

AMERISTAR CASINOS, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Share Data)

	December 31,	
	2008	2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 73,726	\$ 98,498
Restricted cash	6,425	6,425
Accounts receivable, net	12,635	8,112
Income tax refunds receivable	—	13,539
Inventories	7,926	7,429
Prepaid expenses	8,029	12,501
Deferred income taxes	10,473	5,463
Total current assets	119,214	151,967
Property and Equipment, at cost:		
Buildings and improvements	1,657,835	1,296,474
Furniture, fixtures and equipment	510,843	466,977
	2,168,678	1,763,451
Less: accumulated depreciation and amortization	(655,422)	(568,354)
	1,513,256	1,195,097
Land	83,183	83,190
Construction in progress	176,518	360,675
Total property and equipment, net	1,772,957	1,638,962
Goodwill and other intangible assets	255,170	570,682
Deferred income taxes	16,219	—
Deposits and other assets	61,678	50,485
TOTAL ASSETS	\$ 2,225,238	\$ 2,412,096
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 27,520	\$ 21,009
Construction contracts payable	37,121	31,239
Income taxes payable	3,563	—
Accrued liabilities	116,313	93,841
Current maturities of long-term debt	4,503	4,337
Total current liabilities	189,020	150,426
Long-term debt, net of current maturities	1,643,997	1,641,615
Deferred income taxes	—	75,172
Deferred compensation and other long-term liabilities	53,441	41,757
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Preferred stock, \$.01 par value: Authorized - 30,000,000 shares; Issued - none	—	—
Common stock, \$.01 par value: Authorized - 120,000,000 shares; Issued - 58,093,041 and 57,946,167 shares; Outstanding — 57,300,719 and 57,158,931 shares	581	579
Additional paid-in capital	246,662	234,983
Accumulated other comprehensive loss	(27,295)	—
Treasury stock, at cost (792,322 and 787,236 shares)	(17,719)	(17,674)
Retained earnings	136,551	285,238
Total stockholders' equity	338,780	503,126
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,225,238	\$ 2,412,096

The accompanying notes are an integral part of these consolidated financial statements.

AMERISTAR CASINOS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in Thousands, Except Per Share Data)

	Years ended December 31,		
	2008	2007	2006
Revenues:			
Casino	\$ 1,296,806	\$ 1,083,380	\$ 1,008,311
Food and beverage	156,987	136,471	131,795
Rooms	56,024	30,844	27,972
Other	38,491	30,387	29,082
	1,548,308	1,281,082	1,197,160
Less: Promotional allowances	(280,406)	(200,559)	(196,862)
Net revenues	1,267,902	1,080,523	1,000,298
Operating Expenses:			
Casino	604,747	478,504	439,101
Food and beverage	74,650	70,439	68,744
Rooms	11,221	9,341	6,780
Other	21,154	19,157	18,749
Selling, general and administrative	265,622	229,801	200,588
Depreciation and amortization	105,895	94,810	93,889
Impairment loss on assets	315,531	4,758	931
Total operating expenses	1,398,820	906,810	828,782
(Loss) income from operations	(130,918)	173,713	171,516
Other Income (Expense):			
Interest income	774	2,113	2,746
Interest expense, net of capitalized interest	(76,639)	(57,742)	(50,291)
Loss on early retirement of debt	—	—	(26,264)
Net (loss) gain on disposition of assets	(683)	(1,408)	683
Other	(3,404)	(178)	—
(Loss) Income Before Income Tax (Benefit) Provision	(210,870)	116,498	98,390
Income tax (benefit) provision	(80,198)	47,065	38,825
Net (Loss) Income	\$ (130,672)	\$ 69,433	\$ 59,565
(Loss) Earnings Per Share:			
Basic	\$ (2.28)	\$ 1.22	\$ 1.06
Diluted	\$ (2.28)	\$ 1.19	\$ 1.04
Cash Dividends Declared Per Share	\$ 0.32	\$ 0.41	\$ 0.38
Weighted-Average Shares Outstanding:			
Basic	57,191	57,052	56,155
Diluted	57,191	58,322	57,327

The accompanying notes are an integral part of these consolidated financial statements.

AMERISTAR CASINOS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in Thousands)

	Capital Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total
	Number of Shares	Amount					
Balance, December 31, 2005	55,958	\$ 560	\$ 179,989	\$ —	\$ —	\$ 203,161	\$ 383,710
Net income	—	—	—	—	—	59,565	59,565
Exercise of stock options and issuance of restricted shares	978	9	7,885	—	—	—	7,894
Tax benefit of stock option exercises	—	—	4,266	—	—	—	4,266
Dividends	—	—	—	—	—	(21,068)	(21,068)
Stock-based compensation expense . .	—	—	7,811	—	—	—	7,811
Common stock repurchases	(411)	—	—	—	(8,014)	—	(8,014)
Balance, December 31, 2006	56,525	569	199,951	—	(8,014)	241,658	434,164
Net income	—	—	—	—	—	69,433	69,433
Exercise of stock options and issuance of restricted shares	1,010	10	17,452	—	—	—	17,462
Tax benefit of stock option exercises	—	—	5,587	—	—	—	5,587
Cumulative effect of change in accounting principle — adoption of FIN 48	—	—	—	—	—	(2,464)	(2,464)
Dividends	—	—	—	—	—	(23,389)	(23,389)
Stock-based compensation expense . .	—	—	11,993	—	—	—	11,993
Common stock repurchases	(376)	—	—	—	(9,660)	—	(9,660)
Balance, December 31, 2007	57,159	579	234,983	—	(17,674)	285,238	503,126
Net loss	—	—	—	—	—	(130,672)	(130,672)
Change in fair value of interest rate swap agreements	—	—	—	(27,295)	—	—	(27,295)
Total comprehensive loss	—	—	—	—	—	—	(157,967)
Exercise of stock options and issuance of restricted shares	147	2	889	—	—	—	891
Tax benefit of stock option exercises	—	—	172	—	—	—	172
Dividends	—	—	—	—	—	(18,015)	(18,015)
Stock-based compensation expense . .	—	—	10,618	—	—	—	10,618
Restricted shares remitted for tax withholding	(5)	—	—	—	(45)	—	(45)
Balance, December 31, 2008	<u>57,301</u>	<u>\$ 581</u>	<u>\$ 246,662</u>	<u>\$ (27,295)</u>	<u>\$ (17,719)</u>	<u>\$ 136,551</u>	<u>\$ 338,780</u>

The accompanying notes are an integral part of these consolidated financial statements.

AMERISTAR CASINOS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years ended December 31,		
	2008	2007	2006
Cash Flows from Operating Activities:			
Net (loss) income	\$ (130,672)	\$ 69,433	\$ 59,565
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	105,895	94,810	93,889
Amortization of debt issuance costs and debt discounts	1,922	1,503	990
Stock-based compensation expense	10,618	11,993	7,811
Loss on early retirement of debt	—	—	26,264
Net change in deferred compensation liability	(2,730)	(773)	71
Impairment loss on assets	315,531	4,758	931
Net loss (gain) on disposition of assets	683	1,408	(683)
Net change in deferred income taxes	(106,928)	13,618	1,702
Excess tax benefit from stock option exercises	(172)	(5,587)	(4,266)
Net change in fair value of swap agreements	(492)	—	—
Changes in operating assets and liabilities:			
Restricted cash	—	—	49
Accounts receivable, net	(4,523)	3,638	(2,083)
Income tax refunds receivable	13,539	(11,375)	(2,164)
Inventories	(497)	54	(315)
Prepaid expenses	4,472	398	(2,505)
Accounts payable	6,511	5,633	1,816
Income taxes payable	3,735	—	893
Accrued liabilities	22,609	13,235	(12,427)
Net cash provided by operating activities	<u>239,501</u>	<u>202,746</u>	<u>169,538</u>
Cash Flows from Investing Activities:			
Capital expenditures	(241,826)	(277,312)	(249,123)
Net cash paid for acquisition of Ameristar East Chicago	—	(671,420)	—
Increase in construction contracts payable	5,882	5,582	16,157
Proceeds from sale of assets	1,222	338	1,368
Increase in deposits and other non-current assets	(15,102)	(11,475)	(6,083)
Net cash used in investing activities	<u>(249,824)</u>	<u>(954,287)</u>	<u>(237,681)</u>
Cash Flows from Financing Activities:			
Debt borrowings	86,015	782,000	485,000
Principal payments of debt	(83,467)	(19,384)	(384,346)
Cash dividends paid	(18,015)	(23,389)	(21,068)
Proceeds from stock option exercises	891	17,448	7,878
Purchases of treasury stock	(45)	(9,660)	(8,014)
Excess tax benefit from stock option exercises	172	5,587	4,266
Debt issuance costs	—	(3,703)	(153)
Premium on early retirement of senior subordinated notes	—	—	(20,425)
Net cash (used in) provided by financing activities	<u>(14,449)</u>	<u>748,899</u>	<u>63,138</u>
Net Decrease in Cash and Cash Equivalents	<u>(24,772)</u>	<u>(2,642)</u>	<u>(5,005)</u>
Cash and Cash Equivalents — Beginning of Year	<u>98,498</u>	<u>101,140</u>	<u>106,145</u>
Cash and Cash Equivalents — End of Year	<u>\$ 73,726</u>	<u>\$ 98,498</u>	<u>\$ 101,140</u>
Supplemental Cash Flow Disclosures:			
Cash paid for interest, net of amounts capitalized	<u>\$ 66,618</u>	<u>\$ 52,313</u>	<u>\$ 65,675</u>
Cash paid for federal and state income taxes (net of refunds received)	<u>\$ 10,840</u>	<u>\$ 45,572</u>	<u>\$ 38,294</u>
Non-cash Investing and Financing Activities:			
Acquisition of Ameristar East Chicago			
Fair value of non-cash assets acquired	\$ —	\$ 681,820	\$ —
Less net cash paid	—	(671,420)	—
Liabilities assumed	<u>\$ —</u>	<u>\$ 10,400</u>	<u>\$ —</u>

The accompanying notes are an integral part of these consolidated financial statements.

