

AMERISTAR CASINOS INC

Form 10-Q

August 09, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2010**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 0-22494  
AMERISTAR CASINOS, INC.**

(Exact name of Registrant as Specified in its Charter)

**Nevada**

**88-0304799**

(State or other jurisdiction of incorporation or organization)

(I.R.S. employer identification no.)

**3773 Howard Hughes Parkway  
Suite 490 South  
Las Vegas, Nevada 89169**

(Address of principal executive offices)

**(702) 567-7000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-Accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 5, 2010, 58,004,472 shares of Common Stock of the registrant were outstanding.



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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

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

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 97,906	\$ 96,493
Restricted cash	6,425	6,425
Accounts receivable, net	8,044	8,048
Income tax refunds receivable	125	17,404
Inventories	7,052	7,735
Prepaid expenses	15,602	13,212
Deferred income taxes	9,873	13,825
Total current assets	145,027	163,142
<b>Property and Equipment, at cost:</b>		
Buildings and improvements	1,897,942	1,890,639
Furniture, fixtures and equipment	558,558	546,565
	2,456,500	2,437,204
Less: accumulated depreciation and amortization	(786,008)	(741,328)
	1,670,492	1,695,876
Land	83,403	83,401
Construction in progress	13,487	18,423
Total property and equipment, net	1,767,382	1,797,700
Goodwill	72,779	94,821
Other intangible assets	12,835	47,546
Deferred income taxes	43,817	20,978
Deposits and other assets	89,755	90,441
<b>TOTAL ASSETS</b>	<b>\$ 2,131,595</b>	<b>\$ 2,214,628</b>

**LIABILITIES AND STOCKHOLDERS EQUITY**

**Current Liabilities:**

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Accounts payable	\$ 18,657	\$ 30,294
Construction contracts payable	5,648	8,746
Accrued liabilities	143,969	147,411
Current maturities of long-term debt	123,000	135,389
Total current liabilities	291,274	321,840
Long-term debt, net of current maturities	1,491,369	1,541,739
Deferred compensation and other long-term liabilities	15,496	15,056
Commitments and contingencies (Note 11)		
<b>Stockholders Equity:</b>		
Preferred stock, \$.01 par value: Authorized 30,000,000 shares; Issued None		
Common stock, \$.01 par value: Authorized 120,000,000 shares; Issued 58,918,007 and 58,573,843 shares; Outstanding 58,004,375 and 57,730,296 shares	589	586
Additional paid-in capital	271,799	262,582
Treasury stock, at cost (853,132 and 843,547 shares)	(18,745)	(18,590)
Accumulated other comprehensive loss	(1,504)	(16,274)
Retained earnings	81,317	107,689
Total stockholders equity	333,456	335,993
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 2,131,595</b>	<b>\$ 2,214,628</b>

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

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

	<b>Three Months</b>		<b>Six Months</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Revenues:</b>				
Casino	\$ 313,120	\$ 315,526	\$ 627,660	\$ 638,404
Food and beverage	32,674	34,808	65,935	72,773
Rooms	20,245	15,810	39,632	30,486
Other	8,453	8,615	16,182	16,814
	374,492	374,759	749,409	758,477
Less: promotional allowances	(81,488)	(65,857)	(153,786)	(133,737)
Net revenues	293,004	308,902	595,623	624,740
<b>Operating Expenses:</b>				
Casino	134,102	142,136	269,642	286,480
Food and beverage	15,618	16,580	32,076	33,084
Rooms	4,576	2,102	9,132	4,334
Other	3,301	4,355	6,550	7,747
Selling, general and administrative	58,169	62,050	120,570	115,585
Depreciation and amortization	27,193	26,229	54,805	52,701
Impairment of goodwill	21,438		21,438	
Impairment of other intangible assets	34,600		34,600	
Impairment of fixed assets	4	42	4	95
Net loss (gain) on disposition of assets	1	(170)	53	(165)
Total operating expenses	299,002	253,324	548,870	499,861
(Loss) income from operations	(5,998)	55,578	46,753	124,879
<b>Other Income (Expense):</b>				
Interest income	112	125	224	269
Interest expense, net of capitalized interest	(34,059)	(25,602)	(68,499)	(42,517)
Loss on early retirement of debt		(5,210)		(5,210)
Other	(722)	1,028	(301)	583
<b>(Loss) Income Before Income Tax (Benefit)</b>				
<b>Provision</b>	(40,667)	25,919	(21,823)	78,004
Income tax (benefit) provision	(15,775)	11,639	(7,609)	33,823
<b>Net (Loss) Income</b>	<b>\$ (24,892)</b>	<b>\$ 14,280</b>	<b>\$ (14,214)</b>	<b>\$ 44,181</b>

**(Loss) Earnings Per Share:**

Basic	\$ (0.43)	\$ 0.25	\$ (0.25)	\$ 0.77
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Diluted	\$ (0.43)	\$ 0.25	\$ (0.25)	\$ 0.76
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<b>Cash Dividends Declared Per Share</b>	\$ 0.11	\$ 0.11	\$ 0.21	\$ 0.11
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**Weighted-Average Shares Outstanding:**

Basic	58,005	57,483	57,908	57,411
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Diluted	58,005	58,237	57,908	57,947
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The accompanying notes are an integral part of these consolidated financial statements.



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**AMERISTAR CASINOS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash Flows from Operating Activities:</b>		
Net (loss) income	\$ (14,214)	\$ 44,181
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	54,805	52,701
Amortization of debt discount and deferred financing costs	5,612	2,504
Loss on early retirement of debt		5,210
Stock-based compensation expense	7,279	5,182
Impairment of goodwill	21,438	
Impairment of other intangible assets	34,600	
Impairment of fixed assets	4	95
Net loss (gain) on disposition of assets	53	(165)
Net change in deferred income taxes	(18,175)	18,779
Excess tax benefit from stock option exercises		(132)
Net change in fair value of swap agreements	841	(1,488)
Net change in deferred compensation liability	632	(2,131)
Changes in operating assets and liabilities:		
Accounts receivable, net	4	3,558
Income tax refunds receivable	17,279	(1,544)
Inventories	683	528
Prepaid expenses	(2,390)	(9,520)
Accounts payable	(11,637)	(5,500)
Income taxes payable		(3,431)
Accrued liabilities	10,487	17,377
Net cash provided by operating activities	107,301	126,204
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(24,532)	(77,384)
Decrease in construction contracts payable	(3,098)	(15,229)
Proceeds from sale of assets	101	428
Increase in deposits and other non-current assets	(3,662)	(4,219)
Net cash used in investing activities	(31,191)	(96,404)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of long-term debt and other borrowings	12,000	659,485

