

# Tribe chooses casino over rainy-day fund.

(Sault Ste. Marie Tribe of Chippewa Indians, Greektown Casino L.L.C.)

(Brief Article)(Statistical Data Included)

Bernard Bouschor's long-term plan is on hold for now, but he's not complaining.

Before the Sault **Ste. Marie Tribe of Chippewa Indians** increased its stake in **Greektown Casino** L.L.C. to 90 percent, tribal leaders had planned to channel \$10 million a year from the Detroit property into an investment fund that finances education and health care programs.

As a sovereign **tribe**, the Sault **Ste. Marie Tribe of Chippewa Indians** contracts with the federal government and is the main provider **of** social services on reservation land. The **tribe's** fund is designed to bolster services and safeguard it from budget cuts and economic downturns.

Financing a \$265 million buyout **of** the **casino's** founding partners, Ted Gatzaros, Jim Papas and their wives, has placed a small detour along the road to better days.

"The long-term stability **of** the self-sufficiency fund was really the goal," said Bouschor, the **tribe's** chairman and CEO. "We're not going to be able to do that plus pay off all **of** the debt for the existing operation in the first three or four years."

This is hardly a source **of** despair for the third and final player in Detroit's fledgling **casino** industry. The **tribe's** investment portfolio holds close to \$70 million, including \$19.7 million from a 1996 land claims settlement.

A closer look at the **tribe** reveals a Michigan-based gaming company on the cusp **of** its biggest payday.

The **tribe's** gaming arm, Kewadin Casinos L.L.C., reported a combined operating income **of** \$46.2 million for its five casinos last year, marking a 10 percent increase **over** 1998. Gross revenue in 1999 increased 4.8 percent to \$138.3 million.

Gaming revenue leveled off in the first half **of** this year, dropping 10 percent compared with the first six months **of** 1999, according to an analysis performed by PricewaterhouseCoopers L.L.P.

The financial review was presented to the Michigan Gaming Control Board during last week's hearing.

The **tribe** attributed the drop to higher gas prices and an early spring, which kept winter tourists away. The numbers picked up by less than 3 percent in July.

During testimony last week before the Michigan Gaming Control Board, Steven Elek, a partner with PricewaterhouseCoopers, said his firm projects that **Greektown Casino's** gaming operations will generate \$267 million in profit during its first full year of operation.

He saw nothing that would hinder the **tribe's** ability to pay off Gatzaros and Papas. Based on PricewaterhouseCoopers projections, the **tribe's** annual cut of the profit could reach \$240 million.

As a sovereign **tribe** recognized by the federal government, the Sault **Ste. Marie Tribe** is exempt from paying federal income tax on the 43 percent of the net income that will be distributed to shareholders. This will free up cash flow as the **tribe** ponders its next project, a \$519 million permanent **casino** along the Detroit River.

The distribution will occur after state and the city garnish 20 percent of the **casino's** win. Kewadin currently makes an annual tax payment of \$17 million to the **tribe**, which provides government services on 2,600 acres of reservation land.

Bouschor has resisted political pressure from within the **tribe's** ranks to distribute earnings to the 30,000 enrolled members on a per capita basis, opting instead to reinvest in tribal businesses and provide social services. Last year, each of the **tribe's** 2,010 elders received a dividend check of \$1,244.

In 1997, the **tribe's** operations generated 1,000 jobs and \$600,000 in revenue, according to the **tribe's** 1998 annual report.

The **tribe's** 22 non-gambling businesses, which include seven hotels, three convenience stores, two health clinics and a cleaning company now generate \$25.5 million in gross revenue and provide 225 jobs with a payroll of \$4.5 million.

But gambling has clearly become the **tribe's** strength. Kewadin's five casinos and one hotel generate 1,700 jobs and a combined payroll **of** \$38 million. This component bolstered the **tribe's** financial standing as it pursued the Detroit project.

State gaming regulators outlined the **tribe's Greektown** role in a report to the state gaming board, explaining that Monroe Partners L.L.C., which holds 50 percent **of Greektown** L.L.C.'s stock, had a limited role in financing the \$153 million temporary **casino**.

“Monroe has contributed land and their expertise in commercial development in Detroit and Kewadin has contributed almost all **of** the cash,” the report stated.

Last week, the state gaming board agreed to let the **tribe** acquire an 80 percent interest in Monroe Partners L.L.C. from Gatzaros and Papas. It gave the **tribe** another 40 percent **of Greektown** L.L.C., and a 90 percent controlling interest.

The **tribe** will pay Gatzaros and Papas \$5 million when the **casino** is licensed, \$15 million when it opens and annual payments **of** \$11 million during the first three years **of** operation. The balance **of** the \$265 million buyout must be paid within 10 years.

“They've done well with this thing,” Bouschor said **of** Gatzaros and Papas. “They brought us to this point and created value for themselves. They worked on this thing for 20 years.”

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