

Greektown Casino tries for a loan

Greektown Casino's largest lender asked it to file for bankruptcy protection as a condition of lending it more money, state regulators said Monday.

„Merrill Lynch wasn't extending additional lending unless they filed Chapter 11,“ said Rick Kalm, executive director for the Michigan Gaming Control Board, which regulates Detroit's three casinos.

The board has been aware for four years of Greektown Casino's financial troubles – outlined in documents filed in bankruptcy court Thursday – but at least one board member said he didn't know the Chapter 11 filing was coming.

„I had no information, other than the fact that I'm a businessman and I knew it was one of their options,“ said Damian Kassab, president of the board. „We were just starting to gather that information.

„They file regular financials with us, and we knew some moneys were outstanding,“ he said, but added that contractors sometimes allow a 30- to 90-day period for payments.

Last month, the board ordered the casino to present its case on why it should not be put up for sale.

Its finances were so shaky in 2004 that state regulators and casino creditors imposed a financial structure with benchmarks that included the option to put it up for sale if it didn't get its act together.

„We were concerned that things were getting a little too thin, that there was a little too much debt“ in 2004, Kassab said. „We had concerns with expenditures, level of profit, how

things were being managed. To accommodate them, we set guidelines we thought would be appropriate and penalties for failure. ...

„We couldn't just let them do whatever they wanted,“ Kassab said.

„The concern, in general, was whether they were making enough money and have enough capital in relation to the debt they were taking on.“

Greektown Casino failed to meet those state-imposed financial benchmarks in 2007 and was expected to miss them every year through 2010, according to the casino and the board.

The casino said it was forced to file for Chapter 11 bankruptcy because it is out of compliance with the terms of its line of credit with Merrill Lynch, Pierce, Fenner and Smith.

As of March 31, the casino said it owed its lender USD 314.5 million, and because it is not in compliance, it is unable to draw additional funds and has limited ability to borrow more money.

Greektown Casino officials are due in U.S. Bankruptcy Court this morning to ask for the approval of a USD 150-million loan from its lender to finish the construction of its permanent casino and hotel.

„We will seek approval for financing that is part of our reorganization plan,“ said casino spokesman Roger Martin.

Court documents show that the general contractor building Greektown Casino's expansion has not been paid for work performed as far back as February.

Construction contractors threatened to stop work for nonpayment, bankruptcy documents show.

General contractor Jenkins/Skanska Ventures is owed USD 24 million, with another USD 12 million due June 30. An official at Jenkins/Skanska who asked that his name not be used said company officials are working with Greektown Casino and are confident the situation will be resolved.

Gaming Control Board officials will also be in court, asserting their authority over the casinos.

The board will hold a special meeting Thursday to consider the terms of this loan, it announced Monday. It will also uphold its order for the casino to show cause as to why it should not be sold.

„If they were to go out and secure this new financing without approval, they would be in violation of the rules and regulations of the state of Michigan,” Kassab said.

„This industry is heavily regulated,” he said. „We have to continue to operate within the confines.

„This could be a spaghetti mess,” he added. „We are going to work together for the benefit of the city, but that doesn't mean we're just rolling over.”