced to Greektown Casino under the following terms, which are similar to those contained in the Company's agreements with its lender:

- Seven-year maturity for the original long-term indebtedness and five-year maturity for revolving credit facility.
- Quarterly amortization of \$475,000, beginning on December 31, 2006 through December 31, 2011; thereafter, quarterly amortization payments of one-fourth the remaining outstanding amount for each of the four quarters beginning on March 31, 2012. As a result of the bankruptcy filing, these amortization payments have been stayed.
- 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 Earnings Before Interest Taxes Depreciation and Amortization (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%). The margins mentioned above have been increased by 2.00% as a result of the bankruptcy filing.
- Interest rate swap agreement, with a notional amount of \$70,000,000, as more fully described below.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt, Notes Payable, and Debtor in Possession Financing (continued)

The funds received and outstanding from the financing agreement are considered secured debt in default. As of December 31, 2008, outstanding secured debt in default, along with the interest rates associated with such funds, consists of the following:

Amount of Obligation <i>(In Thousands)</i>	Rate of interest	Rate of Interest at December 31, 2008
\$ 157,958	BASE RATE + 3.250% payable quarterly	7.00%
31,542	BASE RATE + 3.250% payable quarterly	7.00%
124,466	BASE RATE + 3.000% payable quarterly	6.75%
<u>\$ 313,966</u>		

At December 31, 2007, the Company's debt and notes payable consisted of a term loan of \$158,433, incremented term loan of \$31,580, revolving credit facility of \$75,072 and unsecured debt of \$183,212. The entire balance of outstanding debt at December 31, 2007, of \$448,297 was recorded in current liabilities.

On June 9, 2008, the Company entered into a \$150,000,000 DIP Credit Facility in order to finance the remainder of the Expanded Complex; the DIP Credit Facility includes a Delayed Draw Term Loan Agreement for \$135,000,000 and a revolving credit facility for \$15,000,000. There are strict guidelines as to how these funds can be used and must be approved and monitored by the U.S. Trustee as well as the MGCB. The funds from the Delayed Draw Term Loan facility can only be used for construction related costs, while the funds from the revolving credit facility may be used to pay operational and construction related expenses. At December 31, 2008, the Company had \$19,866,000 available under the DIP Credit Facility. The DIP Credit Facility was amended and restated on February 20, 2009 (amended DIP Credit Facility). The Amended DIP Credit Facility provides up to an additional \$46 million in two Delayed Draw Term Loans. There are strict guidelines as to how these funds can be used and must be approved and monitored by the U.S. Trustee as well as the MGCB. Of the funds received from the Amended DIP Credit Facility, \$26 million of the facility can only be used for construction related expenses, while up to \$20 million of the facility may be used to pay operational and construction related expenses. In addition to providing additional borrowings, the Amended DIP Credit Facility adjusted the rate of interest on the Delayed Draw Term Loan

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt, Notes Payable, and Debtor in Possession Financing (continued)

and revolving credit facility as provided by the original DIP Credit Facility from the Base Rate plus 5.25% per annum to the Base Rate plus 7.25% per annum. The interest rate applicable to the additional Delayed Draw Term Loan is the Base Rate plus 5.25%. The Amended DIP Credit Facility restated the covenant requirements which the Company must comply with under the terms of the agreement.

As of December 31, 2008, the Company's obligations, as they relate to the DIP Credit Facility, and the interest rates on these obligations are as follows:

Amount of Obligation <i>(In Thousands)</i>	Rate of interest	Rate of Interest at December 31, 2008
\$ 115,134	BASE + 5.25% payable monthly	8.500%
15,000	BASE + 5.25% payable monthly	8.500%
<u>\$ 130,134</u>		

The DIP Credit Facility contains covenants including limitations on additional indebtedness, capital expenditures, mergers or acquisitions, dispositions of assets, loans and advances, and transactions with affiliates. Further, the Agreement requires the Company to maintain specific financial ratios including monthly minimum earnings before interest, taxes, depreciation, amortization, and restructuring costs (EBITDAR), as defined in the DIP Credit Facility. At December 31, 2008, the Company was in violation of the EBITDAR covenant and the violation was waived as part of the amended DIP Credit Facility.

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. Further, Greektown Casino also assigned a security interest in all of its assets as collateral for the above agreements, and has guaranteed repayment of these borrowings.

Except as permitted under the terms of the loan and other credit facilities (i.e., revolver, DIP and letter of credit) the Company will not be permitted to incur any other indebtedness.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt, Notes Payable, and Debtor in Possession Financing (continued)

Unsecured Debt

The Company also borrowed \$185,000,000 in December 2005 under an unsecured note arrangement to finance its operations and meet its liability and equity commitments. The maturity date of the note is December 1, 2013. As a result of the Chapter 11 filing the notes became unsecured pre-petition liabilities subject to compromise and the balance outstanding at December 31, 2007 is recorded in current liabilities.

Holdings used derivative financial instruments to manage well-defined interest rate risks. These financial instruments were terminated as a result of the Chapter 11 filing. On the date of termination; the liabilities under the swap agreements became fixed at \$9,270,000 related to the \$195 million interest rate swap agreement and \$2,750,000 related to the \$70 million interest rate swap agreement, at December 31, 2007. The total liability outstanding under the swap was \$9,367,000. These liabilities are recorded by the Company and is recorded in accrued expenses and other liabilities and monthly interest payments are required at an 8.5% interest rate.