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Principal payments of debt	(76,194)	(642,344)
Debt issuance and amendment costs	(131)	(22,484)
Cash dividends paid	(12,157)	(6,038)
Proceeds from stock option exercises	1,940	1,897
Purchases of treasury stock	(155)	(144)
Excess tax benefit from stock option exercises		132
Net cash used in financing activities	(74,697)	(9,496)
<b>Net Increase in Cash and Cash Equivalents</b>	1,413	20,304
<b>Cash and Cash Equivalents Beginning of Period</b>	96,493	73,726
<b>Cash and Cash Equivalents End of Period</b>	\$ 97,906	\$ 94,030
<b>Supplemental Cash Flow Disclosures:</b>		
Cash paid for interest, net of amounts capitalized	\$ 63,750	\$ 37,707
Cash (received) paid for federal and state income taxes, net of refunds received	\$ (7,684)	\$ 19,025

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

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**AMERISTAR CASINOS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**Note 1 Principles of consolidation and 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, ACI owns and operates eight casino properties in seven markets. The Company s portfolio of casinos consists of: Ameristar Casino Resort Spa St. Charles (serving the St. Louis, Missouri metropolitan area); Ameristar Casino Hotel East Chicago (serving the Chicagoland area); 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 Vicksburg (serving Jackson, Mississippi and Monroe, Louisiana); Ameristar Casino Resort Spa Black Hawk (serving the Denver, Colorado metropolitan area); and Cactus Petes Resort Casino and The Horseshu Hotel and Casino 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 accompanying consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, the consolidated financial statements do not include all of the disclosures required by generally accepted accounting principles. However, they do contain all adjustments (consisting of normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the Company s financial position, results of operations and cash flows for the interim periods included therein. The interim results reflected in these financial statements are not necessarily indicative of results to be expected for the full fiscal year.

Certain of the Company s accounting policies require that the Company apply significant judgment in defining the appropriate 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 obtained from independent valuation experts or other outside sources. There is no assurance, however, that actual results will conform to estimates. To provide an understanding of the methodology the Company applies, significant accounting policies and bases of presentation are discussed where appropriate in Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report. In addition, critical accounting policies and estimates are discussed in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the notes to the Company s audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2009.

The accompanying consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009.

Certain reclassifications have been made to the prior years consolidated financial statements to conform to the current period s presentation. These reclassifications had no effect on the previously reported net income.

The Company has evaluated certain events and transactions occurring after June 30, 2010 and determined that none met the definition of a subsequent event for purposes of recognition or disclosure in its accompanying consolidated financial statements for the period ended June 30, 2010.

**Table of Contents****Note 2 Accounting pronouncements***Recently adopted accounting pronouncements*

ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*

The Financial Accounting Standards Board (the FASB ) issued Accounting Standards Update ( ASU ) No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. The guidance clarifies and extends the disclosure requirements about recurring and nonrecurring fair value measurements. The Standard is effective for reporting periods beginning after December 15, 2009. The Company adopted ASU No. 2010-06 in the first quarter of 2010. The adoption of this Topic did not have a material impact on the consolidated financial statements.

*Recently issued accounting pronouncements*

ASU No. 2010-16, *Entertainment-Casinos (Topic 924): Accruals for Casino Jackpot Liabilities*

The FASB issued ASU No. 2010-16, *Entertainment-Casinos (Topic 924): Accruals for Casino Jackpot Liabilities*. The guidance clarifies that an entity should not accrue jackpot liabilities (or portions thereof) before a jackpot is won if the entity can avoid paying that jackpot. Jackpots should be accrued and charged to revenue when an entity has the obligation to pay the jackpot. This guidance applies to both base jackpots and the incremental portion of progressive jackpots. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. This guidance should be applied by recording a cumulative-effect adjustment to opening retained earnings in the period of adoption. The Company is currently determining the impact of this guidance on its consolidated financial statements.

**Note 3 Stockholders equity**

Changes in stockholders equity for the six months ended June 30, 2010 were as follows:

	(Amounts in Thousands)
Balance at December 31, 2009	\$ 335,993
Net loss	(14,214)
Dividends	(12,157)
Stock-based compensation	7,279
Change in accumulated other comprehensive income	14,770
Proceeds from exercise of stock options	1,940
Shares remitted for tax withholding	(155)
Balance at June 30, 2010	\$ 333,456

Total comprehensive income for the six months ended June 30, 2010 and 2009 was \$0.6 million and \$46.5 million, respectively.

**Note 4 Earnings (loss) per share**

The Company calculates earnings (loss) per share in accordance with Accounting Standards Codification ( ASC ) Topic 260. Basic earnings (loss) per share are computed by dividing reported earnings (loss) 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 2009 periods presented, all outstanding options with an exercise price lower than the market price have been

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included in the calculation of diluted earnings per share. For the 2010 periods presented, diluted loss per share excludes the additional dilution from all potentially dilutive securities such as stock options and restricted stock units.

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Amounts in Thousands)			
Weighted-average number of shares outstanding - basic earnings (loss) per share	58,005	57,483	57,908	57,411
Dilutive effect of stock options		754		536
Weighted-average number of shares outstanding - diluted earnings (loss) per share	58,005	58,237	57,908	57,947

For the three months ended June 30, 2010 and 2009, the potentially dilutive stock options excluded from the earnings per share computation, as their effect would be anti-dilutive, totaled 3.1 million and 3.0 million, respectively. Anti-dilutive stock options for the six months ended June 30, 2010 and 2009 totaled 3.1 million and 3.2 million, respectively.

**Note 5 Goodwill and other intangible assets**

As required under ASC Topic 350, the Company performs an annual assessment of its goodwill and other intangible assets to determine if the carrying value exceeds the fair value. Additionally, the guidance requires an immediate impairment assessment if a change in circumstances can materially negatively affect the fair value of the intangible assets.

During the second quarter of 2010, the Company assessed its intangible assets at Ameristar East Chicago for impairment due to the significant reduction in the property's actual operating results and forecasted future results following the closure of a bridge near the property in November 2009. As a result, during the second quarter of 2010, the Company recorded a total of \$56.0 million in non-cash impairment charges relating to the goodwill and gaming license acquired in the purchase of the East Chicago property. The impairment charges reduced the carrying value of goodwill by \$21.4 million and the gaming license by \$34.6 million. For the three months and six months ended June 30, 2009, there were no impairment charges relating to goodwill and indefinite-lived intangible assets. The Company will perform its annual review of goodwill and indefinite-lived intangible assets in the fourth quarter of 2010.

The Company utilized Level 2 inputs as described in Note 8 Fair value measurements to determine fair value relating to goodwill and intangible assets.