AMERISTAR CASINOS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Basis of presentation

The accompanying consolidated financial statements include the accounts of Ameristar Casinos, Inc. (“ACI”) and its wholly owned subsidiaries (collectively, the “Company”). Through its subsidiaries, the Company owns and operates eight casino properties in seven markets. The Company’s portfolio of casinos consists of: Ameristar Casino Resort Spa St. Charles (serving greater St. Louis, Missouri); Ameristar Casino Hotel Kansas City (serving the Kansas City metropolitan area); Ameristar Casino Hotel Council Bluffs (serving Omaha, Nebraska and southwestern Iowa); Ameristar Casino Hotel East Chicago (serving the Chicagoland area); Ameristar Casino Hotel Vicksburg (serving Jackson, Mississippi and Monroe, Louisiana); Ameristar Casino Black Hawk (serving the Denver, Colorado metropolitan area); and Cactus Petes and The Horseshu in Jackpot, Nevada (serving Idaho and the Pacific Northwest). The Company views each property as an operating segment and all such operating segments have been aggregated into one reporting segment. All significant intercompany transactions have been eliminated.

The Company acquired Ameristar East Chicago (formerly known as Resorts East Chicago) on September 18, 2007. Accordingly, the consolidated financial statements reflect the East Chicago property’s operating results only from the acquisition date.

Note 2 — Summary of significant accounting policies

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to apply significant judgment in defining the appropriate estimates and assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. The Company’s judgments are based in part on its historical experience, terms of existing contracts, observance of trends in the gaming industry and information available from other outside sources. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash equivalents are carried at cost, which approximates market, due to the short-term maturities of these instruments.

Restricted cash

As of December 31, 2008 and 2007, restricted cash totaled \$6.4 million. On September 2, 2003, the Company entered into a trust participation agreement with an insurance provider. Pursuant to the terms of the trust participation agreement, the Company had deposited \$6.4 million as of December 31, 2008 and 2007 into the trust account as collateral for the Company’s obligation to reimburse the insurance provider for the Company’s workers’ compensation claims. The Company is permitted to invest the trust funds in certain investment vehicles with stated maturity dates not to exceed six months. Any interest or other earnings are disbursed to the Company.

Accounts receivable

At December 31, 2008 and 2007, total accounts receivable were \$15.0 million and \$9.7 million, respectively. As of December 31, 2008 and 2007, an allowance of \$2.4 million and \$1.6 million, respectively, has been applied to reduce total accounts receivable to amounts anticipated to be collected.

The Company extends gaming credit at its properties in Indiana, Mississippi and Nevada, and credit represents a significant amount of table games play at Ameristar East Chicago. Gaming receivables were \$7.4 million and \$5.1 million at December 31, 2008 and 2007, respectively, and are included in the Company’s

accounts receivable balance. As of December 31, 2008 and 2007, Ameristar East Chicago's portion of the Company's gaming receivables totaled \$7.1 million and \$4.8 million, respectively, of which \$2.1 million (2008) and \$1.4 million (2007) were included in the Company's allowance for doubtful accounts.

Inventories

Inventories primarily consist of food and beverage items, gift shop and general store retail merchandise, engineering and slot supplies, uniforms, linens, china and other general supplies. Inventories are stated at the lower of cost or market. Cost is determined principally on the weighted average basis.

Capitalization and depreciation

Property and equipment are recorded at cost, including interest charged on funds borrowed to finance construction. Interest of \$14.1 million, \$19.9 million and \$8.1 million was capitalized for the years ended December 31, 2008, 2007 and 2006, respectively. Betterments, renewals and repairs that extend the life of an asset are capitalized. Ordinary maintenance and repairs are charged to expense as incurred. Costs of major renovation projects are capitalized in accordance with existing policies.

Depreciation is provided on the straight-line method. Amortization of building and furniture, fixtures and equipment under capitalized leases is provided over the shorter of the estimated useful life of the asset or the term of the associated lease (including lease renewals or purchase options the Company expects to exercise). Depreciation and amortization is provided over the following estimated useful lives:

Buildings and improvements	5 to 40 years
Furniture, fixtures and equipment	2 to 15 years

Impairment of long-lived assets

The Company reviews long-lived assets for impairment in accordance with Statement of Financial Accounting Standards ("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 book value of the asset may not be recoverable. The Company reviews long-lived assets for such events or changes in circumstances at each balance sheet date. If a long-lived asset is to be held and used, the Company assesses recoverability based on the future undiscounted cash flows of the related asset over the remaining life compared to the asset's book value. If an impairment exists, the asset is adjusted to fair value based on quoted market prices or another valuation technique, such as discounted cash flow analysis. If a long-lived asset is to be sold, the asset is reported at the lower of carrying amount or fair value less cost to sell, with fair value measured as discussed above.

Goodwill and other intangible assets

Goodwill represents the excess of the purchase price over fair market value of net assets acquired in business combinations. Other intangible assets may include gaming licenses, trade names and player lists. Intangible assets are reviewed for impairment at least annually and more frequently if events or circumstances indicate a possible impairment. The Company performs an annual review of goodwill and indefinite-lived intangible assets in the fourth quarter of each fiscal year. In addition to the annual fourth quarter review, the Company performed an assessment of the intangible assets during the first quarter of 2008 due to a significant deterioration of the debt and equity capital markets, weakening economic conditions and changes in the forecasted operations of Ameristar East Chicago that materially affected the property's fair value. The two assessments resulted in a total of \$314.5 million of impairment charges relating to the goodwill and gaming license acquired in the purchase of the East Chicago property. The 2008 impairment charges reduced the gaming license by \$184.2 million and goodwill by \$130.3 million. See also "Note 12 - Goodwill and Other Intangible Assets."

Debt issuance costs

Debt issuance costs are capitalized and amortized to interest expense using the effective interest method or a method that approximates the effective interest method over the term of the related debt instrument. In connection with the September 2007 acquisition of Ameristar East Chicago, the Company amended its senior credit facility and capitalized \$3.7 million in amendment fees and other debt issuance costs. As of December 31, 2008 and 2007, total capitalized debt issuance costs remaining to be amortized were \$4.6 million and \$6.5 million, respectively.

The Company expenses debt issuance costs proportionately in connection with any early debt retirements. In February 2006, the Company redeemed all \$380.0 million outstanding principal amount of its senior subordinated notes. The redemption resulted in the expensing in 2006 of all unamortized debt issuance costs relating to the senior subordinated notes. For the year ended December 31, 2006, the total previously deferred debt issuance costs expensed as a result of the early retirement of debt were \$5.8 million.

Derivative instruments and hedging activities

The Company accounts for derivative instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted. As required by SFAS No. 133, the Company records all derivatives on the balance sheet at fair value.

For a derivative such as an interest rate swap that is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is initially reported in accumulated other comprehensive income on the consolidated balance sheet and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. To the extent the effective portion of a hedge subsequently becomes ineffective, the corresponding amount of the change in fair value of the derivative initially reported in accumulated other comprehensive income is reclassified and is recognized directly in earnings. Accordingly, on a quarterly basis, the Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of a hypothetical designated hedged item or transaction. If the change in the actual swap is greater than the change in the perfect hypothetical swap, the difference is referred to as "ineffectiveness" and is recognized in earnings in the current period.

The Company's objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, the Company primarily uses interest rate swaps as part of its cash flow hedging strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amount. The Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges. The Company may enter into additional swap transactions or other interest rate protection agreements from time to time in the future.

Revenue recognition

Casino revenues consist of the net win from gaming activities, which is the difference between amounts wagered and amounts paid to winning patrons. Additionally, the Company recognizes revenue upon the occupancy of its hotel rooms, upon the delivery of food, beverage and other services and upon performance for entertainment revenue. The retail value of hotel accommodations, food and beverage items and entertainment provided to guests without charge is included in gross revenues and then deducted as promotional allowances to arrive at net revenues. Promotional allowances consist of the retail value of complimentary food and beverage, rooms, entertainment, progress towards earning points for cash-based loyalty programs and targeted direct mail coin coupons.