7. Leases

Greektown Casino has entered into several noncancelable operating leases, primarily for warehouse space and equipment. Rental expense under these agreements for the years ended December 31, 2008 and 2007, was \$423,000 and \$2,662,000, respectively. Greektown Casino 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, 2008 and 2007, was \$660,000 and \$778,000, respectively. In addition, during 2007 Greektown Casino entered into a settlement agreement with the lessor of a parking garage whereby Greektown Casino agreed to pay \$2.25 million related to lease restoration costs; this amount was recorded as an expense during 2007, and the related liability is recorded in accrued expenses and other liabilities at December 31, 2008 and 2007.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

7. Leases (continued)

At December 31, 2008, future minimum rental payments required under noncancelable operating leases, including related party leases, with initial or remaining lease terms in excess of one year and lease and sublease income were as follows:

	Capital Lease Payments	Operating Lease Payments	Lease and Sublease Income
<i>(In Thousands)</i>			
Quarter ending December 31:			
2009	\$ 336	\$ 23	\$ 531
2010	336	—	441
2011	336	—	368
2012	336	—	259
2013	336	—	251
Thereafter	7,700	—	2,140
	9,380	\$ 23	\$ 3,990
Less amount representing interest	8,594		
Present value of net minimum capital lease payments	786		
Less current installments of obligation under a capital lease	—		
	\$ 786		

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.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

8. 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 Company's management board. For the years ended December 31, 2008 and 2007, payments to related parties, other than financing-related activities and member distributions, totaled approximately \$2,136,000 and \$784,000, respectively.

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 the 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. 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. As a result of the Chapter 11 filing and the DIP Credit Facility these payments are no longer allowable; however, the pre-petition amount owed to the Tribe as of December 31, 2008 is \$550,000.

Accounts receivable – other includes \$298,000 as of December 31, 2008 and 2007, for the amounts due from Monroe, a member of the Company. In addition, there is an outstanding note receivable of \$2,000,000 at December 31, 2008 and 2007 which matures on March 31, 2009. This note bears interest of 6% of which \$370,000 was earned through December 31, 2008.

9. Member's Deficit

When it was formed in September 2005, Holdings' interest in Greektown Casino was transferred to Holdings by the two owners. Consistent with their former ownership interests in Greektown Casino, Kewadin and Monroe each own a 50% interest in Holdings. The transactions involving a substitution of Holdings 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.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

9. Member's Deficit (continued)

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

Kewadin and Monroe were required to make installment payments to former members of Monroe on or prior to November 10, in the specified years: (i) \$19.3 million in 2008; and (ii) \$18.0 million in 2009. As a result of the Chapter 11 filing, these amounts have become unsecured pre-petition liabilities.

During the year ended December 31, 2008 and 2007, a member of the Company made equity contributions totaling \$12,100,000 and \$35,000,000 respectively, to the Company. These 2008 contributions were made in the first and second quarter and all contributions were made before the Chapter 11 filing.

10. 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. Greektown Casino was assessed \$10,003,000 and \$9,826,000 for its portion of the annual payment for the years ended December 31, 2008 and 2007, respectively;
- A wagering tax, calculated based on adjusted gross gaming receipts, payable daily, of 24%. The amended Act also provides for certain increases in the wagering tax if Greektown Casino's Expanded Complex facilities are not operational from and after July 1, 2009, and a reduction in that tax once they are operational; and
- A municipal services fee in an amount equal to the greater of 1.25% of adjusted gross gaming receipts or \$4 million annually.

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 \$83,116,000 and \$89,596,000 for the years ended December 31, 2008 and 2007, respectively.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

10. Gaming Taxes and Fees (continued)

Effective January 1, 2006, the Company is also 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 million in any one calendar year. Additionally, if and when adjusted gross receipts exceed \$400 million, the Company will be required to pay \$4 million to the City of Detroit. The Company's adjusted gross receipts did not exceed \$400 million during the calendar year 2008 or 2007.

On December 11, 2007, the Company entered into an Acknowledgement of Violation (AOV) with the Michigan Gaming Control Board. The AOV included four complaints addressing procurement, kiosks, electronic gaming device meters, and signage. Under the terms of the AOV, a total fine of \$750,000 was assessed, of which \$300,000 was immediately payable and \$450,000 is being held in abeyance for three years provided that the Company does not commit further violations. If the Company commits no further violations within the six-year period, the fine held in abeyance will be forgiven. The Company recorded the \$300,000 as expense during 2007. The remaining amount has not been recorded as no further violations occurred during the year ended December 31, 2008.

11. Commitments and Contingencies

Millennium Management Group LLC (Millennium) was previously retained to provide the Company with certain consulting services related to the operation of the casino for a period through November 30, 2010, \$1 million was paid for the year ended December 31, 2007 under the terms of this agreement. During 2008, a motion was filed with the U.S. Bankruptcy Court to reject the contract and the motion was granted by the bankruptcy judge.

The Company continues to enter into several agreements with various vendors providing goods and services related to the development of the Expanded Complex. As of December 31, 2008, commitments related to construction of the Expanded Complex amounted to approximately \$46 million (\$148 million at December 31, 2007).