**Table of Contents****Note 6 Long-term debt**

Long-term debt consisted of the following:

	June 30, 2010	December 31, 2009
	(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:		
Revolving loan facility, at variable interest (3.5% at June 30, 2010 and 3.5% at December 31, 2009); as of June 30, 2010, \$118.6 million due November 10, 2010; \$12.0 million quarterly commitment reductions from December 31, 2010 through June 30, 2012 with remaining balance of loans due August 10, 2012	\$ 593,000	\$ 655,000
Term loan facility, at variable interest (3.6% at June 30, 2010 and 3.5% at December 31, 2009); \$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	382,000	384,000
Senior notes, unsecured, 9.25% fixed interest, payable semi-annually on June 1 and December 1, principal due June 1, 2014 (net of \$11,344 and \$12,779 discount at June 30, 2010 and December 31, 2009, respectively)	638,656	637,221
Other	713	907
	1,614,369	1,677,128
Less: Current maturities	(123,000)	(135,389)
	\$ 1,491,369	\$ 1,541,739

*Credit facility*

The Company's senior secured credit facility (the Credit Facility) currently includes a \$750.0 million revolving loan facility with a portion maturing in November 2010 and the remaining portion maturing in August 2012 and a \$382.0 million term loan facility maturing in November 2012.

In November 2009, the Company entered into an Extending Revolving Loan Commitment Agreement (the Extending Commitment Agreement) that effectively extended the original maturity date of a portion of the revolving loan facility. Pursuant to the Extending Commitment Agreement, an aggregate of \$600.0 million of revolving loan commitments maturing November 10, 2010 were replaced by new extending revolving loan commitments maturing August 10, 2012.

After giving effect to the Extending Commitment Agreement, the Company has \$150.0 million of non-extending revolving loan commitments maturing in November 2010, under which \$118.6 million of loans were outstanding as of June 30, 2010, and \$600.0 million of extending revolving loan commitments maturing in August 2012, under which \$474.4 million of loans were outstanding as of June 30, 2010.

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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. The non-extending revolving loans 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 in the Credit Facility. The commitment fee on the non-extending revolving loan commitments ranges from 25 to 50 basis points, depending on the leverage ratio. The interest rate margin for the extending revolving loans ranges from 0.125 percentage point to 0.50 percentage point higher than the applicable margin for the non-extending revolving loans, depending on the Company's leverage ratio. The commitment fee for the extending revolving loan commitments is 0.125 percentage point higher than that for the non-extending revolving loan commitments. 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.

All mandatory principal payments have been made through June 30, 2010. As of June 30, 2010, the amount of the revolving loan facility available for borrowing was \$152.9 million, after giving effect to \$4.1 million of outstanding letters of credit. Subsequent to June 30, 2010, the Company made an additional repayment of \$16.0 million of the principal balance outstanding under the revolving credit facility.

*Senior unsecured notes*

In May 2009, the Company completed private offerings of \$650.0 million aggregate principal amount of 9<sup>1</sup>/<sub>4</sub>% Senior Notes due 2014 (the Notes ). Of the total, \$500.0 million principal amount of the Notes were sold at a price of 97.097% of the principal amount and \$150.0 million principal amount of the Notes were sold at a price of 100% of the principal amount. The Company used the net proceeds from the sale of the Notes (approximately \$620.0 million, after deducting discounts and expenses) to repay a portion of the revolving loan indebtedness outstanding under the Credit Facility. Simultaneously, the Company terminated \$650.0 million of revolving loan commitments under the Credit Facility.

The terms of the Notes are governed by an indenture (the Indenture ). Interest on the Notes is payable semi-annually in arrears on June 1 and December 1 of each year. The Notes mature on June 1, 2014. The Notes and the guarantees of the Notes are senior unsecured obligations of the Company and certain of its subsidiaries (the Guarantors ), respectively, and rank equally with or senior to, in right of payment, all existing or future unsecured indebtedness of the Company and each Guarantor, respectively, but will be effectively subordinated in right of payment to the Credit Facility indebtedness and any future secured indebtedness, to the extent of the value of the assets securing such indebtedness.

The Guarantors have jointly and severally, and fully and unconditionally, guaranteed the Notes. Each of the Guarantors is a wholly owned subsidiary of ACI, and the Guarantors constitute substantially all of ACI's direct and indirect subsidiaries. ACI is a holding company with no operations or material assets independent of those of the Guarantors and, other than its investment in the Guarantors, the aggregate assets, liabilities, earnings and equity of the Guarantors are substantially equivalent to the assets, liabilities, earnings and equity on a consolidated basis of the Company. Separate financial statements and certain other disclosures concerning the Guarantors are not presented because, in the opinion of management, such information is not material to investors. Other than customary restrictions imposed by applicable corporate statutes, there are no restrictions on the ability of the Guarantors to transfer funds to ACI in the form of cash dividends, loans or advances.

**Table of Contents***Debt covenants*

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 June 30, 2010, the Company was required to maintain a leverage ratio, calculated as consolidated debt divided by EBITDA (as defined) for the prior four full fiscal quarters, of no more than 6.00:1, and a senior leverage ratio, calculated as consolidated senior debt divided by EBITDA for the prior four full fiscal quarters, of no more than 5.50:1. As of June 30, 2010 and December 31, 2009, the Company's leverage ratio was 4.95:1 and 4.87:1, respectively. The senior leverage ratio as of June 30, 2010 and December 31, 2009 was also 4.95:1 and 4.87:1, respectively.

The Indenture governing the Notes contains covenants that limit the Company's and its Restricted Subsidiaries (as defined in the Indenture) ability to, among other things, (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create liens on assets, (iv) merge or consolidate with another company or sell all or substantially all assets and (v) enter into transactions with affiliates. In addition, pursuant to the Indenture, if ACI experiences certain changes of control, each holder of the Notes can require ACI to repurchase all or a portion of such holder's outstanding Notes at a price of 101% of the principal amount thereof, plus accrued and unpaid interest and additional interest, if any, to the repurchase date.

As of June 30, 2010 and December 31, 2009, the Company was in compliance with all applicable covenants.

**Note 7 Derivative instruments and hedging activities**

From time to time, the Company seeks to manage interest rate risk associated with variable rate borrowings through the use of derivative instruments designated as cash flow hedges.

In 2008, the Company entered into two forward interest rate swaps with two different commercial banks to fix the interest rate on certain LIBOR-based borrowings under the Credit Facility. Both swaps were designated as cash flow hedges and matured on July 19, 2010. Pursuant to each of the interest rate swap agreements, the Company was obligated to make quarterly fixed rate payments to the counterparty, while the counterparty was obligated to make quarterly floating rate payments to the Company based on three-month LIBOR on the same notional amount.

The following table presents the principal terms, fair value and balance sheet classification of the Company's derivative financial instruments as of June 30, 2010 and December 31, 2009 (dollars in thousands):

Effective Date	Notional Amount (1)	Fixed Rate Paid	Fair Value of Liability		Maturity Date	Balance Sheet Classification
			June 30, 2010	December 31, 2009		
July 18, 2008	\$ 500,000	3.20%	\$ 717	\$ 7,747	July 19, 2010	Accrued liabilities
October 20, 2008	463,000	2.98%	613	7,512	July 19, 2010	Accrued liabilities
	\$ 963,000		\$ 1,330	\$ 15,259		

(1) The original notional amount of \$600.0 million for the October 20, 2008 swap was



reduced by  
\$62.0 million in  
the first half of  
2010 and  
\$75.0 million in  
2009 as a result  
of the reduction  
of revolving  
loan  
commitments  
under the Credit  
Facility.