The estimated departmental costs of providing complimentary food and beverage, rooms, entertainment and other are included in casino operating expenses and consisted of the following:

	Years ended December 31,		
	2008	2007	2006
	(Amounts in Thousands)		
Food and beverage	\$ 62,902	\$ 54,875	\$ 53,316
Rooms	12,148	7,003	6,427
Entertainment	3,328	4,600	4,871
Other	4,508	2,257	2,468
	<u>\$ 82,886</u>	<u>\$ 68,735</u>	<u>\$ 67,082</u>

Guest Rewards Programs

The Company’s guest rewards programs allow guests to earn certain point-based cash rewards or complimentary goods and services based on the volume of the guests’ gaming activity. Guests can accumulate reward points over time that they may redeem at their discretion under the terms of the programs. The reward credit balance is forfeited if a guest does not earn any reward credits over any subsequent 12-month period. As a result of the ability of the guest to bank the reward points, the Company accrues the expense of reward points, after giving effect to estimated forfeitures, as they are earned. The accruals are based on historical data, estimates and assumptions regarding the mix of rewards that will be redeemed and the costs of providing those rewards. The retail value of the point-based cash rewards or complimentary goods and services is netted against revenue as a promotional allowance. At December 31, 2008 and 2007 the outstanding guest reward point liability was \$7.5 million and \$7.4 million, respectively.

Cash Coupons

The Company’s former, current and future gaming guests may be awarded cash coupons based, in part, on their gaming play volume. The coupons are provided on a discretionary basis to induce future play and are redeemable within a short time period (generally seven days). There is no ability to renew or extend the offer. The Company recognizes a reduction in revenue as a promotional allowance for these coupons when the coupons are redeemed.

Advertising

The Company expenses advertising costs the first time the advertising takes place. Advertising expense included in selling, general and administrative expenses was approximately \$34.6 million, \$27.0 million and \$25.5 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Income taxes

Income taxes are recorded in accordance with SFAS No. 109, “Accounting for Income Taxes.” SFAS No. 109 requires recognition of deferred income tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Earnings (loss) per share

The Company calculates earnings (loss) per share in accordance with SFAS No. 128, “Earnings Per Share.” Basic earnings (loss) per share are computed by dividing reported earnings by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect the additional dilution from all potentially dilutive securities, such as stock options and restricted stock units. For the years ended December 31, 2007 and 2006, all outstanding options with an exercise price lower than the market price have

been included in the calculation of diluted earnings per share. For the year ended December 31, 2008, diluted loss per share excludes the additional dilution from all potentially dilutive securities.

The weighted-average number of shares of common stock and common stock equivalents used in the computation of basic and diluted earnings (loss) per share consisted of the following:

	Years ended December 31,		
	2008	2007	2006
	(Amounts in Thousands)		
Weighted-average number of shares outstanding-basic earnings per share.	57,191	57,052	56,155
Dilutive effect of stock options	—	1,270	1,172
Weighted-average number of shares outstanding-diluted earnings per share	<u>57,191</u>	<u>58,322</u>	<u>57,327</u>

For the years ended December 31, 2008, 2007 and 2006, the potentially dilutive stock options excluded from the earnings per share computation, as their effect would be anti-dilutive, totaled 3.4 million, 1.3 million and 1.4 million, respectively.

Accounting for stock-based compensation

In accordance with the provisions of SFAS No. 123(R), “Share-Based Payment,” the Company recognizes compensation cost relating to stock-based payment transactions, including grants of employee stock options and restricted stock units, in the financial statements. The cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee’s requisite service period (generally the vesting period of the equity award).

Recent accounting pronouncements

In April 2008, the Financial Accounting Standards Board (“FASB”) issued Staff Position (“FSP”) No. FAS 142-3, “Determination of the Useful Life of Intangible Assets,” which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, “Goodwill and Other Intangible Assets.” This FSP is effective for fiscal years beginning after December 15, 2008 and only applies prospectively to intangible assets acquired after the effective date. The Company believes this FSP will not have a material impact on its financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133.” The provisions are effective as of January 1, 2009. This statement requires enhanced disclosures about (i) how and why a company uses derivative instruments, (ii) how it accounts for derivative instruments and related hedged items under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” and (iii) how derivative instruments and related hedged items affect a company’s financial results. SFAS No. 161 also requires several added quantitative disclosures in the financial statements. The Company does not expect the adoption of SFAS No. 161 will have a material effect on its disclosures.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), “Business Combinations” (“SFAS No. 141(R)”). SFAS No. 141(R) will significantly change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value, with limited exceptions. SFAS No. 141(R) will change the accounting treatment for certain specific acquisition-related items, including: (1) expensing acquisition-related costs as incurred; (2) valuing noncontrolling interests at fair value at the acquisition date; and (3) expensing restructuring costs associated with an acquired business. SFAS No. 141(R) also includes a substantial number of new disclosure requirements. SFAS No. 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The Company expects SFAS No. 141(R) will have an impact on its accounting for future business combinations, but the effect is dependent upon the acquisitions, if any, that are made in the future.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," as amended in February 2008 by FSP No. 157-2, "Effective Date of FASB Statement No. 157." SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 clarifies how to measure fair value as permitted under other accounting pronouncements, but does not require any new fair value measurements. FSP No. 157-2 defers the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis, until January 1, 2009. As such, the Company partially adopted the provisions of SFAS No. 157 effective January 1, 2008, without any material impact to the Company's financial position, results of operations or cash flows. The Company adopted the remaining provisions of SFAS No. 157 beginning in 2009, and the Company does not expect this adoption to have a material impact on its financial position, results of operations or cash flows.

Note 3 — Accrued liabilities

Major classes of accrued liabilities consisted of the following as of December 31:

	2008	2007
	(Amounts in Thousands)	
Compensation and related benefits	\$ 43,564	\$ 37,591
Taxes other than state and federal income taxes	30,075	23,514
Progressive slot machine and related accruals	9,034	8,036
Players' club rewards	7,497	7,368
Interest	14,147	6,048
Marketing and other accruals	11,996	11,284
	<u>\$ 116,313</u>	<u>\$ 93,841</u>

Note 4 — Federal and state income taxes

The components of the income tax (benefit) provision are as follows:

	Years ended December 31,		
	2008	2007	2006
	(Amounts in Thousands)		
Current:			
Federal	\$ 4,975	\$ 41,168	\$ 32,596
State	10,005	6,242	4,898
Total current	<u>14,980</u>	<u>47,410</u>	<u>37,494</u>
Deferred:			
Federal	(80,792)	(2,353)	(1,055)
State	(15,590)	804	1,182
Total deferred	<u>(96,382)</u>	<u>(1,549)</u>	<u>127</u>
Federal benefit applied to reduce goodwill	1,204	1,204	1,204
Total	<u>\$ (80,198)</u>	<u>\$ 47,065</u>	<u>\$ 38,825</u>

The Company recorded \$0.2 million, \$5.6 million and \$4.3 million as an increase to contributed capital for certain tax benefits from employee stock-based compensation for the years ended December 31, 2008, 2007 and 2006, respectively.

The reconciliation of income tax at the federal statutory rate to income tax expense is as follows:

	Years ended December 31,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Federal statutory rate	35.0%	35.0%	35.0%
State income tax expense, net of federal benefit	4.6	4.2	4.4
Nondeductible political and lobbying costs	(1.8)	0.3	0.3
Other	<u>0.2</u>	<u>0.9</u>	<u>(0.2)</u>
	<u>38.0%</u>	<u>40.4%</u>	<u>39.5%</u>

Under SFAS No. 109, deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income taxes consisted of the following:

	December 31,	
	<u>2008</u>	<u>2007</u>
	(Amounts in Thousands)	
Deferred income tax assets:		
Goodwill amortization	\$ 97,496	\$ —
Net operating loss carryforwards	13,687	15,287
Deferred compensation	7,326	8,152
Accrued expenses	6,826	3,571
Stock-based compensation	9,412	5,853
Accrued vacation	1,852	2,306
Other	<u>547</u>	<u>117</u>
Total deferred income tax assets	<u>137,146</u>	<u>35,286</u>
Deferred income tax liabilities:		
Property and equipment	(109,956)	(86,750)
Prepaid insurance	(498)	(1,945)
Goodwill amortization	—	(15,328)
Other	<u>—</u>	<u>(972)</u>
Total deferred income tax liabilities	<u>(110,454)</u>	<u>(104,995)</u>
Net deferred income tax asset (liability)	<u>\$ 26,692</u>	<u>\$ (69,709)</u>

At December 31, 2008, the Company had available \$225.8 million of state net operating loss carryforwards that relate to the Company's Missouri properties and may be applied against future taxable income. At December 31, 2008, the Company also had available \$11.7 million of federal net operating loss carryforwards and \$11.7 million of state net operating loss carryforwards, which were acquired as part of the Ameristar Black Hawk (formerly Mountain High Casino) acquisition. The acquired federal net operating loss carryforwards are subject to IRS change of ownership limitations. Accordingly, the future utilization of the carryforwards is subject to an annual base limitation of \$5.4 million that can be applied against future taxable income. The Company also had available \$10.4 million of additional Colorado net operating losses that relate to the post-acquisition period for the Ameristar Black Hawk property. For the years ended December 31, 2008 and 2007, the Company made federal and state income tax payments totaling \$20.8 million and \$45.6 million, respectively. In general, the remaining unused federal and state net operating loss carryforwards will expire in 2020 through 2027. No valuation allowance has been provided against deferred income tax assets as the Company believes it is more likely than not that deferred income tax assets are fully realizable because of the future reversal of existing taxable temporary differences, availability of tax strategies and future projected taxable income.

The Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax

position taken or expected to be taken in a tax return. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. Upon the adoption of FIN 48, the Company recorded a net reduction of \$2.5 million to the January 1, 2007 retained earnings balance as a cumulative effect adjustment. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Years ended December 31,	
	2008	2007
	(Amounts in Thousands)	
Balance at beginning of year	\$ 28,857	\$ 22,820
Increases for tax positions of the current year	130	2,743
Increases for tax positions of prior years	122	8,193
Decreases for tax positions of prior years	(6,711)	(3,736)
Settlements	—	(780)
Lapses of applicable statute of limitations	(6,309)	(383)
Balance at end of year	<u>\$ 16,089</u>	<u>\$ 28,857</u>

As of December 31, 2008 and 2007, the total amount of unrecognized benefits that would affect the effective tax rate if recognized was \$1.6 million and \$2.1 million, respectively.

Interest and penalties related to income taxes are classified as income tax expense in the Company's financial statements. As of December 31, 2008, accrued interest and penalties totaled \$2.8 million, of which \$1.9 million would affect the effective tax rate if recognized. At December 31, 2007, accrued interest and penalties totaled \$3.5 million, of which \$2.5 million would affect the effective tax rate if recognized.

The Company files income tax returns in numerous tax jurisdictions. The statutes of limitations vary by jurisdiction with certain of these statutes expiring without examination each year. With the normal expiration of statutes of limitations, the Company anticipates that the amount of unrecognized tax benefits will decrease by \$11.3 million within the next 12 months. With few exceptions, the Company is no longer subject to federal or state examinations by taxing authorities for years ended on or before December 31, 2004.

Note 5 — Long-term debt

Long-term debt consisted of the following:

	December 31,	
	2008	2007
	(Amounts in Thousands)	
Senior credit facilities, secured by first priority security interest in substantially all real and personal property assets of ACI and its subsidiaries, consisting of the following facilities:		
Revolving loan facility, at variable interest (4.5% at December 31, 2008 and 7.1% at December 31, 2007); principal due November 10, 2010	\$ 1,259,000	\$ 1,252,000
Term loan facility, at variable interest (2.5% at December 31, 2008 and 7.4% at December 31, 2007); \$1.0 million principal payments due quarterly through September 30, 2011; \$94.3 million principal payments due quarterly from December 31, 2011 through November 10, 2012	388,000	392,000
Other	<u>1,500</u>	<u>1,952</u>
	1,648,500	1,645,952
Less: Current maturities	<u>(4,503)</u>	<u>(4,337)</u>
	<u>\$ 1,643,997</u>	<u>\$ 1,641,615</u>

Maturities of the Company's borrowings for each of the next five years and thereafter as of December 31, 2008 are as follows (amounts in thousands):

<u>Year</u>	<u>Maturities</u>
2009	\$ 4,503
2010	1,263,402
2011	97,660
2012	282,773
2013	13
Thereafter	<u>149</u>
	<u>\$ 1,648,500</u>

Senior credit facilities

The Company's debt structure primarily consists of a \$1.8 billion senior secured credit facility (the "Credit Facility") that includes a \$1.4 billion revolving loan facility maturing in November 2010 and a \$400.0 million term loan facility maturing in November 2012.

On March 13, 2009, the Company amended the Credit Facility. Certain provisions of the amendment include the following:

- An increase in the maximum permitted senior leverage ratio (as defined in the Credit Facility) for fiscal quarters ending on and after March 31, 2009, as described below;
- An increase in the maximum permitted leverage ratio (as defined in the Credit Facility) for fiscal quarters ending on and after September 30, 2009, as described below;
- An increase of 125 basis points in the interest rate add-on on all revolving and term loan borrowings;
- Replacement of the \$40.0 million per fiscal year limitation on dividends with a new cumulative limit for fiscal years beginning on and after January 1, 2009, as described below;
- A decrease in the permitted amount of cumulative stock repurchases, as described below;
- Elimination of the \$500.0 million limit on incurrence of subordinated debt;
- The permitted incurrence of senior unsecured debt without limitation as to amount;
- An increase in the aggregate limit on capital expenditures;
- A new covenant requiring the Company at all times to maintain minimum consolidated EBITDA (as defined in the Credit Facility) of \$275.0 million for the trailing four full fiscal quarters; and
- The permitted incurrence of new term loans to refinance existing balances owed to Credit Facility lenders who choose not to extend the maturity of their respective portions of debt outstanding under the revolving loan facility to August 10, 2012.

In connection with amending the Credit Facility, the Company paid certain one-time fees to the lenders totaling approximately \$9.0 million.

As a result of this amendment, from and after March 16, 2009, the borrowing under the term loan facility bears interest at the London Interbank Offered Rate ("LIBOR") plus 325 basis points or the base rate plus 225 basis points, at the Company's option. From and after March 16, 2009, the revolving loan facility's LIBOR margin is subject to adjustment between 200 and 300 basis points and the base rate margin is subject to adjustment between 100 and 200 basis points, in each case depending on the Company's leverage ratio, as defined. The commitment fee on the revolving loan facility ranges from 25 to 50 basis points, depending on the leverage ratio. In the case of LIBOR-based loans, the Company has the option of selecting a one-, two-, three- or six-month interest period. The Company also has the option to select a nine- or 12-month interest period if agreed to by all Credit Facility lenders. Interest is payable at the earlier of three months from the

borrowing date or upon expiration of the interest period selected. As a result of the Credit Facility amendment, the Company expects a significant increase in interest expense compared to 2008.

At December 31, 2008, the Company's principal debt outstanding primarily consisted of \$1.26 billion under the revolving loan facility and \$388.0 million under the term loan facility. All mandatory principal repayments have been made through December 31, 2008. As of December 31, 2008, the amount of the revolving loan facility available for borrowing was \$135.6 million, after giving effect to \$5.4 million of outstanding letters of credit. To date in 2009, the Company has borrowed \$19.0 million under the revolving loan facility.

The agreement governing the Credit Facility requires the Company to comply with various affirmative and negative financial and other covenants, including restrictions on the incurrence of additional indebtedness, restrictions on dividend payments and other restrictions and requirements to maintain certain financial ratios and tests. As of December 31, 2008, the Company was required to maintain a leverage ratio, calculated as consolidated debt divided by EBITDA as defined in the Credit Facility agreement, of no more than 6.25:1, and a senior leverage ratio, defined as senior debt divided by EBITDA, of no more than 5.25:1. As of December 31, 2008 and 2007, the Company's leverage ratio was 5.14:1 and 5.07:1, respectively. The senior leverage ratio as of December 31, 2008 and 2007 was 5.14:1 and 5.07:1, respectively. As of December 31, 2008, the Company was required to maintain a fixed charge coverage ratio (EBITDA divided by fixed charges, as defined) of at least 1.25:1. As of December 31, 2008 and 2007, the Company's fixed charge coverage ratio was 3.07:1 and 1.66:1, respectively.

Pursuant to the terms of the amended Credit Facility, increases of 0.25:1 to 0.50:1 were made to the maximum permitted leverage ratio for each of the Company's fiscal quarters ending on and after September 30, 2009, and increases of 0.50:1 to 1.25:1 were made to the maximum permitted senior leverage ratio for each of the Company's fiscal quarters ending on and after March 31, 2009, including increasing the maximum permitted senior leverage ratio to 5.75:1 through the quarter ending March 31, 2010.

Beginning in 2009, the amended Credit Facility permits the Company to make annual dividend payments of up to \$30.0 million, with any unused portion of such amount permitted to be carried over to future years.

The amended Credit Facility allows up to a total of \$50.0 million in cash repurchases of the Company's stock during the period from November 10, 2005 through the final maturity of the Credit Facility, in addition to any amount available under the dividend basket. As of December 31, 2008, the Company had paid \$17.7 million to repurchase stock during the term of the Credit Facility.

The Credit Facility amendment increases the limit on the Company's cumulative capital expenditures by \$100.0 million to \$1.1 billion during the period from November 10, 2005 through the final maturity of the Credit Facility. As of December 31, 2008, capital expenditures made during the term of the Credit Facility totaled \$751.4 million.

As of December 31, 2008 and December 31, 2007, the Company was in compliance with all applicable covenants.

Certain changes in control of the Company, as defined, could result in the acceleration of the obligations under the Credit Facility.

In connection with obtaining the Credit Facility, each of ACI's subsidiaries (the "Guarantors") entered into a guaranty (the "Guaranty") pursuant to which the Guarantors guaranteed ACI's obligations under the Credit Facility. The obligations of ACI under the Credit Facility, and of the Guarantors under the Guaranty, are secured by substantially all of the assets of ACI and the Guarantors.

Other debt

In connection with the acquisition of Ameristar Black Hawk in December 2004, the Company assumed debt relating to proceeds from a municipal bond issue by the Black Hawk Business Improvement District. The bonds are in the form of a \$975,000 issue bearing 6.0% interest that matured on December 1, 2005 and a \$2,025,000 issue bearing 6.75% interest that are due on December 1, 2011. These bonds are the obligations of

the Black Hawk Business Improvement District and are payable from property tax assessments levied on Ameristar Black Hawk. The Black Hawk Business Improvement District has notified Ameristar Black Hawk that it will assess 20 semi-annual payments of \$211,083, which was calculated by amortizing the \$3,000,000 principal amount at 7% over 20 equal semi-annual payments. The difference in the interest rate used for the assessment and the interest rate on the bonds relates to estimated administrative costs of the Black Hawk Business Improvement District for the bond issue. The Company has accounted for the liability from this bond offering in accordance with the provisions of Emerging Issues Task Force (“EITF”) Issue 91-10, “Accounting for Special Assessments and Tax Increment Financing Entities,” and has recorded an obligation for the total tax assessment. The Company has capitalized the cost of the improvements involved. At December 31, 2008, the outstanding principal balance relating to the municipal bonds was \$1.1 million.