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.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

11. Commitments and Contingencies (continued)

Under the Revised Development Agreement, the Company has signed a Guaranty and Keep Well Agreement, whereby the Company agreed to certain conditions and performance obligations related to construction of the Expanded 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.

12. Long-Term Payables to City of Detroit

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 was required to maintain its standby LOCs, totaling \$49,928,000, recorded as a long-term payable for the year ended December 31, 2007, to secure principal and interest payments on certain bonds issued by the EDC; however, the LOCs were redeemed as a result of the Chapter 11 Bankruptcy filing. On June 12, 2008, the EDC redeemed the LOCs for a total amount of \$49,393,000 of which \$49,360,000 was the payment of the principal amount and the \$33,000 was accrued interest through eleven (11) days of June. Due to the redemption of the LOCs, the long-term payable to the City of Detroit recorded on the Company's balance sheet was effectively converted to debt due to Holdings. 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 Detroit casino developers will forgo their right to receive any of the land.

Greektown Holdings, L.L.C.
(Debtor-In-Possession)

Notes to Consolidated Financial Statements (continued)

13. 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, 2008, payments totaling \$17 million have been made against this settlement obligation. Additional payments required under the agreement include \$1 million (inclusive of interest) annually for the next 24 years through 2031. As of December 31, 2008, the lawsuit settlement obligation consisted of the following:

	2008	2007
	<i>(In Thousands)</i>	
Total lawsuit settlement obligation	\$ 40,000	\$ 40,000
Less payments made to date	<u>(17,000)</u>	<u>(16,000)</u>
Lawsuit settlement obligation to be paid	23,000	24,000
Less imputed interest at 6%	<u>(10,697)</u>	<u>(11,450)</u>
Amounts to be paid, at present value	12,303	12,550
Current portion at present value	<u>(981)</u>	<u>(981)</u>
Lawsuit obligation at present value, less current portion	<u>\$ 11,322</u>	<u>\$ 11,569</u>

14. 401(k) Plan

Salaried employees of the Company 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 service. The total payments made and expense recognized under the Plan by the Company for the years ended December 31, 2008 and 2007, amounted to \$1,969,000 and \$2,178,000, respectively.

CONSOLIDATED FINANCIAL STATEMENTS

Greektown Holdings, L.L.C.
Years Ended December 31, 2007 and 2006
With Report of Independent Auditors

0803-0923648

Greektown Holdings, L.L.C.
Consolidated Financial Statements
Years Ended December 31, 2007 and 2006

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0803-0923648

Independent Auditors' Report

The Members

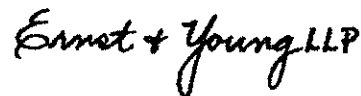
Greektown Holdings, L.L.C.

We have audited the accompanying consolidated balance sheet of Greektown Holdings, L.L.C. (the Company) as of December 31, 2007, and the related consolidated statement of income, members' deficit, and cash flows for the year 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 audit. The financial statements of Greektown Holdings, L.L.C. for the year ended December 31, 2006 were audited by other auditors whose report dated March 21, 2007, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Greektown Holdings, L.L.C. and subsidiaries as of December 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming Greektown Holdings, L.L.C. will continue as a going concern. As more fully described in Note 2, as of December 31, 2007, the Company was not in compliance with certain covenants of its loan agreements. The Company received a limited waiver of its covenant violations through the June 30, 2008 measurement date. This waiver requires among other things, the consummation of an equity contribution in 2008. Also the waiver does not extend beyond the June 30, 2008 covenant measurement date. Currently the Company projects that it will violate its existing covenants subsequent to the June 30, 2008 measurement date. As a result of the existing and projected covenant violations, which could result in all outstanding debt obligations being currently due in 2008, the Company's outstanding debt has been classified as current liabilities at December 31, 2007. Also the Company estimates that as of December 31, 2007, it will need along with the use of projected cash from operations of \$58 million, approximately \$90 million of additional borrowings or equity contributions to complete its Expanded Complex. There can be no assurance that the equity contribution will be consummated in 2008, that the Company will be able to comply with its debt covenants or obtain revised covenants in 2008, or that additional financing will be available, or that, if available such financing will be on terms favorable or acceptable to the Company. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The December 31, 2007 financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classifications of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.



April 1, 2008

A member firm of Ernst & Young Global Limited

0803-0923648

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Greektown Holdings, L.L.C.

Consolidated Balance Sheets

	December 31	
	2007	2006
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,251	\$ 25,702
Certificate of deposit	504	—
Accounts receivable – gaming, less allowance for doubtful accounts of \$1,785 and \$367 in 2007 and 2006, respectively	5,778	3,895
Accounts receivable – other, less allowance for doubtful accounts of \$19 in 2007 and 2006	666	2,672
Inventories	326	289
Prepaid expenses and other current assets	17,399	17,595
Total current assets	43,924	50,153
Property, building, and equipment, net	286,890	189,642
Other assets:		
Financing fees, net of accumulated amortization of \$6,590 and \$3,217 in 2007 and 2006, respectively	18,859	19,746
Casino development rights	128,808	127,752
Deposits and other assets	30	30
Notes receivable	2,250	—
Deferred Michigan Business Tax	1,236	—
Total assets	\$ 481,997	\$ 387,323

Greektown Holdings, L.L.C.