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For the six months ended June 30, 2010, the swaps increased the Company's interest expense by \$15.3 million. During the next 12 months, the Company estimates that an additional \$1.5 million will be reclassified as an increase to interest expense.

During the six months ended June 30, 2010, the Company repaid \$62.0 million of the principal balance outstanding under the revolving credit facility. As a result, the Company terminated \$62.0 million of the October 20, 2008 swap in the first half of 2010. The Company concluded this termination did not impact the overall effectiveness of the swaps. Accordingly, the Company continued its historical accounting for the swaps. 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 in the future, although it has no current intention to do so.

**Note 8 Fair value measurements**

The Company measures the fair value of its interest rate swaps and its deferred compensation plan assets and liabilities on a recurring basis pursuant to ASC Topic 820. ASC Topic 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value driver is observable.

Level 3: Unobservable inputs in which little or no market data is available, therefore requiring an entity to develop its own assumptions.

The following table presents the Company's financial assets and liabilities that were accounted for at fair value as of June 30, 2010 (amounts in thousands):

	Fair Value Measurements Using:		
	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Deferred compensation plan assets	\$	\$ 16,435	\$
Liabilities:			
Interest rate swap contracts	\$	\$ 1,330	\$
Deferred compensation plan liabilities	\$	\$ 12,598	\$

The valuation techniques used to measure the fair value of the Company's interest rate swap contracts, which are with counterparties that have high credit ratings, were derived from pricing models, such as discounted cash flow techniques. The Company's discounted cash flow techniques use observable market inputs, such as LIBOR-based yield curves. The fair value of the deferred compensation assets is based on the cash-surrender value of rabbi trust-owned life insurance policies, which are invested in variable life insurance separate accounts

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that are similar to mutual funds. These investments are in the same accounts and purchased in substantially the same amounts as the deferred compensation plan participants' selected investments, which represent the underlying liabilities to participants. Liabilities under the deferred compensation plan are recorded at amounts due to participants, based on the fair value of participants' selected investments.

*Fair value of long-term debt*

The estimated fair value of the Company's long-term debt at June 30, 2010 was approximately \$1.616 billion, versus its book value of \$1.614 billion. The estimated fair value of the Company's long-term debt at December 31, 2009 was approximately \$1.704 billion, versus its book value of \$1.677 billion. The estimated fair value of the Notes and the term loan facility debt was based on quoted market prices on or about June 30, 2010 and December 31, 2009. The estimated fair value of the revolving loan facility debt was based on its bid price on or about June 30, 2010 and December 31, 2009.

**Note 9 Stock-based compensation**

The Company accounts for its stock-based compensation in accordance with ASC Topic 718. Stock-based compensation expense totaled \$3.1 million and \$2.6 million for the three months ended June 30, 2010 and 2009, respectively. During the first six months of 2010 and 2009, stock-based compensation expense was \$7.3 million and \$5.2 million, respectively. During the six months ended June 30, 2010, no associated future income tax benefit was recognized and \$0.1 million was recognized during the six months ended June 30, 2009. As of June 30, 2010, there was approximately \$22.7 million of total unrecognized compensation cost related to unvested stock-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 2.5 years.

The weighted-average fair value at the grant date of stock options granted during the quarter ended June 30, 2010 was \$5.58. There were no options granted during the second quarter of 2009. During the six months ended June 30, 2010 and 2009, the weighted-average fair value of options granted was \$6.40 and \$5.06, respectively. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted-average assumptions for the three months and six months ended June 30, 2010 and 2009:

	Three Months Ended June		Six Months Ended June	
	2010	2009	2010	2009
<b>Weighted-average assumptions:</b>				
Expected stock price volatility	51.7%	*	50.6%	62.9%
Risk-free interest rate	1.7%	*	2.2%	1.5%
Expected option life (years)	4.5	*	4.5	4.2
Expected annual dividend yield	2.5%	*	2.4%	1.9%

\* The Company did not grant any options during the quarter ended June 30, 2009.

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Stock option activity during the six months ended June 30, 2010 was as follows:

	Options (In Thousands)	Weighted- Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding at December 31, 2009	5,090	\$ 20.40		
Granted	21	17.47		
Exercised	(236)	8.23		
Forfeited or expired	(442)	20.30		
Outstanding at June 30, 2010	4,433	\$ 21.08	4.6	\$ 4,195
Exercisable at June 30, 2010	2,760	\$ 21.38	3.1	\$ 2,918

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that would have been realized by the option holders had all option holders exercised their options on June 30, 2010. The intrinsic value of a stock option is the excess of the Company's closing stock price on June 30, 2010 over the exercise price, multiplied by the number of in-the-money options. The total intrinsic value of options exercised during the six months ended June 30, 2010 and 2009 was \$2.3 million and \$2.2 million, respectively.

The following table summarizes the Company's unvested stock option activity for the six months ended June 30, 2010:

	Shares (Amounts in Thousands)	Weighted-Average Exercise Price (per Share)
Unvested at December 31, 2009	1,780	\$ 20.57
Granted	21	17.47
Vested	(57)	21.92
Forfeited	(71)	19.83
Unvested at June 30, 2010	1,673	\$ 20.59

The following table summarizes the Company's unvested restricted stock unit and performance share unit activity for the six months ended June 30, 2010:

	Units (Amounts in Thousands)	Weighted-Average Grant Date Fair Value (per Unit)
Unvested at December 31, 2009	1,453	\$ 17.34
Granted	88	15.68
Vested	(141)	15.09
Forfeited	(52)	15.42

Unvested at June 30, 2010

1,348

\$

17.54

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**Note 10 Income taxes**

At June 30, 2010 and December 31, 2009, unrecognized tax benefits totaled \$5.3 million and \$5.1 million, respectively. The total amount of unrecognized benefits that would affect the effective tax rate if recognized was \$1.2 million at June 30, 2010 and \$1.1 million at December 31, 2009. As of June 30, 2010, accrued interest and penalties totaled \$0.6 million, of which \$0.4 million would affect the effective tax rate if recognized.

The effective income tax rate was 38.8% for the quarter ended June 30, 2010, compared to 44.9% for the same period in 2009. For the six months ended June 30, 2010 and 2009, the effective income tax rates were 34.9% and 43.4%, respectively.

In connection with the impairment of intangible assets at Ameristar East Chicago, the Company recorded a deferred tax benefit of \$22.8 million during the second quarter of 2010. The tax effect of the impairment was reflected in the effective income tax rate for the six months ended June 30, 2010.

The Company files income tax returns in numerous 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 \$1.8 million within the next 12 months, of which \$0.2 million would affect the effective tax rate if recognized.

**Note 11 Commitments and contingencies**

*Litigation.* From time to time, the Company is a party to 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 adverse effect on the financial position, results of operations or cash flows of the Company.