Fair value of long-term debt

The fair value of the Company’s long-term debt at December 31, 2008 and 2007 approximated its book value. A significant portion of the Company’s outstanding debt consists of borrowings under the Credit Facility, which carry variable interest rates over short-term interest periods.

Note 6 — Derivative instruments and hedging activities

On May 22, 2008, the Company entered into a forward interest rate swap with a commercial bank to fix the interest rate on certain LIBOR-based borrowings for a period of two years. The swap was designated as an effective hedge on June 2, 2008 and became effective July 18, 2008. Pursuant to the interest rate swap agreement, the Company is obligated to make quarterly fixed rate payments to the counterparty at an annual rate of 3.1975%, calculated on a notional amount of \$500.0 million, while the counterparty is obligated to make quarterly floating rate payments to the Company based on three-month LIBOR for the same notional amount. The interest rate swap effectively fixes the annual interest rate payable on \$500.0 million of the Company’s borrowings under its senior revolving loan facility at 3.1975% plus the applicable margin. The swap terminates on July 19, 2010.

Effective October 20, 2008, the Company entered into an additional forward interest rate swap with another commercial bank to fix the interest rate on certain LIBOR-based borrowings. The Company is obligated to make quarterly fixed rate payments to the counterparty, calculated on a notional amount of \$600.0 million, while the counterparty is obligated to make quarterly floating rate payments to the Company based on three-month LIBOR on the same notional amount. The interest rate swap effectively fixes the annual interest rate payable on \$600.0 million of the Company’s borrowings under the senior revolving loan facility at 2.98% plus the applicable margin. This swap transaction terminates on July 19, 2010.

The Company expects the swaps to be “highly effective” as cash flow hedges and, therefore, the changes in the value of the swaps (net of tax) will be recorded as accumulated other comprehensive income. With the two swap agreements, the Company has a total of \$1.1 billion of its debt hedged until July 2010 at a weighted-average fixed rate of 3.08% plus the applicable margin.

The Company measures the fair value of its interest rate swaps on a recurring basis pursuant to SFAS No. 157. SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company categorizes these swap contracts as Level 2.

At December 31, 2008, the Company’s interest rate swaps were valued as a \$26.8 million liability and were included in other long-term liabilities. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company’s hedged variable-rate debt. During 2009, the Company estimates that an additional \$3.2 million will be reclassified as a reduction to interest expense. For the year ended December 31, 2008, the swaps helped to reduce the Company’s interest expense by \$2.5 million. During the second quarter of 2008, the Company recorded a total

of \$0.7 million in other income in the consolidated statement of operations as a result of hedge ineffectiveness on the \$500.0 million swap and a change in the fair value of the swap before it was designated as a hedge. For the remainder of 2008, the \$500.0 million swap had no impact on other income due to the swap being designated as an effective hedge. Accordingly, changes in the swap's fair value during the remainder of 2008 were recognized in accumulated other comprehensive income.

Note 7 — Leases

Operating leases

The Company maintains operating leases for certain office facilities, vehicles, office equipment, signage and land. Rent expense under operating leases totaled \$3.6 million, \$3.5 million and \$3.7 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Future minimum lease payments required under operating leases for each of the five years subsequent to December 31, 2008 and thereafter are as follows (amounts in thousands):

<u>Year</u>	<u>Payments</u>
2009	\$ 4,474
2010	3,636
2011	3,239
2012	3,082
2013	276
Thereafter	<u>494</u>
	<u>\$ 15,201</u>

Note 8 — Benefit plans

401(k) plan

The Company maintains a defined contribution 401(k) plan, which covers all employees who meet certain age and length of service requirements. Plan participants can elect to defer before-tax compensation through payroll deductions. These deferrals are regulated under Section 401(k) of the Internal Revenue Code. The Company matches 50% of eligible participants' deferrals that do not exceed 4% of their pay (subject to limitations imposed by the Internal Revenue Code). The Company's matching contributions were \$2.6 million, \$2.2 million and \$2.1 million for the years ended December 31, 2008, 2007 and 2006, respectively. Neither the 401(k) plan nor any other Company benefit plan holds or invests in shares of the Company's common stock or derivative securities based on the Company's common stock.

Health benefit plan

The Company maintains a qualified employee health benefit plan that is self-funded by the Company with respect to claims below a certain amount. The plan requires contributions from eligible employees and their dependents. The Company's contribution expense for the plan was approximately \$39.6 million, \$31.8 million and \$27.0 million for the years ended December 31, 2008, 2007 and 2006, respectively. At both December 31, 2008 and 2007, estimated liabilities for unpaid and incurred but not reported claims totaled \$5.8 million.

Deferred compensation plan

On April 1, 2001, the Company adopted a non-qualified deferred compensation plan for certain highly compensated employees, which was amended and restated effective January 1, 2008. The Company matches, on a dollar-for-dollar basis, up to the first 5% of participants' annual salary and bonus deferrals in each participant's account. Matching contributions by the Company for the years ended December 31, 2008, 2007 and 2006 were \$1.0 million, \$0.9 million and \$0.9 million, respectively. The Company's obligation under the plan represents an unsecured promise to pay benefits in the future and in the event of bankruptcy of the

Company, assets of the plan would be available to satisfy the claims of general creditors. To increase the security of the participants' deferred compensation plan benefits, the Company has established and funded a grantor trust (known as a "rabbi trust"). The rabbi trust is specifically designed so that assets are available to pay plan benefits to participants in the event the Company is unwilling or unable to pay the plan benefits for any reason other than insolvency. As a result, the Company is prevented from withdrawing or accessing assets for corporate needs. Plan participants choose to receive a return on their account balances equal to the return on various investment options. The Company currently invests plan assets in an equity-based life insurance product of which the rabbi trust is the owner and beneficiary.

As of December 31, 2008 and 2007, plan assets were \$14.4 million and \$14.8 million, respectively, and are reflected in other assets in the accompanying consolidated balance sheets. The liabilities due the participants were \$11.8 million and \$14.2 million as of December 31, 2008 and 2007, respectively. For the years ended December 31, 2008, 2007 and 2006, net deferred compensation expense was \$1.1 million, \$2.3 million and \$0.1 million, respectively.

Note 9 — Stock-Based Compensation

The Company has various stock incentive plans for directors, officers, employees, consultants and advisers of the Company. The plans permit the grant of non-qualified stock options, incentive (qualified) stock options, restricted stock awards, restricted stock units, performance share units or any combination of the foregoing. The maximum number of shares available for issuance under the plans is 16.0 million (net of awards that terminate or are canceled without being exercised or vesting), subject to certain limitations. At December 31, 2008, 2.3 million shares were available for issuance. The Compensation Committee of the Board of Directors administers the plans and has broad discretion to establish the terms of stock awards, including, without limitation, the power to set the term (up to 10 years), vesting schedule and exercise price of stock options.

Stock options

Stock options are valued at the date of award, which does not precede the approval date, and compensation cost is recognized on a straight-line basis, net of estimated forfeitures, over the requisite service period. The outstanding stock options generally vest over four or five years and have seven-year or 10-year contractual terms.

Summary information for stock option activity under the Company's plans is as follows:

	2008		Years ended December 31, 2007		2006	
	Options (Amounts in Thousands)	Weighted- Average Exercise Price	Options (Amounts in Thousands)	Weighted- Average Exercise Price	Options (Amounts in Thousands)	Weighted- Average Exercise Price
Outstanding at beginning of year	5,632	\$ 21.91	6,233	\$ 20.44	5,782	\$ 15.96
Granted	769	12.81	623	29.50	1,910	27.69
Exercised	(98)	8.77	(1,008)	17.26	(884)	8.92
Forfeited or expired	<u>(1,084)</u>	24.42	<u>(216)</u>	23.08	<u>(575)</u>	17.17
Outstanding at end of year	<u>5,219</u>	\$ 20.30	<u>5,632</u>	\$ 21.91	<u>6,233</u>	\$ 20.44
Options exercisable at end of year	3,047	\$ 19.03	2,479	\$ 17.19	2,169	\$ 15.83

The aggregate intrinsic value of options exercised during the years ended December 31, 2008, 2007 and 2006 was \$0.9 million, \$15.6 million and \$13.4 million, respectively. The aggregate intrinsic value of options outstanding was \$1.0 million, \$37.6 million and \$127.4 million at December 31, 2008, 2007 and 2006, respectively. The aggregate intrinsic value of options exercisable at December 31, 2008, 2007 and 2006 was \$1.0 million, \$26.5 million and \$34.3 million, respectively. The intrinsic value of a stock option is the excess of the Company's closing stock price over the exercise price, multiplied by the number of in-the-money options.

At December 31, 2008, the weighted-average remaining contractual life for stock options outstanding and exercisable stock options was 4.8 years and 3.6 years, respectively.