Consolidated Balance Sheets

	December 31	
	2007	2006
	<i>(In Thousands)</i>	
Liabilities and members' deficit		
Current liabilities:		
Current portion of long-term debt and notes payable	\$ 448,297	\$ 1,900
Current portion of lawsuit settlement obligation	981	981
Accounts payable	28,197	23,984
Accrued interest	6,362	5,835
Fair value of interest rate swap agreements	9,367	1,785
Accrued expenses and other liabilities	9,442	6,731
Total current liabilities	502,646	41,216
Long-term debt and notes payable, less current portion	—	405,535
Lawsuit settlement obligation, less current portion	11,569	11,802
Long-term payables due to City of Detroit and related entities	49,928	49,928
Obligation under capital lease	786	—
Deferred Michigan Business Tax	1,236	—
Total long-term liabilities	63,519	467,265
Total liabilities	566,165	508,481
Members' deficit	(84,168)	(121,158)
Total liabilities and members' deficit	\$ 481,997	\$ 387,323

See accompanying notes.

Greektown Holdings, L.L.C.

Consolidated Statements of Income

	Year Ended December 31	
	2007	2006
	<i>(In Thousands)</i>	
Revenues		
Casino	\$ 321,779	\$ 330,056
Food and beverage	13,959	16,235
Other	4,891	4,975
Total revenues	340,629	351,266
Less promotional allowances	25,982	22,053
Net revenues	314,647	329,213
Operating expenses		
Casino	83,449	84,727
Gaming taxes	89,596	89,590
Food and beverage	11,105	11,020
Marketing, advertising, and entertainment	7,389	6,784
Facilities	17,879	16,772
General and administrative expenses	43,269	42,964
Lease restoration expense	2,250	—
Michigan Single Business Tax	1,275	1,600
Other	371	328
Operating expenses	256,583	253,785
Depreciation and amortization	8,629	8,790
Income from operations	49,435	66,638
Other income (expense)		
Interest expense	(37,052)	(38,746)
Amortization of finance fees and accretion of discount on senior notes	(3,680)	(3,278)
Interest income	735	650
Unrealized loss on interest rate swaps	(7,385)	(1,785)
Other	(63)	75
Total other expense	(47,445)	(43,084)
Net income	\$ 1,990	\$ 23,554

See accompanying notes.

Greektown Holdings, L.L.C.

Consolidated Statements of Members' Deficit

	Kewadin Greektown Casino LLC	Monroe Partners LLC	Total Members' Deficit
	<i>(In Thousands)</i>		
Balance at December 31, 2005	\$ (99,500)	\$ (38,962)	\$ (138,462)
Member distributions	(2,500)	(3,750)	(6,250)
Net income	11,777	11,777	23,554
Balance at December 31, 2006	(90,223)	(30,935)	(121,158)
Member contribution	35,000	-	35,000
Net income	995	995	1,990
Balance at December 31, 2007	<u>\$ (54,228)</u>	<u>\$ (29,940)</u>	<u>\$ (84,168)</u>

See accompanying notes.

Greektown Holdings, L.L.C.

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2007	2006
	<i>(In Thousands)</i>	
Operating activities		
Net income	\$ 1,990	\$ 23,554
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,629	8,790
Amortization of financing fees and accretion of discount on senior notes	3,680	3,278
Unrealized loss on interest rate swaps	7,385	1,785
Changes in current assets and liabilities:		
Accounts receivable – gaming	(1,860)	427
Accounts receivable – other and notes receivable	(266)	(1,435)
Inventories	(37)	(4)
Prepaid expenses and other current assets	196	(5,338)
Accounts payable	3,373	17,051
Accrued expenses, interest, and other liabilities	4,274	(2,343)
Net cash provided by operating activities	27,364	45,765
Investing activities		
Capital expenditures	(105,091)	(80,494)
Payment for Casino development rights	(1,056)	–
Investment in certificate of deposit	(504)	–
Net cash used in investing activities	(106,651)	(80,494)
Financing activities		
Proceeds from borrowings on long-term debt and notes payable	42,572	–
Payments on long-term debt and note payable	(2,013)	–
Net proceeds from long-term debt and notes payable	–	34,525
Lawsuit settlement obligation payments	(233)	(5,750)
Financing fees paid	(2,490)	(701)
Member distributions paid	–	(6,250)
Proceeds from member contribution	35,000	–
Net cash provided by financing activities	72,836	21,824
Net decrease in cash and cash equivalents	(6,451)	(12,905)
Cash and cash equivalents at beginning of year	25,702	38,607
Cash and cash equivalents at end of year	\$ 19,251	\$ 25,702
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 45,135	\$ 37,314
Supplemental noncash activity		
Conversion of accounts receivable – other to notes receivable	\$ 2,250	\$ –

See accompanying notes.

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Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements

Years Ended December 31, 2007 and 2006

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, Greektown Casino is continuing its development of a permanent hotel/casino complex containing hotel, parking, expanded gaming, and other amenities at its current site (the Expanded Complex).