*Self-Insurance Reserves.* The Company is self-insured for various levels of general liability, workers compensation and employee health 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 June 30, 2010 and December 31, 2009, the estimated liabilities for unpaid and incurred but not reported claims totaled \$10.4 million and \$11.1 million, respectively. The Company considers historical loss experience and certain unusual claims in estimating these liabilities. 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 estimates for these liabilities.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**Overview**

We develop, own and operate casinos and related hotel, food and beverage, entertainment and other facilities, with eight properties in operation in Missouri, Indiana, Iowa, Mississippi, Colorado and Nevada. Our portfolio of casinos consists of: Ameristar Casino Resort Spa St. Charles (serving the St. Louis, Missouri metropolitan area); Ameristar Casino Hotel Kansas City (serving the Kansas City metropolitan area); Ameristar Casino Hotel East Chicago (serving the Chicagoland area); Ameristar Casino Hotel Council Bluffs (serving Omaha, Nebraska and southwestern Iowa); Ameristar Casino Hotel Vicksburg (serving Jackson, Mississippi and Monroe, Louisiana); Ameristar Casino Resort Spa Black Hawk (serving the Denver metropolitan area); and Cactus Petes Resort Casino and The Horseshu Hotel and Casino in Jackpot, Nevada (serving Idaho and the Pacific Northwest).

Our financial results are dependent upon the number of patrons that we attract to our properties and the amounts those patrons spend per visit. Additionally, our operating results may be affected by, among other things, overall economic conditions affecting the disposable income of our patrons, weather conditions affecting our properties, achieving and maintaining cost efficiencies, competitive factors, gaming tax increases and other regulatory changes, the commencement of new gaming operations, charges associated with debt refinancing or property acquisition and disposition transactions, construction at existing facilities and general public sentiment regarding travel. We may experience significant fluctuations in our quarterly operating results due to seasonality and other factors. Consequently, our operating results for any quarter or year are not necessarily comparable and may not be indicative of future periods' results.

The following significant factors and trends should be considered in analyzing our operating performance:

*General Economic Conditions.* The weak economic conditions continue to adversely impact the gaming industry and our Company. We believe our guests have reduced their discretionary spending as a result of uncertainty and instability relating to employment and the credit, investment and housing markets.

*Ameristar Black Hawk.* On July 2, 2009, we implemented positive regulatory changes at our Black Hawk property that extended casino operating hours from 18 hours daily to 24 hours daily, increased the maximum single bet limit from \$5 to up to \$100 and allowed for additional table games, including roulette and craps. Also, on September 29, 2009, we opened a 536-room luxury hotel and spa featuring upscale furnishings and amenities. The hotel includes a versatile meeting and ballroom center and has Black Hawk's only full-service spa and an enclosed rooftop swimming pool with indoor/outdoor whirlpool facilities. Ameristar Black Hawk offers destination resort amenities and services that we believe are unequalled in the Denver gaming market. As a result of these regulatory changes and the opening of the new hotel, second quarter net revenues and operating income increased year-over-year by 81.7% and 358.7%, respectively, and the property increased its second quarter market share on a year-over-year basis from 18.4% to 26.7%.

*East Chicago Bridge Closure and Intangible Asset Impairment.* During the fourth quarter of 2009, the highway bridge near our Ameristar East Chicago property was permanently closed by the Indiana Department of Transportation due to safety concerns. The bridge closure has made access to the property inconvenient for many of our guests and has significantly impacted the property's admission levels and operating results. As a result, in the fourth quarter of 2009, we recorded a non-cash impairment charge of \$111.7 million (\$66.2 million on an after-tax basis) for the goodwill related to our East Chicago property acquisition. The bridge closure continues to significantly impact our business, resulting in a year-over-year decrease in second quarter net revenues of 25.6%. In the second quarter of 2010, we recorded an additional non-

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cash impairment charge of \$56.0 million (\$33.2 million on an after-tax basis) for the goodwill and gaming license. The adverse business impact is expected to continue unless and until improved access to the property is developed.

The Indiana Department of Transportation recently announced a plan to make improvements to an alternate route to the Ameristar East Chicago property. These improvements include converting a portion of the route from surface streets to highway and enhancing street lighting and signage. The improvements are scheduled to be completed in two phases, with the initial phase estimated to be completed in late 2010 and the second phase in mid-2012.

*Ameristar St. Charles.* In early March 2010, a gaming operator opened a new casino facility located in the southeastern portion of St. Louis County, approximately 30 miles from our St. Charles property. The additional competition has adversely affected the financial performance of Ameristar St. Charles and the other facilities operating in the market. The new casino contributed to declines in our property's net revenues and operating income of 11.6% and 17.5%, respectively, from the prior-year second quarter.

*Debt and Interest Expense.* At June 30, 2010, total debt was \$1.61 billion. Net repayments totaled \$28.0 million during the second quarter of 2010, including a \$27.0 million repayment of a portion of the principal balance outstanding under the revolving credit facility. After taking into consideration the repayments, we have \$118.6 million due in November 2010, with approximately \$122 million available for borrowing under the extended portion of the revolving credit facility. We intend to repay all 2010 debt maturities with cash from operations and availability under the extended portion of the revolving credit facility. At June 30, 2010, our leverage and senior leverage ratios (each as defined in the senior credit facility) were required to be no more than 6.00:1 and 5.50:1, respectively. As of that date, our leverage ratio and senior leverage ratio were each 4.95:1.

Our interest expense has increased significantly as a result of the senior credit facility amendment, senior notes issuance and extension of our revolving loan facility that all took place in 2009. For the second quarter of 2010, consolidated net interest expense increased by \$8.5 million compared to the prior-year second quarter.

Additionally, capitalized interest decreased from \$2.4 million for the second quarter of 2009 to \$0.2 million in the 2010 second quarter, due to the completion of the Ameristar Black Hawk hotel. As a result of the expiration of the interest rate swaps on July 19, 2010, we expect a decrease in interest expense compared to prior periods.