During the years ended December 31, 2008, 2007 and 2006, the amount of cash received by the Company from the exercise of stock options was \$0.9 million, \$17.4 million and \$7.9 million, respectively.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing model. Expected volatility is based on historical volatility trends as well as implied future volatility observations as determined by independent third parties. In determining the expected life of the option grants, the Company used historical data to estimate option exercise and employee termination behavior. The expected life represents an estimate of the time options are expected to remain outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. treasury yield in effect at the time of grant. The following table sets forth fair value per share information, including related assumptions, used to determine compensation cost for the Company's non-qualified stock options consistent with the requirements of SFAS No. 123(R).

	Years ended December 31,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Weighted-average fair value per share of options granted during the year (estimated on grant date using the Black-Scholes-Merton option pricing model)	\$ 4.05	\$ 9.82	\$ 9.54
Weighted-average assumptions:			
Expected stock price volatility	50%	40%	39%
Risk-free interest rate	2.9%	4.0%	4.6%
Expected option life (years)	4	4	4
Expected annual dividend yield	3.0%	1.4%	1.5%

The following table summarizes the Company's unvested stock option activity for the year ended December 31, 2008:

	Shares (Amounts in Thousands)	Weighted- Average Exercise Price (per Share)
Unvested at January 1, 2008	3,083	\$25.79
Granted	769	12.81
Vested	(837)	23.92
Forfeited	<u>(843)</u>	24.88
Unvested at December 31, 2008	2,172	\$22.08

Restricted stock units

In December 2007, the Company began granting restricted stock units in addition to stock options. In accordance with SFAS No. 123(R), the cost of services received from employees in exchange for the issuance of restricted stock units is required to be measured based on the grant date fair value of the restricted stock units issued. The value of the restricted stock units at the date of grant is amortized through expense over the requisite service period using the straight-line method. The requisite service period for the restricted stock units that were granted is four years. The Company uses historical data to estimate employee forfeitures, which are compared to actual forfeitures on a quarterly basis and adjusted if necessary.

Performance share units

In December 2007, the Company also began granting performance share units to certain employees. These performance share units are intended to focus participants on the Company's long-range objectives, while at the same time serving as a retention mechanism. The fair value of the performance share units is based on the market price of the Company's shares on the grant date. These grants are earned over a two-year period based on actual performance against defined objectives. Expense associated with these performance-based grants is

recognized in periods after performance targets are established. Based on the extent to which the performance objectives are achieved, earned shares may range from zero percent to 200 percent of the original grant amount. Performance share units represent 8.5% of unvested restricted equity awards outstanding at December 31, 2008.

The following table summarizes the Company's unvested restricted stock, restricted stock unit and performance share unit activity for the year ended December 31, 2008:

	Shares/Units (Amounts in Thousands)	Weighted- Average Grant Date Fair Value (per Share/Unit)
Unvested at January 1, 2008	437	\$27.02
Granted	773	12.83
Vested	(78)	25.10
Forfeited	<u>(135)</u>	25.64
Unvested at December 31, 2008	997	\$16.36

For the years ended December 31, 2008, 2007 and 2006, there was \$10.6 million, \$12.0 million and \$7.8 million, respectively, of compensation cost related to non-qualified stock options, restricted stock, restricted stock units and performance share units recognized in operating results (included in selling, general and administrative expenses). As of December 31, 2008, there was approximately \$23.9 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Company's stock incentive plans. This unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.9 years.

Note 10 — Stock Repurchases

In July 2006, the Company's Board of Directors approved the repurchase of up to 2.8 million shares of the Company's common stock, representing approximately 5% of its issued and outstanding common stock, in a stock repurchase program. The shares may be repurchased from time to time during the three-year period ending July 24, 2009 in open market transactions or privately negotiated transactions at the Company's discretion, subject to market conditions and other factors. During the year ended December 31, 2007, the Company repurchased 0.4 million shares at an average price of \$25.65 per share. For the year ended December 31, 2006, the Company repurchased 0.4 million shares at an average price of \$19.49 per share. As of December 31, 2008, a total of 0.8 million shares have been repurchased at an aggregate cost of \$17.7 million, an average of \$22.43 per share.

Note 11 — Acquisition of Ameristar East Chicago

On September 18, 2007, the Company acquired all of the outstanding membership interests of RIH Acquisitions IN, LLC, an Indiana limited liability company now known as Ameristar Casino East Chicago, LLC ("ACEC"), from Resorts International Holdings, LLC. ACEC owns and operates the Ameristar East Chicago casino and hotel in East Chicago, Indiana.

The Company paid \$671.4 million, net of cash acquired, for ACEC. The Company incurred approximately \$4.8 million in acquisition costs that were included in the purchase price and \$3.7 million in capitalized debt issuance costs, which are amortized as interest expense over the remaining term of the revolving loan facility.

The acquisition was treated as a purchase transaction. Accordingly, the purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of

acquisition. The Company obtained a third-party valuation of the assets acquired and liabilities assumed, and assigned the following values based upon the Company's review of the third-party valuation:

	September 18, 2007
	(Amounts in Thousands)
Current assets, including \$8,272 of cash acquired	\$ 17,545
Property and equipment	177,270
Goodwill	262,247
Gaming license and other intangible assets	233,030
Assumed liabilities	(10,400)
Net assets acquired	<u>\$ 679,692</u>

The unaudited pro forma consolidated results of operations, as if the acquisition of Ameristar East Chicago had occurred on January 1, 2006, are as follows:

	Years Ended December 31,	
	2007	2006
	(Amounts in Thousands, Except Per Share Data)	
Pro Forma		
Net revenues	\$ 1,293,598	\$ 1,296,566
Operating income	\$ 188,217	\$ 212,644
Net income	\$ 56,984	\$ 52,897
Basic earnings per common share	\$ 1.00	\$ 0.94
Diluted earnings per common share	\$ 0.98	\$ 0.92

The pro forma consolidated results of operations are not necessarily indicative of what the actual consolidated results of operations of the Company would have been assuming the transaction had been completed as set forth above, nor do they purport to represent the Company's consolidated results of operations for future periods.

Note 12 — Goodwill and Other Intangible Assets

The following table summarizes the activity relating to goodwill and other intangible assets for the year ended December 31, 2008:

	Net Carrying Amount at December 31, 2007	Amortization/ Purchase Price Adjustments	Impairments	Net Carrying Amount at December 31, 2008
	(Amounts in Thousands)			
Goodwill:				
Ameristar East Chicago acquisition	\$ 262,247	\$ 1,193	\$ (130,300)	\$ 133,140
Missouri properties acquisition	75,784	(1,204)	—	74,580
Other	5	—	—	5
	<u>338,036</u>	<u>(11)</u>	<u>(130,300)</u>	<u>207,725</u>
Other Intangible Assets:				
Ameristar East Chicago gaming license	231,400	—	(184,200)	47,200
Ameristar East Chicago trade name and customer list	1,246	(1,001)	—	245
	<u>232,646</u>	<u>(1,001)</u>	<u>(184,200)</u>	<u>47,445</u>
	<u>\$ 570,682</u>	<u>\$ (1,012)</u>	<u>\$ (314,500)</u>	<u>\$ 255,170</u>

At December 31, 2008, the Company had approximately \$207.7 million in goodwill and \$47.4 million in other intangible assets on its consolidated balance sheet resulting from the acquisition of Ameristar East Chicago in September 2007 and the Missouri properties in December 2000. As required under SFAS No. 142, the Company performed an annual assessment of its goodwill and indefinite-lived intangible assets to

determine if the carrying value exceeded the fair value. Additionally, SFAS No. 142 requires an immediate impairment assessment if a change in circumstances occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. In addition to its annual fourth quarter review, the Company performed an impairment review of Ameristar East Chicago's goodwill and intangible assets during the first quarter of 2008 due to a significant deterioration of the debt and equity capital markets, weakening economic conditions and changes in forecasted operations that materially affected the property's fair value.

The Company performs an impairment review under a two-step method required by SFAS No. 142. Under the first step, the Company is required to estimate the fair value of reporting units to determine if any implied impairment exists. The Company utilizes both the market approach and the income approach present value techniques in the determination of fair value. Under the market approach, the value of invested capital is derived through industry multiples and other assumptions. The income approach requires fair value to be measured through the present value of future cash flows expected to be generated by the reporting unit. Taking into account both the income and market approach fair value estimates, the Company determined that the carrying value of Ameristar East Chicago exceeded the fair value and the Company was required to perform the second step of the impairment test.

In step two of the impairment test, the Company determined the implied value of goodwill by allocating the fair value of the reporting unit determined in step one to the assets and liabilities of the reporting unit, as if the reporting unit had been acquired in a business combination. The implied fair value of the Ameristar East Chicago goodwill was less than the carrying value and the excess was recorded as an impairment charge.

The gaming license for Ameristar East Chicago was also tested for impairment under SFAS No. 142 using an excess earnings valuation technique. The fair value calculated for the gaming license was less than the carrying value and an impairment charge was recorded for the difference.

The impairment assessments performed in the first and fourth quarters of 2008 resulted in a total of \$314.5 million of impairment charges relating to the goodwill and gaming license acquired in the purchase of the East Chicago property. The 2008 impairment charges reduced the gaming license by \$184.2 million and goodwill by \$130.3 million.