2. Summary of Significant Accounting Policies

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.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The Company has been granted a limited waiver related to certain covenant violations under its various loan agreements (see Note 5) which requires the consummation of an equity contribution in 2008, as well as requiring MGCB approval of the waiver. Also in connection with the MGCB's approval of the Company's indebtedness, the Company is required to comply with certain financial covenants established by MGCB. The Company was not in compliance with these covenants at December 31, 2007. The Company has until April 30, 2008 to cure the covenant violations or receive a waiver from the MGCB. If the violations are not cured or a waiver is not provided by MGCB, MGCB could require the Company to sell Greektown Casino.

The Company projects it will violate its existing covenants subsequent to the June 30, 2008 measurement date. As a result of the existing and projected covenant violations, which could result in all outstanding debt obligations being currently due in 2008, the Company's outstanding debt has been classified as current liabilities at December 31, 2007. Uncertainty over the Company's ability to comply with the limited waiver of its existing and projected covenant violations, uncertainty over the Company's ability to comply with its covenants in measurement periods subsequent to June 30, 2008, which could result in the acceleration of the required payment of the Company's debt obligations, and the uncertainty concerning its covenant violations with MGCB, which could result in the Company being required to sell Greektown Casino, raises substantial doubt about the Company's ability to continue as a going concern.

In addition, as of December 31, 2007, the Company estimates that the cost to complete the Expanded Complex will be approximately \$148 million. The Company estimates that it will need approximately \$90 million of additional borrowings or equity contributions in addition to using \$58 million of cash generated from operations to meet its cash requirements to complete the Expanded Complex. There can be no assurance that additional financing, if needed, will be available, or that, if available, the financing will be on terms favorable to the Company. In addition, there is no assurance that management's estimate of future cash needs and cash to be generated from operations is accurate or that unforeseen events will not occur, resulting in the need to raise additional funds.

The Company expects to meet its future cash requirements through a combination of cash generated from operations, existing cash balances and future borrowings or equity contributions. If necessary, the Company will seek additional waivers of financial covenants under existing credit agreements and its agreement with MGCB. The Company's continuation as a going concern is ultimately dependent upon its future financial performance, which will be affected by general economic, competitive and other factors, many of which are beyond the Company's control. There can be no assurance that the Company's plans to ensure continuation as a going concern will be successful.

Greentown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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.

Casino Revenues

Greentown Casino recognizes as casino revenues the net win from gaming activities, which is the difference between gaming wins and losses.

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 years ended December 31, 2007 and 2006, are as follows:

	December 31	
	2007	2006
	<i>(In Thousands)</i>	
Casino	\$ 21,600	\$ 16,571
Food and beverage	4,400	5,417
Other	—	33
	<u>\$ 26,000</u>	<u>\$ 22,021</u>

Cash, Cash Equivalents, and Certificates of Deposit

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Certificates of deposit represent cash deposits with maturities in excess of three months.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable – gaming 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 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.

Advertising Expense

The Company expenses cost associated with advertising and promotion as incurred. Advertising and promotion expense was \$5,541,000 and \$5,278,000 for the years ended December 31, 2007 and 2006, respectively.

Prepaid Expenses

Prepaid expenses consist of payments made for items to be expensed over future periods. At December 31, 2007 and 2006, prepaid expenses include \$12,186,000 and \$11,900,000 related to gaming taxes and fees that will be expensed in the year subsequent to the year payment was made.

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.

Property, Building, and Equipment

Property, building, and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred and approximated \$838,000 and \$839,000 for the years ended December 31, 2007 and 2006. Depreciation and amortization expense includes amortization of assets recorded under capital leases.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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 years ended December 31, 2007 and 2006, this reduction totaled \$7,151,000 and \$5,973,000, respectively, and is deducted from casino revenue in the accompanying statements of income.

Concentrations of Risk

Substantially all nonmanagement positions are covered by collective bargaining agreements. The agreement covering security personnel expires during 2008.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, certificates of deposit, 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.

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 (continued)

2. Summary of Significant Accounting Policies (continued)

The Company has entered into interest rate swap agreements to reduce its exposure to market risks from changing interest rates. The Company does not use hedge accounting on any of the derivative instruments purchased through the end of 2007 and as a result, changes in the fair value of the instruments are recorded as "Unrealized loss on interest rate swaps" in the non-operating section of the accompanying statements of income. At December 31, 2007 and 2006, the Company has recorded a liability for the fair value of the interest rate swaps of \$9,367,000 and \$1,785,000, respectively.

Financing Fees

The Company has incurred certain financing costs in order to secure financing for its current casino and Expanded Complex. These costs were capitalized and are being amortized over the term of the respective financing agreements. Capitalized financing fees, net of amortization, totaled \$18,859,000 and \$19,746,000 as of December 31, 2007 and 2006, respectively. The amortization of these fees was \$3,378,000 and \$2,976,000 for the years ended December 31, 2007 and 2006, respectively.