**Table of Contents****Results of Operations**

The following table sets forth certain information concerning our consolidated cash flows and the results of operations of our operating properties:

**AMERISTAR CASINOS, INC. AND SUBSIDIARIES**  
**SUMMARY CONSOLIDATED FINANCIAL DATA**  
(Dollars in Thousands)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Consolidated Cash Flow Information:</b>				
Net cash provided by operating activities	\$ 37,515	\$ 57,165	\$ 107,301	\$ 126,204
Net cash used in investing activities	\$ (14,620)	\$ (45,920)	\$ (31,191)	\$ (96,404)
Net cash used in financing activities	\$ (33,290)	\$ (2,953)	\$ (74,697)	\$ (9,496)
<b>Net Revenues:</b>				
Ameristar St. Charles	\$ 64,791	\$ 73,311	\$ 135,100	\$ 150,483
Ameristar East Chicago	50,959	68,495	106,979	136,122
Ameristar Kansas City	55,421	58,656	110,045	118,826
Ameristar Council Bluffs	38,456	39,989	77,382	82,239
Ameristar Vicksburg	29,503	31,026	60,154	64,145
Ameristar Black Hawk	37,510	20,649	74,464	41,045
Jackpot Properties	16,364	16,776	31,499	31,880
Consolidated net revenues	\$ 293,004	\$ 308,902	\$ 595,623	\$ 624,740
<b>Operating Income (Loss):</b>				
Ameristar St. Charles	\$ 13,636	\$ 16,523	\$ 31,454	\$ 38,438
Ameristar East Chicago	(54,525)	11,055	(49,926)	23,582
Ameristar Kansas City	14,423	15,951	28,700	32,607
Ameristar Council Bluffs	11,895	11,482	23,824	24,207
Ameristar Vicksburg	8,931	8,493	19,017	19,274
Ameristar Black Hawk	9,155	1,996	16,828	5,871
Jackpot Properties	3,451	4,032	6,437	7,301
Corporate and other	(12,964)	(13,954)	(29,581)	(26,401)
Consolidated operating (loss) income	\$ (5,998)	\$ 55,578	\$ 46,753	\$ 124,879
<b>Operating Income (Loss) Margins<sup>(1)</sup>:</b>				
Ameristar St. Charles	21.0%	22.5%	23.3%	25.5%
Ameristar East Chicago	-107.0%	16.1%	-46.7%	17.3%
Ameristar Kansas City	26.0%	27.2%	26.1%	27.4%
Ameristar Council Bluffs	30.9%	28.7%	30.8%	29.4%

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Ameristar Vicksburg	30.3%	27.4%	31.6%	30.0%
Ameristar Black Hawk	24.4%	9.7%	22.6%	14.3%
Jackpot Properties	21.1%	24.0%	20.4%	22.9%
Consolidated operating (loss) income margin	-2.0%	18.0%	7.8%	20.0%

(1) Operating income (loss) margin is operating income (loss) as a percentage of net revenues.

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The following table presents detail of our net revenues:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	(In Thousands, Unaudited)			
<b>Casino Revenues:</b>				
Slots	\$ 277,267	\$ 276,939	\$ 557,162	\$ 564,247
Table games	32,836	34,995	63,654	66,747
Other	3,017	3,592	6,844	7,410
Casino revenues	313,120	315,526	627,660	638,404
<b>Non-Casino Revenues:</b>				
Food and beverage	32,674	34,808	65,935	72,773
Rooms	20,245	15,810	39,632	30,486
Other	8,453	8,615	16,182	16,814
Non-casino revenues	61,372	59,233	121,749	120,073
<b>Less: Promotional Allowances</b>	(81,488)	(65,857)	(153,786)	(133,737)
<b>Total Net Revenues</b>	<b>\$ 293,004</b>	<b>\$ 308,902</b>	<b>\$ 595,623</b>	<b>\$ 624,740</b>

**Net Revenues**

Consolidated net revenues for the quarter ended June 30, 2010 decreased \$15.9 million, or 5.1%, from the second quarter of 2009. The decrease in consolidated net revenues was primarily attributable to the weak economy, the bridge closure in East Chicago and increased competition that opened in the first quarter of 2010 in our St. Charles market. Second quarter 2010 net revenues declined on a year-over-year basis at six of our seven gaming locations while Ameristar Black Hawk's net revenues increased by \$16.9 million, or 81.7%, when compared to second quarter 2009. Ameristar Black Hawk's net revenue increase is due to the opening of the new hotel on September 29, 2009 and the implementation of the beneficial regulatory reform on July 2, 2009.

During the three months ended June 30, 2010, consolidated promotional allowances increased \$15.6 million (23.7%) from the corresponding 2009 period. The increase in promotional allowances was primarily the result of additional promotional spending related to the new hotel in Black Hawk and our efforts to attract guests to our East Chicago property following the bridge closure.

For the six months ended June 30, 2010, consolidated net revenues decreased \$29.1 million, or 4.7%, from the corresponding 2009 period. During the first six months of 2010, net revenues declined from the corresponding 2009 period by 21.4% at Ameristar East Chicago, 10.2% at Ameristar St. Charles, 7.4% at Ameristar Kansas City, 6.2% at Ameristar Vicksburg, 5.9% at Ameristar Council Bluffs and 1.2% at our Jackpot properties. We believe the weak economic conditions, the bridge closure in East Chicago, the increased competition in our St. Charles market, unusually low table games hold percentages and inclement weather conditions adversely impacted financial results throughout the first half of 2010. The decline in net revenues at our properties was partially mitigated by the performance of Ameristar Black Hawk. Our Black Hawk property's net revenues increased by \$33.4 million, or 81.4%, for the first six months of 2010 when compared to the corresponding 2009 period. The increase is attributable to the opening of the new hotel and implementation of the beneficial regulatory reform as noted above.

For the six months ended June 30, 2010, consolidated promotional allowances increased 15.0% from the same 2009 period as a result of the factors mentioned above.

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**Table of Contents****Operating Income (Loss)**

In the second quarter of 2010, consolidated operating income decreased \$61.6 million, or 110.8%, from the second quarter of 2009, primarily as a result of the non-cash impairment charge of \$56.0 million recorded in the second quarter of 2010 that eliminates the remaining net book value of goodwill associated with the acquisition of the East Chicago property and reduces the carrying value of the property's gaming license to \$12.6 million. Ameristar St. Charles' operating income decreased by \$2.9 million, or 17.5%, when compared to second quarter 2009. This is mainly the result of the new competitor entering the St. Charles market in the first quarter of 2010. The improved performance of Ameristar Black Hawk tempered the year-over-year decline in the second quarter 2010 consolidated operating income. Ameristar Black Hawk's operating income increased by \$7.2 million, or 358.7%, when compared to second quarter 2009 due to the benefit of the new hotel and regulatory reform described above. Also, during the second quarter of 2010, operating income increased from the corresponding 2009 period by 5.2% at Ameristar Vicksburg and 3.6% at Ameristar Council Bluffs, indicating these properties are continuing to operate efficiently despite slight declines in net revenues.

For the three months ended June 30, 2010, corporate expense declined \$1.0 million, or 7.1%, due mostly to a decrease in benefits expense in the second quarter of 2010.

For the six months ended June 30, 2010, our operating income was \$46.8 million, compared to \$124.9 million for the corresponding 2009 period. The decrease is primarily attributable to the \$56.0 million non-cash impairment charge recorded in the second quarter of 2010 and the new competition entering the St. Charles market. Ameristar Black Hawk's operating income increased by \$11.0 million, or 186.6%, due to the factors mentioned above.