Intangible assets initially recorded as part of the Ameristar East Chicago acquisition included a customer list with an estimated value of \$0.4 million and an estimated useful life of five years and a trade name with an estimated value of \$1.2 million and an estimated useful life of one year. Goodwill and the East Chicago gaming license, which has an indefinite life, are not amortized.

For the year ended December 31, 2008, goodwill relating to the Missouri properties acquisition decreased \$1.2 million. Goodwill will continue to be reduced through 2016 by annual tax benefits of \$1.2 million resulting from differences in the values assigned to certain purchased assets for financial reporting and tax purposes.

Note 13 — Commitments and contingencies

St. Charles Hotel Project Construction Litigation. In November 2005, Ameristar Casino St. Charles, Inc. ("ACSCI") entered into a contract (the "Contract") with Walton Construction Company, L.L.C. ("Walton"), pursuant to which Walton was to provide general contracting and construction management services for the construction of the 397-suite hotel and related amenities at Ameristar St. Charles. The Contract provides for payment of the actual cost of the work subject to a guaranteed maximum price ("GMP").

The original Contract completion date was November 12, 2007 and that date was extended to December 7, 2007 by written amendment in March 2007. While the Company was able to open the hotel facility in stages as it was being completed in the first half of 2008 in order to mitigate damages from the delay, the project was not substantially completed until June 2008. After the March 2007 amendment, Walton asserted various claims for additional compensation, in excess of the agreed-upon GMP, based on alleged changes to the Contract scope of work and asserted delays and other impacts to the completion of the project. The Company reviewed and rejected many of these claims, but did accept others and issued appropriate change orders to Walton. The current GMP, as agreed to by the Company, is slightly less than \$201 million.

On June 20, 2008, Walton filed a mechanic's lien against the St. Charles property. In addition, on that same day, Walton filed suit in the Circuit Court of St. Charles County, Missouri seeking recovery of the amounts included in its mechanic's lien. Walton also has sought interest on unpaid amounts pursuant to the Missouri Prompt Pay Act, which imposes 1.5% per month interest on amounts that are not paid pursuant to the terms of an enforceable contract and permits recovery of attorneys' fees by the "prevailing party" in the dispute.

Walton's lawsuit and lien essentially claim that the GMP ought to be increased to approximately \$224.5 million, with the increase representing certain amounts allegedly due to subcontractors for work performed as well as amounts claimed by Walton for its own management, supervision and general conditions. Since the filing of the lien and lawsuit, the Company has been working to resolve the various claims for subcontractor work directly with the affected subcontractors. The Company currently expects that these efforts will result in it making a total contract expenditure (inclusive of amounts previously paid to Walton pursuant to the GMP and amounts paid directly to subcontractors) of approximately \$201 million. The Company believes that the additional amounts claimed by Walton in its lawsuit (approximately \$23 million) primarily relate to the claims that Walton has asserted for its own extended general conditions, added contingency and other costs for its own account. All those claims will remain disputed and contested by Ameristar. The Company has also filed a counterclaim against Walton seeking damages in excess of \$5 million based on the delay in completion of the project and defective and deficient work by Walton.

The Company intends to vigorously defend against Walton's claims and assert its own claims. The litigation is currently in the discovery stage.

In addition to Walton's mechanic's lien, certain subcontractors to Walton have filed mechanic's liens against the St. Charles property, and some also filed suit to foreclose on such liens. As the Company settles claims directly with various subcontractors, it expects that a number of these liens and lawsuits will be dismissed.

East Chicago Local Development Agreement Litigation. In 1994, Showboat Casino Marina Partnership ("Showboat"), the original owner of the Company's East Chicago casino property, entered into a local development agreement (the "LDA"), agreeing to pay 3.75% of its adjusted gross receipts ("AGR") for local economic development purposes. The payments were to be made: (a) 1% to the City of East Chicago (the "City"); (b) 1% each to two separate community non-profit foundations, which subsequently merged with each other (the "Foundation"); and (c) 0.75% to East Chicago Second Century, Inc., a for-profit Indiana corporation formed by Showboat to pursue local economic development ("Second Century"). In 1999, Showboat sold the property to an affiliate of Harrah's Entertainment, Inc. ("Harrah's"). During the entire period that Showboat and Harrah's owned the property, they paid 3.75% of their AGR to these entities. In April 2005, RIH Acquisitions IN, LLC ("RIH") (now known as "Ameristar Casino East Chicago, LLC") purchased the property from Harrah's. Shortly before that time, the City began to assert a right to all of the LDA funds.

In June 2006, the Indiana Gaming Commission (the "IGC") adopted a resolution disapproving of that portion of the LDA requiring the casino licensee to make any payments to Second Century due to its concerns with the individuals owning and controlling Second Century, who were associates of the former Mayor of the City. The resolution directed RIH to propose to the IGC a plan of action for how RIH would continue making the LDA payments in light of the IGC's decision disapproving of the payments to Second Century and the competing and irreconcilable claims of Second Century and the City to those funds. To comply with the resolution, on June 15, 2006, RIH filed a proposed plan of action with the IGC. Among other things, RIH proposed that it would pay the 0.75% of AGR payments earmarked for Second Century into a separate interest-bearing bank account and hold those funds and the interest thereon in the account until a court of competent jurisdiction ordered otherwise. The IGC did not take further action on the plan of action, and on June 15, 2006, RIH started making these payments to the separate account.

After the Company acquired RIH on September 18, 2007, in accordance with the purchase agreement, RIH opened a new separate interest-bearing bank account under our federal tax identification number and transferred the entire balance in the former separate account to this new account. RIH has continued to deposit

0.75% of its AGR into this account. As of February 28, 2009, this account had a balance of approximately \$6.7 million.

In April 2007, the Indiana legislature enacted a bill, which was signed into law by the Governor, permitting the Common Council of the City, upon transfer of the controlling interest in the East Chicago casino license, to adopt an ordinance voiding any term of the LDA and allowing for any payment of funds under the LDA to be redirected to the City. The Common Council of the City adopted an ordinance in October 2007 voiding those terms of the LDA that provide for payment of LDA funds to Second Century and adopted a similar ordinance that applies to the Foundation funds. These ordinances purport to “redirect” the payment of all LDA funds to the City, including the funds held by RIH in the separate bank account.

On June 1, 2007, prior to the closing of the Company’s acquisition of RIH, Second Century filed a complaint against ACI and RIH in Superior Court of Marion County, Indiana. The complaint alleges that RIH’s action to stop making LDA payments to Second Century and instead make the payments to the separate bank account was a breach of the LDA, conversion, criminal conversion and constructive fraud. Second Century is seeking to recover an amount equal to the 0.75% of AGR payments it claims should have been made to it since June 15, 2006, compensatory damages, treble damages under Indiana’s crime victims statute and its attorneys’ fees, and is also seeking a declaration from the court that ACI is now bound by the LDA and is required to pay 0.75% of RIH’s AGR to Second Century.

In December 2007, the court issued an order requiring RIH to continue paying the 0.75% of AGR payments to the separate bank account and to hold all the funds in that account until it or another court of competent jurisdiction orders otherwise.

Second Century moved for partial summary judgment against RIH, seeking rulings that RIH is in breach of the LDA and that its failure to pay the LDA funds to Second Century amounts to criminal conversion (which would entitle Second Century to treble damages and its attorneys’ fees). In January 2008, ACI and RIH filed a response opposing the motion for summary judgment and seeking summary judgment in favor of RIH on both the contract and conversion claims. The City also filed a brief in opposition to Second Century’s motion for partial summary judgment. On September 4, 2008, the court issued an amended order granting summary judgment in favor of ACI and RIH and denying summary judgment in favor of Second Century on Second Century’s conversion claim. The court denied each party’s motion for summary judgment on Second Century’s breach of contract claim. The court entered a final judgment on the conversion claim on October 23, 2008. Second Century filed a motion to reconsider the court’s order directing entry of final judgment, which the court denied on January 27, 2009.

The Company has not taken a position on the merits of the other parties’ disputes over the LDA funds, and has stated that it is committed to continue paying the 3.75% of AGR for local economic development purposes, unless a court of competent jurisdiction orders otherwise. The Company intends to comply with the court’s order requiring RIH to hold the Second Century LDA funds in the separate account, and another Marion County Superior Court’s order entered in December 2007 requiring RIH to hold the Foundation LDA funds in a different segregated bank account, and to vigorously contest any claims against the Company seeking money beyond its stated commitment to pay 3.75% of RIH’s AGR for local economic development purposes.

From time to time, the Company is a party to other litigation, most of which arises in the ordinary course of business. The Company is not currently a party to any litigation that management believes would be likely to have a material impact on its financial position, results of operations or cash flows.

Self-Insurance Reserves. The Company is self-insured for various levels of general liability, workers’ compensation and employee medical coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accrued estimates of incurred but not reported claims. At December 31, 2008 and 2007, the estimated liabilities for unpaid and incurred but not reported claims totaled \$12.3 million and \$12.1 million, respectively. The Company utilizes actuaries who consider historical loss experience and certain unusual claims in estimating these liabilities, based upon statistical data provided by the independent third party administrators of the various programs. The Company believes the use of this

method to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals; however, changes in health care costs, accident or illness frequency and severity and other factors can materially affect the estimate for these liabilities.