Income and Other 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 ownership percentages, in accordance with the Member Agreement (as defined elsewhere herein). The Company currently has state tax obligations in the state of Michigan under the Single Business Tax (repealed as of January 1, 2008) regime, which are not considered an income tax under the provisions of SFAS 109, *Accounting for Income Taxes*. However, on July 12, 2007, the Michigan legislature enacted the Michigan Business Tax which is considered an income tax under the provisions of SFAS 109. Due to these changes, the enactment has resulted in the recording of both a deferred tax asset and deferred tax liability during 2007. The deferred tax asset is the result of future deductions allowed under the enactment provisions of the new law for the 2015 to 2029 tax years, whereas the deferred tax liability is the result of the enactment of the law and the liability resulting from the temporary differences related to capital acquisitions reversing in future periods.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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.

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.

Interest Costs

Greektown Casino capitalizes interest costs associated with debt incurred in connection with the Expanded Complex during the construction period. The interest costs related to the 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. The Company uses either the interest rate on the borrowing specific to the capital expenditure or a weighted-average interest rate on outstanding indebtedness. Interest costs capitalized were \$7,199,000 and \$1,375,000 for the years ended December 31, 2007 and 2006, respectively.

Greentown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Reclassification

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

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and expands the disclosure requirements regarding fair value measurements. The rule does not introduce new requirements mandating the use of fair value. SFAS 157 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The definition is based on an exit price rather than an entry price, regardless of whether the entity plans to hold or sell the asset. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not believe the adoption of SFAS 157 will have a significant impact on its financial statements. The Company expects to use the new definition of fair value upon adoption of SFAS 157 as of January 1, 2008, and apply the disclosure requirements of SFAS 157 for the Company’s 2008 financial statements. The Company is currently evaluating the impact of adopting SFAS 157 on its financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 115*. SFAS 159 permits entities to choose, at specified election dates, to measure many financial instruments and certain other items at fair value that are not currently measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected would be reported in earnings at each subsequent reporting date. SFAS 159 also establishes presentation and disclosure requirements in order to facilitate comparisons between entities choosing different measurement attributes for similar types of assets and liabilities. SFAS 159 does not affect existing accounting requirements for certain assets and liabilities to be carried at fair value. SFAS 159 is effective as of the beginning of a reporting entity’s first fiscal year that begins after November 15, 2007. The Company does not believe the adoption of SFAS 159 will have a significant impact on its financial statements.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In March 2008, the FASB announced the issuance of Financial Accounting Standards No. 161 (SFAS 161), *Disclosures about Derivative Instruments and Hedging Activities*. The new standard amends Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), and seeks to enhance disclosure about how and why a company uses derivative and hedging activities, how derivative instruments and related hedged items are accounted for under SFAS 133 (and the interpretations of that standard) and how derivatives and hedging activities affect a company's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early application of the standard is encouraged, as well as comparative disclosures for earlier periods at initial adoption (although such comparative information is not required).

3. Property, Building, and Equipment

Property, building, and equipment and related depreciable lives as of December 31, 2007 and 2006, were as follows:

	Amount		Depreciable Lives
	2007	2006	
	<i>(In Thousands)</i>		
Land	\$ 104,391	\$ 103,402	—
Gaming building and improvements	77,770	77,783	3–35 years
Gaming equipment and furnishings	57,558	57,558	3–5 years
Nongaming buildings and improvements	67,060	20,979	39 years
Nongaming office furniture and equipment	20,641	17,745	5–7 years
Construction in progress	87,409	31,485	—
	<u>414,829</u>	<u>308,952</u>	
Less accumulated depreciation and amortization	<u>127,939</u>	<u>119,310</u>	
Property, building, and equipment, net	<u>\$ 286,890</u>	<u>\$ 189,642</u>	

Certain costs incurred relate to the development and construction of the Expanded Complex, in accordance with the terms of the revised Development Agreement. These costs are capitalized, and depreciation shall commence once the Expanded Complex opens.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

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 million in installment payments (installment payments), and contributed certain investment assets.
- (b) Greektown Casino is required to continue its standby letters of credit, totaling \$49,928,000, 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).
- (c) Greektown Casino signed an indemnity agreement with the City of Detroit and the EDC with respect to certain matters. Payments made under this indemnity agreement plus liabilities accrued at December 31, 2007, resulted in capitalizing costs of \$32,047,000 (\$30,991,000 at December 31, 2006). This amount includes the costs to settle a lawsuit as more fully described in Note 12.
- (d) Greektown Casino contributed to the City of Detroit its one-third interest, with a cost basis of \$2,833,000, 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 \$128,808,000 at December 31, 2007 (\$127,752,000 at December 31, 2006), which, under the terms of the revised Development Agreement, have an indefinite life.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

5. Debt and Notes Payable

Debt and notes payable consist of the following as of December 31, 2007 and 2006:

	2007	2006
	<i>(In Thousands)</i>	
Term loan	\$ 158,433	\$ 189,525
Incremental term loan	31,580	—
Revolving credit facility	75,072	35,000
10.75% Senior Notes due 2013, face value of \$185,000,000, less unamortized discount of \$1,788,000 and \$2,090,000 at December 31, 2007 and 2006, respectively	183,212	182,910
Less current portion	448,297	407,435
Long-term debt and notes payable, less current portion	\$ —	\$ 1,900
	\$ —	\$ 405,535

All outstanding debt is recorded in current liabilities as of December 31, 2007, due to the covenant violations and other matters described in Note 2. The below sections describe the original payment terms of each debt instrument.