**Interest Expense**

The following table summarizes information related to interest on our long-term debt:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in Thousands, Unaudited)			
Interest cost	\$ 34,216	\$ 27,968	\$ 68,929	\$ 47,105
Less: Capitalized interest	(157)	(2,366)	(430)	(4,588)
Interest expense, net	\$ 34,059	\$ 25,602	\$ 68,499	\$ 42,517
Cash paid for interest, net of amounts capitalized	\$ 46,703	\$ 20,437	\$ 63,750	\$ 37,707
Weighted-average total debt outstanding	\$ 1,643,520	\$ 1,662,726	\$ 1,665,856	\$ 1,665,093
Weighted-average interest rate	8.2%	5.4%	8.2%	5.1%

For the quarter ended June 30, 2010, consolidated interest expense, net of amounts capitalized, increased \$8.5 million (33.0%) from the 2009 second quarter. Year to date, consolidated interest expense, net of amounts capitalized, increased \$26.0 million (61.1%) from the first six months of 2009. The increase is due primarily to higher interest rate add-ons resulting from the senior credit facility amendment, increased interest expense from the issuance of the senior unsecured notes and the incremental interest incurred on the portion of the revolving

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credit facility that was extended. Additionally, since we have opened the Black Hawk hotel, we no longer capitalize interest on the associated debt, which has caused our net interest expense to rise relative to prior periods.

***Income Taxes***

Our effective income tax rate was 38.8% for the quarter ended June 30, 2010, compared to 44.9% for the corresponding 2009 period. For the six months ended June 30, 2010 and 2009, the effective income tax rates were 34.9% and 43.4%, respectively. Excluding the impact of the intangible asset impairment at Ameristar East Chicago, the effective tax rate for the six months ended June 30, 2010 would have been 44.4%.

***Net Income (Loss)***

For the three months ended June 30, 2010, we recognized a consolidated net loss of \$24.9 million, compared to net income of \$14.3 million for the quarter ended June 30, 2009. Diluted loss per share was \$0.43 in the quarter ended June 30, 2010, compared to diluted earnings per share of \$0.25 in the corresponding prior-year quarter. For the six months ended June 30, 2010 and 2009, we reported a net loss of \$14.2 million and net income of \$44.2 million, respectively. The decrease is primarily due to the \$56.0 million East Chicago impairment charge. Diluted loss per share was \$0.25 for the first six months of 2010, compared to diluted earnings per share of \$0.76 in the corresponding prior-year period. The impairment charge adversely affected diluted earnings per share by \$0.56 for the six months ended June 30, 2010.

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**Table of Contents****Liquidity and Capital Resources*****Cash Flows Summary***

Our cash flows consisted of the following:

	Six Months Ended June 30,	
	2010	2009
	(In Thousands, Unaudited)	
<b>Net cash provided by operating activities</b>	\$ 107,301	\$ 126,204
<b>Cash flows from investing activities:</b>		
Capital expenditures	(24,532)	(77,384)
Decrease in construction contracts payable	(3,098)	(15,229)
Proceeds from sale of assets	101	428
Increase in deposits and other non-current assets	(3,662)	(4,219)
<b>Net cash used in investing activities</b>	(31,191)	(96,404)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt and other borrowings	12,000	659,485
Principal payments of debt	(76,194)	(642,344)
Debt issuance and amendment costs	(131)	(22,484)
Cash dividends paid	(12,157)	(6,038)
Proceeds from stock option exercises	1,940	1,897
Purchases of treasury stock	(155)	(144)
Excess tax benefit from stock option exercises		132
<b>Net cash used in financing activities</b>	(74,697)	(9,496)
<b>Net increase in cash and cash equivalents</b>	\$ 1,413	\$ 20,304

For the six months ended June 30, 2010, net cash provided by operating activities decreased \$18.9 million from 2009, mostly as a result of changes in several of our working capital assets and liabilities in 2010.

Capital expenditures during the first half of 2010 included minor construction projects, slot machine purchases and the acquisition of long-lived assets relating to various capital maintenance projects at all of our properties.

Capital expenditures during the first half of 2009 were primarily related to the hotel project at Ameristar Black Hawk that totaled \$55.9 million. Other capital expenditures during the first half of 2009 included slot machine purchases and the acquisition of long-lived assets relating to various capital maintenance projects at all of our properties.

During the first half of 2010, our Board of Directors declared two cash dividends of \$0.105 per share, which were paid on March 15, 2010 and June 25, 2010. No cash dividend was paid in the first quarter of 2009 due to the temporary suspension of dividend payments following the third quarter of 2008. In April 2009, our Board of Directors reinstated a cash dividend of \$0.105 per share that was paid in the second quarter of 2009.

During the first half of 2010, net debt repayments totaled \$64.2 million, including \$62.0 million of repayments of a portion of the principal balance outstanding under the revolving credit facility. After taking into consideration the repayments, we have \$118.6 million due in November 2010, with approximately \$122 million available for borrowing under the extended portion of the revolving credit facility. We intend to repay all 2010





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debt maturities with cash from operations and availability under the extended portion of the revolving credit facility. At June 30, 2010, our leverage and senior leverage ratios (each as defined in the senior credit facility) were required to be no more than 6.00:1 and 5.50:1, respectively. As of that date, our leverage ratio and senior leverage ratio were each 4.95:1.

All mandatory principal repayments have been made through June 30, 2010. As of June 30, 2010, the amount of the revolving loan facility available for borrowing was \$152.9 million, after giving effect to \$4.1 million of outstanding letters of credit. In July 2010, we made an additional repayment of \$16.0 million of the principal balance outstanding under the revolving credit facility.

In connection with the issuance of the senior unsecured notes and the senior credit facility amendment, we paid one-time fees and expenses totaling approximately \$22.5 million during the first six months of 2009, most of which was capitalized and will be amortized over the respective remaining terms of the senior credit facility. During the second quarter of 2009, deferred debt issuance costs totaling approximately \$5.2 million were expensed as a result of the early retirement of a portion of the outstanding revolving credit facility.

Our interest expense has increased significantly as a result of the senior credit facility amendment, senior notes issuance and extension of our revolving loan facility that took place in 2009. For the first half of 2010, consolidated net interest expense increased by \$26.0 million compared to same period of the prior year. Additionally, capitalized interest decreased from \$4.6 million for the first half of 2009 to \$0.4 million in the 2010 first half, due to the completion of the Ameristar Black Hawk hotel.

The credit facility accrues interest based on the applicable margin plus LIBOR, or the base rate, as defined in the credit facility agreement. Our interest rate swap agreements, which effectively fixed the rate of interest payable under the credit facility, expired on July 19, 2010. We anticipate our interest expense to decline due to the termination of these agreements since the rates we paid under the swap agreements were substantially greater than the current floating rate under the credit facility, the remaining term of the credit facility is relatively short and the LIBOR and base rates used in calculating the credit facility interest rate are expected to remain at low levels for the foreseeable future.

In addition to the availability under the senior credit facility, we had \$97.9 million of cash and cash equivalents at June 30, 2010, approximately \$70.0 million of which were required for daily operations.