Guarantees. In December 2000, the Company assumed several agreements with the Missouri 210 Highway Transportation Development District (“Development District”) that had been entered into in order to assist the Development District in the financing of a highway improvement project in the area around the Ameristar Kansas City property prior to the Company’s purchase of that property. In order to pay for the highway improvement project, the Development District issued revenue bonds totaling \$9.0 million with scheduled maturities from 2006 through 2011.

The Company has provided an irrevocable standby letter of credit from a bank in support of obligations of the Development District for certain principal and interest on the revenue bonds. The amount outstanding under this letter of credit was \$2.6 million as of December 31, 2008 and may be subsequently reduced as principal and interest mature under the revenue bonds. Additionally, the Company is obligated to pay any shortfall in the event that amounts on deposit are insufficient to cover the obligations under the bonds, as well as any costs incurred by the Development District that are not payable from the taxed revenues used to satisfy the bondholders. Through December 31, 2008, the Company had paid \$2.1 million in shortfalls and other costs. As required by the agreements, the Company anticipates that it will be reimbursed for these shortfall payments by the Development District from future available cash flow, as defined, and has recorded a corresponding receivable as of December 31, 2008.

Note 14 — Selected Quarterly Financial Results (Unaudited)

The following table sets forth certain consolidated quarterly financial information for the years ended December 31, 2008 and 2007.

	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008	Total
	For the fiscal quarters ended				
	(Amounts in Thousands, Except Per Share Data)				
Net revenues	\$ 324,768	\$ 328,097	\$ 321,401	\$ 293,636	\$ 1,267,902
(Loss) income from operations	(77,056)	48,005	46,243	(148,110)	(130,918)
(Loss) income before income tax (benefit) provision	(99,659)	32,311	25,898	(169,420)	(210,870)
Net (loss) income (1)	(60,930)	17,022	14,332	(101,097)	(130,672)
Basic (loss) earnings per share (2) . . .	\$ (1.07)	\$ 0.30	\$ 0.25	\$ (1.77)	\$ (2.28)
Diluted (loss) earnings per share (2) . .	\$ (1.07)	\$ 0.29	\$ 0.25	\$ (1.77)	\$ (2.28)

	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	Total
	For the fiscal quarters ended				
	(Amounts in Thousands, Except Per Share Data)				
Net revenues	\$ 259,146	\$ 253,229	\$ 265,372	\$ 302,776	\$ 1,080,523
Income from operations	49,916	43,339	45,953	34,505	173,713
Income before income tax provision (1)	38,963	32,300	33,456	11,780	116,498
Net income	23,951	17,270	19,974	8,238	69,433
Basic earnings per share (2)	\$ 0.42	\$ 0.30	\$ 0.35	\$ 0.14	\$ 1.22
Diluted earnings per share (2)	\$ 0.41	\$ 0.30	\$ 0.34	\$ 0.14	\$ 1.19

- (1) The sum of the amounts for the four quarters does not equal the total for the year due to rounding.
- (2) Because earnings (loss) per share amounts are calculated using the weighted-average number of common and dilutive common equivalent shares outstanding during each quarter, the sum of the per-share amounts for the four quarters may not equal the total earnings (loss) per share amounts for the year.

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RECONCILIATION OF OPERATING INCOME TO EBITDA AND ADJUSTED EBITDA

The following table sets forth a reconciliation of non-GAAP financial measures EBITDA and Adjusted EBITDA to operating income, a GAAP financial measure. The unaudited quarterly financial information below is presented on a same-store basis. Accordingly, the operating results of Ameristar East Chicago, which was acquired on September 18, 2007, are excluded from the same-store financial results.

FOR THE FISCAL QUARTERS ENDED

	03/31/08	06/30/08	09/30/08	12/31/08	Total
	(Dollars in thousands)				
Operating income	\$41,734	\$39,996	\$40,214	\$32,239	\$154,183
Depreciation and amortization	22,268	23,305	23,124	23,541	92,238
EBITDA	64,002	63,301	63,338	55,780	246,421
Missouri and Colorado ballot initiative costs	791	347	5,185	3,328	9,651
Vicksburg and St. Charles pre-opening expenses	841	1,318	563	339	3,061
Impairment loss on discontinued expansion projects	—	—	—	578	578
Adjusted EBITDA	\$65,634	\$64,966	\$69,086	\$60,025	\$259,711

FOR THE FISCAL QUARTERS ENDED

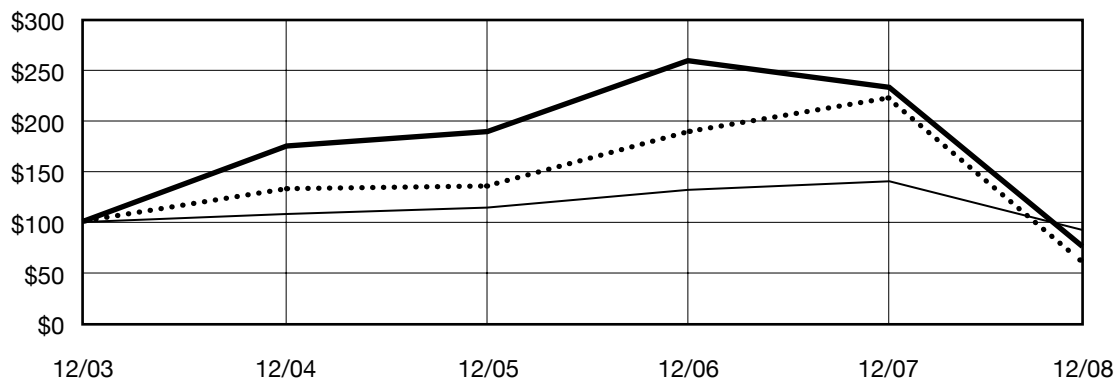
	03/31/07	06/30/07	09/30/07	12/31/07	Total
	(Dollars in thousands)				
Operating income	\$49,916	\$43,340	\$46,284	\$28,813	\$168,353
Depreciation and amortization	23,875	23,644	22,126	21,750	91,395
EBITDA	73,791	66,984	68,410	50,563	259,748
Vicksburg and St. Charles pre-opening expenses	—	231	529	2,080	2,840
Impairment loss on discontinued expansion projects	—	—	—	4,456	4,456
Adjusted EBITDA	\$73,791	\$67,215	\$68,939	\$57,099	\$267,044

STOCK PRICE PERFORMANCE

The following graph compares the cumulative 5-year total return attained by shareholders on our common stock relative to the cumulative total returns of the S&P 500 Index and the Dow Jones US Gambling Index. The graph tracks the performance of a \$100 investment in our common stock and in each of the indexes (with the reinvestment of all dividends) from December 31, 2003 to December 31, 2008.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among Ameristar Casinos, Inc., the S&P 500 Index and the Dow Jones US Gambling Index



— AMERISTAR CASINOS, INC. DOW JONES US GAMBLING — S&P 500

*\$100 invested on December 31, 2003 in stock or index (including reinvestment of dividends).

	12/03	12/04	12/05	12/06	12/07	12/08
AMERISTAR CASINOS, INC.	\$100.00	\$178.86	\$190.75	\$262.54	\$238.43	\$76.21
S&P 500	\$100.00	\$110.88	\$116.33	\$134.70	\$142.10	\$89.53
DOW JONES US GAMBLING	\$100.00	\$133.09	\$135.01	\$196.72	\$225.84	\$60.74

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP, Las Vegas, Nevada

TRANSFER AGENT

Computershare Trust Company, N.A., 1745 Gardena Avenue, Suite 200, Glendale, California 91204

ANNUAL MEETING OF STOCKHOLDERS

June 3, 2009 at 8:00 A.M. CDT at Ameristar Casino Hotel East Chicago,
777 Ameristar Boulevard, East Chicago, Indiana 46312

BOARD OF DIRECTORS

Ray H. Neilsen, Chairman of the Board, Ameristar Casinos, Inc.
Gordon R. Kanofsky, Chief Executive Officer and Vice Chairman, Ameristar Casinos, Inc.
Larry A. Hodges, President and Chief Operating Officer, Ameristar Casinos, Inc.
Thomas M. Steinbauer, Senior Vice President and Chief Financial Officer, Ameristar Casinos, Inc.
Carl Brooks, Chief Executive Officer, The Executive Leadership Council
Luther P. Cochrane, Chairman and Chief Executive Officer, BE&K Building Group, Inc.
Leslie Nathanson Juris, Ph.D., Managing Director, Nathanson/Juris Consulting
J. William Richardson, Member, Forterra Real Estate Advisors I, LLC

CORPORATE OFFICERS

Ray H. Neilsen, Chairman of the Board
Gordon R. Kanofsky, Chief Executive Officer and Vice Chairman
Larry A. Hodges, President and Chief Operating Officer
Thomas M. Steinbauer, Senior Vice President and Chief Financial Officer
Peter C. Walsh, Senior Vice President, General Counsel and Chief Administrative Officer

FORM 10-K A copy of the Ameristar Casinos, Inc. Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, will be sent to any stockholder upon written request to the Company. Contact the Company's Investor Relations Department at 3773 Howard Hughes Parkway, Suite 490 South, Las Vegas, Nevada 89169.

CORPORATE ADDRESS Ameristar Casinos, Inc.
3773 Howard Hughes Parkway, Suite 490 South
Las Vegas, Nevada 89169