In April 2007, the Company obtained \$100 million of new debt capacity consisting of a \$37.5 million incremental term loan drawn on such date, a \$37.5 million incremental delayed draw term loan to be drawn within a year of closing, and an increase of \$25 million of borrowings under the revolving credit facility. As a result of the existing covenant violations at December 31, 2007, in March 2008, the Company agreed to reduce the commitments under the delayed draw term loan to zero, accordingly, no amounts are available under the delayed draw term loan. Also, in response to a covenant violation at September 30, 2007, on November 14, 2007, a member of the Company made an equity contribution of \$35 million. This amount was used to pay down the term loan and incremental term loan on a pro rata basis.

Term Loan, Incremental Term Loan, and Revolving Credit Facility

The Company is the borrower under a \$190 million, seven-year term loan agreement, a \$37.5 million incremental term loan, and a \$125 million, five-year revolving credit facility (including letters of credit).

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

5. Debt and Notes Payable (continued)

The terms of the term loan facility include the following:

- Seven-year maturity.
- Quarterly amortization of \$475,000, beginning on December 31, 2006 through December 31, 2011; thereafter, quarterly 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%).

The \$37.5 million incremental term loan has the same terms as the \$190 million term loan, except for the following:

- Five-year maturity.
- Quarterly principal amortization payments of \$37,500, beginning on June 30, 2007 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.

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%).

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

5. Debt and Notes Payable (continued)

The Company has letters of credit outstanding of \$49,928,000 under the revolving credit facility to secure principal and interest payments on certain bonds issued by EDC (see Note 11). As a result of the outstanding balance and outstanding letters of credit, no additional amounts are available to be drawn on the revolving credit facility.

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.

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.

10.75% Senior Notes Due 2013 (Notes)

The Company and Greektown Holdings II, Inc. entered into a \$185 million unsecured and unsubordinated note arrangement to fund its operations and meet certain obligations and equity commitments. Greektown Casino does not guarantee repayment of the Notes. The terms of the Notes include the following:

- Maturity date of December 1, 2013.
- Interest payments on the Notes accrue at the rate of 10.75% per annum and are 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 is computed on the basis of a 360-day year of twelve 30 day months.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

5. Debt and Notes Payable (continued)

- The Notes are 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.
- The Notes are 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, 2007 and 2006, the Senior Notes payable have been reported on the balance sheet, net of the unamortized discount of \$1,788,000 and \$2,090,000, respectively.

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

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

5. Debt and Notes Payable (continued)

Derivative Financial Instruments

The Company uses derivative financial instruments to manage well-defined interest rate risks. The Company is party to interest rate swap agreements, which are used for reducing the potential impact of increases in interest rates on the Company's variable-rate debt. The interest rate swap requires the Company to pay an amount equal to a specific fixed rate of interest times a notional amount and to receive in return an amount equal to a variable rate of interest times the same notional amount. The notional amounts are not exchanged. The net amounts received or paid are recorded as an adjustment to interest expense. No other cash payments are made unless the contract is terminated prior to its maturity, in which case the contract would likely be settled for an amount approximating its fair value.

As of December 31, 2007, the Company was a party to interest rate swap agreements as follows to convert a total of \$265 million of variable rate debt to fixed-rate debt through the term of the swap agreements.

<u>Notional Amount</u>	<u>Borrower Pays</u>	<u>Counterparty Pays</u>	<u>Agreement Expires</u>
\$70 million	4.85% fixed	3-month LIBOR	December 31, 2010
\$195 million	4.64% fixed	6-month LIBOR	December 1, 2013

6. Leases

Greektown Casino has entered into several noncancelable operating leases, primarily for office space, equipment, parking and vehicles. Rental expense under these agreements for the years ended December 31, 2007 and 2006, was \$2,622,000 and \$288,000, respectively. Greektown Casino 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, 2007 and 2006, was \$778,000 and \$563,000, respectively. In addition, during 2007 Greektown Casino entered into a settlement agreement with the lessor of a parking garage whereby Greektown Casino agreed to pay \$2.25 million related to lease restoration costs, this amount is recorded as an expense in 2007, and the related liability is recorded in accrued expenses and other liabilities at December 31, 2007.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

6. Leases (continued)

At December 31, 2007, 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.

	Capital Lease Payments	Operating Lease Payments	Lease and Sublease Income
	<i>(In Thousands)</i>		
Period ended December 31:			
2008	\$ 336	\$ 54	\$ 671
2009	336	22	604
2010	336	—	517
2011	336	—	447
2012	336	—	293
Thereafter	8,036	—	2,391
	<u>9,716</u>	<u>\$ 76</u>	<u>\$ 4,923</u>
Less amount representing interest	8,930		
Present value of net minimum capital lease payments	786		
Less current installments of obligation under a capital lease	—		
	<u>\$ 786</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.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

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, 2007 and 2006, payments to related parties, other than financing-related activities and member distributions, totaled approximately \$784,000 and \$1,057,000, respectively.

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 was reduced to \$70,000 per month; this fee was increased to \$110,000 per month effective February 1, 2007. 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 years ended December 31, 2007 and 2006, was \$1,280,000 and \$1,240,000, respectively.