Historically, we have funded our daily operations through net cash provided by operating activities and our significant capital expenditures primarily through operating cash flows, bank debt and other debt financing. If our existing sources of cash are insufficient to meet our operations and liquidity requirements, we will be required to seek additional financing that would likely be more expensive than our senior credit facility and/or scale back our capital plans, reduce other expenditures or reduce or discontinue the payment of dividends in the future. Any loss from service of our properties for any reason could materially adversely affect us, including our ability to fund daily operations and to satisfy debt covenants.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Securities and Exchange Commission Regulation S-K.

**Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States. Certain of our accounting policies, including the estimated useful lives assigned to our assets, asset impairment, health benefit reserves, workers' compensation and general liability reserves, purchase price allocations made in connection with acquisitions, the determination of bad debt reserves and the calculation of our income tax liabilities, require that we apply significant judgment in defining the appropriate

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assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. Our judgments are based in part on our historical experience, terms of existing contracts, observance of trends in the gaming industry and information obtained from independent valuation experts or other outside sources. We cannot assure you that our actual results will conform to our estimates. For additional information on critical accounting policies and estimates, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the notes to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009.

**Forward-Looking Statements**

This Quarterly Report contains certain forward-looking statements, including the plans and objectives of management for our business, operations and financial performance. These forward-looking statements generally can be identified by the context of the statement or the use of forward-looking terminology, such as believes, estimates, anticipates, intends, expects, plans, is confident that, should or words of similar meaning, with reference to us or management. Similarly, statements that describe our future operating performance, financial results, financial position, plans, objectives, strategies or goals are forward-looking statements. Although management believes that the assumptions underlying the forward-looking statements are reasonable, these assumptions and the forward-looking statements are subject to various factors, risks and uncertainties, many of which are beyond our control, including but not limited to uncertainties concerning operating cash flow in future periods, our borrowing capacity under the senior credit facility or any replacement financing, our properties' future operating performance, our ability to undertake and complete capital expenditure projects in accordance with established budgets and schedules, changes in competitive conditions, regulatory restrictions and changes in regulation or legislation (including gaming tax laws) that could affect us. Accordingly, actual results could differ materially from those contemplated by any forward-looking statement. In addition to the other risks and uncertainties mentioned in connection with certain forward-looking statements throughout this Quarterly Report, attention is directed to Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2009 for a discussion of the factors, risks and uncertainties that could affect our future results.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our senior credit facility. Outstanding amounts borrowed under our senior credit facility bear interest at a rate equal to LIBOR (in the case of Eurodollar loans) or the prime interest rate (in the case of base rate loans), plus an applicable margin, or add-on. As of June 30, 2010, we had \$975.0 million outstanding under our senior credit facility, bearing interest at variable rates indexed to three-month LIBOR. Since substantially all of this debt was hedged pursuant to interest rate swap agreements (as described in further detail below) and our other debt consists of the Notes that bear interest at a fixed rate, a hypothetical 1% interest rate increase at that date would have no impact on our pre-tax earnings.

At June 30, 2010, we had in effect two interest rate swap agreements, both of which terminated on July 19, 2010. (See Note 7 Derivative instruments and hedging activities of Notes to Consolidated Financial Statements for more discussion of the interest rate swaps.) These swaps effectively fixed three-month LIBOR on a \$963.0 million notional amount at a weighted-average rate of 3.09%. At June 30, 2010, three-month LIBOR was approximately 0.53%. Therefore, the expiration of these swaps (assuming three-month LIBOR remains constant at its June 30, 2010 level) would result in an annual decrease in interest expense (and an increase in pre-tax earnings) of \$24.6 million.

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As a result of the expiration of these swaps on July 19, 2010, we are exposed to interest rate risk such that an increase, after such date, in LIBOR of 0.5%, 1.0% and 1.5% would result in an increase in annualized interest expense under our senior credit facility (and a decrease in pre-tax earnings) of approximately \$4.9 million, \$9.8 million and \$14.6 million, respectively. However, the net effect of the expiration of the swaps, together with an increase in LIBOR of 0.5%, 1.0% and 1.5% from its June 30, 2010 level immediately after the expiration of the swaps, would be an annual decrease in interest expense (and increase in pre-tax earnings) of \$19.8 million, \$14.9 million and \$10.0 million, respectively.

Our objective in using derivatives is to add stability to interest expense and to manage our exposure to interest rate movements or other identified risks. To accomplish this objective, we have used interest rate swaps as part of our 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. We do not use derivatives for trading or speculative purposes and do not have any derivatives that are not designated as hedges. We may enter into additional swap transactions or other interest rate protection agreements from time to time in the future. However, the May 2009 refinancing of a substantial portion of our variable-rate debt with the fixed-rate senior unsecured notes reduces our exposure to interest rate risk and, accordingly, we have determined not to renew the use of interest rate swaps in the near term following their expiration on July 19, 2010.

Should we elect to use derivative instruments to hedge exposure to changes in interest rates in the future, we again would be exposed to the potential failure of our counterparties to perform under the terms of the agreements. We would minimize this risk by entering into interest rate swap agreements with highly rated commercial banks.

**Item 4. Controls and Procedures**

(a) Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the Exchange Act), the Company's management, including our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of the end of the period covered by this Quarterly Report.

(b) Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d) under the Exchange Act, the Company's management, including our Chief Executive Officer and our Chief Financial Officer, has evaluated our internal control over financial reporting to determine whether any changes occurred during the second fiscal quarter of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the second fiscal quarter of 2010.

**Table of Contents****PART II. OTHER INFORMATION****Item 1A. Risk Factors**

We incorporate by reference the risk factors discussed in Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2009.

*Adverse weather conditions or natural disasters in the areas in which we operate, or other conditions that restrict access to our properties, could have an adverse effect on our results of operations and financial condition.*

In July 2010, the Missouri Department of Transportation indicated that it expects to temporarily close for major maintenance one span of a bridge over which Interstate 70 crosses the Missouri River near Ameristar St. Charles. The bridge is a significant (though not exclusive) access route to our property from St. Louis County. The closure reportedly could last up to a year and would mean that both directions of traffic would share one span, increasing congestion and potentially necessitating ingress and egress ramp restrictions. The project is expected to start between the end of 2011 and the end of 2013. We are monitoring the plans, but do not yet have enough information to forecast the closure's impact on access for our guests, the property's business levels or its operating results.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>	<b>Method of Filing</b>
31.1	Certification of Gordon R. Kanofsky, Chief Executive Officer and Vice Chairman, pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed electronically herewith.
31.2	Certification of Thomas M. Steinbauer, Senior Vice President of Finance, Chief Financial Officer and Treasurer, pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed electronically herewith.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed electronically herewith.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERISTAR CASINOS, INC.

Registrant

Date: August 9, 2010

By: /s/ Thomas M. Steinbauer  
Thomas M. Steinbauer  
Senior Vice President of Finance, Chief  
Financial Officer and Treasurer

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