Accounts receivable – other includes \$298,000 and \$2,298,000 as of December 31, 2007 and 2006, respectively, for the amounts due from Monroe, a member of the Company. During 2007, \$2,000,000 of this amount, plus \$250,000 of interest was converted to a long-term note receivable. The note receivable bears interest at a rate of 6% and matures on March 31, 2009. In addition, the Tribe has guaranteed \$1,050,000 of accounts receivable – gaming at December 31, 2007.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

8. Member's Equity

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 Greektown Casino, Kewadin and Monroe each own a 50% interest in the Company. The transactions involving a 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.

Kewadin and Monroe are required to make installment payments to former members of Monroe on or prior to November 10, in the specified years: (i) \$20.7 million in 2007; (ii) \$19.3 million in 2008; and (iii) \$18.0 million in 2009. Kewadin and Monroe have yet to make the 2007 payment and the Company has not made any distributions to such entities in respect of such payment. Currently, such entities have received a waiver for the 2007 payment until June 2008, subject to the option of the former members to terminate such waiver upon fourteen days written notice. The indenture for the senior notes permits the Company to make distributions as necessary to permit Kewadin and Monroe to fulfill these payment obligations, provided certain financial conditions are met. However, if Kewadin and Monroe do not make such payments, Kewadin may be required to sell its interest in Monroe, which could result in a change in control event under the Company's outstanding debt obligations, which could result in an event of default.

On November 14, 2007, a member of the Company made an equity contribution to the Company of \$35 million. These funds were advanced to the Company as an equity contribution. The Company utilized these funds to pay down the term loan and incremental term loan on a pro rata basis.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

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. The Company was assessed \$9,826,000 and \$9,540,000 for its portion of the annual payment for the years ended December 31, 2007 and 2006, respectively;
- A wagering tax, calculated based on adjusted gross gaming receipts, payable daily, of 24%. The amended Act also provides for certain increases in the wagering tax if Greektown Casino's Expanded Complex facilities are not operational from and after July 1, 2009, and a reduction in that tax once they are operational; and
- A municipal services fee in an amount equal to the greater of 1.25% of adjusted gross gaming receipts or \$4 million annually.

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 \$89,596,000 and \$89,590,000 for the years ended December 31, 2007 and 2006, respectively.

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 million in any one calendar year. Additionally, if and when adjusted gross receipts exceed \$400 million, Greektown Casino will be required to pay \$4 million to the City of Detroit. The Company's adjusted gross receipts did not exceed \$400 million during the calendar year 2007 or 2006.

On December 31, 2007, Greektown Casino entered into an Acknowledgement of Violation (AOV) with the Michigan Gaming Control Board. The AOV included four complaints addressing procurement, kiosks, electronic gaming device meters and signage. Under the terms of the AOV, a total fine of \$750,000 was assessed, of which \$300,000 was immediately payable and \$450,000 is being held in abeyance for three years provided that Greektown Casino does not commit further violations. If Greektown Casino commits no further violations within the three-year period, the fine held in abeyance will be forgiven. The Company has recorded the \$300,000 as expense during 2007. The remaining amount has not been recorded as no further violations occurred during 2007.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

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 compensates Millennium via a consulting fee of \$83,000 per month, plus certain expenses. The fee amounted to \$1 million for each of the years ended December 31, 2007 and 2006.

Greektown Casino continues to enter into several agreements with various vendors providing goods and services related to the development of the Expanded Complex. As of December 31, 2007, the commitments related to construction of the Expanded Complex amounted to approximately \$148 million (\$53,258,000 at December 31, 2006).

The Company, including 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 the Company, including Greektown Casino.

Under the revised Development Agreement, Greektown Casino has signed a Guaranty and Keep Well Agreement, whereby Greektown Casino agreed to certain conditions and performance obligations related to construction of the Expanded 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 Payables 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 \$49,928,000, 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, Greektown Casino and the other Detroit casino developers will forgo their right to receive any of the land, but will remain obligated to repay the bonds. Greektown Casino's \$49,928,000 obligation has been recorded as a long-term payable in the accompanying balance sheet. The EDC bonds bear interest at a variable rate (4.96% as of December 31, 2007), payable monthly, and the principal is due in November 2009.

Greektown Holdings, L.L.C.

Notes to Consolidated Financial Statements (continued)

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, 2007, payments totaling \$16 million have been made against this settlement obligation. Additional payments required under the agreement include \$1 million (inclusive of interest) annually for the next 24 years through 2031. As of December 31, 2007 and 2006, the lawsuit settlement obligation consisted of the following:

	<u>2007</u>	<u>2006</u>
	<i>(In Thousands)</i>	
Total lawsuit settlement obligation	\$ 40,000	\$ 40,000
Less payments made to date	(16,000)	(15,000)
Lawsuit settlement obligation to be paid	<u>24,000</u>	<u>25,000</u>
Less imputed interest at 6%	(11,450)	(12,217)
Amounts to be paid, at present value	<u>12,550</u>	<u>12,783</u>
Current portion at present value	<u>981</u>	<u>981</u>
Lawsuit obligation at present value, less current portion	<u>\$ 11,569</u>	<u>\$ 11,802</u>

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 service. The total payments made and expense recognized under the Plan by Greektown Casino for the years ended December 31, 2007 and 2006 amounted to \$2,178,000 and \$2,164,000, respectively.