DICK STEPHEN W
Form 4
March 08, 2010

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
DICK STEPHEN W
(Last) (First) (Middle)
C/O TIDEWATER, INC., 601 POYDRAS ST. #1900
(Street)
NEW ORLEANS, LA 70130
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
TIDEWATER INC [TDW]

3. Date of Earliest Transaction (Month/Day/Year)
03/03/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Executive Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/03/2010		A		11,752	A	(1)	68,380	D	
Common Stock								114.2744	I	By Trustee (2)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (Right to buy)	$ 45.75	03/03/2010		A		29,390		03/03/2011 (3)	03/03/2020	Common Stock	29,390

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DICK STEPHEN W C/O TIDEWATER, INC. 601 POYDRAS ST. #1900 NEW ORLEANS, LA 70130			Executive Vice President	

Signatures

/s/ Margaret F. Murphy as Agent and Attorney-in-Fact for Stephen W. Dick	03/08/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) 7,835 of the shares of restricted stock granted vest 25% per year over four years. 3,917 shares of restricted stock granted will vest after four years depending upon Tidewater's return on capital employed.

(2) Acquired on a periodic basis by the Trustee of the Tidewater, Inc. 401(k) Savings Plan. Includes shares acquired for the account through January 31, 2010.

(3) The options vest 1/3 per year beginning March 3, 2011.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. H="9%"> Rule 13d-1(b)(1)(ii)(G);

(h)

A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;

(i)

A church plan that is excluded from the definition of an Investment company under Section 3(c)(14) of the Investment Company act;

(j)

Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

If this statement is filed pursuant to Rule 13d-1(b), check this box. X

Item 4. Ownership

Provide the following information regarding the aggregate number and

Percentage of the class of securities of issuer identified in Item 1.

(a) Amount beneficially owned: 442,283

Including 0 shares where there is a Right to Acquire.

(b) Percent of class: 5.8%

(c) Number of shares as to which such person has:

(i)	Sole power to vote or to direct the vote:	399,084
(ii)	Shared power to vote or to direct the vote:	813
(iii)	Sole power to dispose or to direct the disposition of:	430,830

(iv) Shared power to dispose or to direct the disposition of: 361

Item 5. Ownership of Five Percent or Less of a Class. NOT APPLICABLE

If this statement is being filed to report the fact that as of the date

hereof the reporting person has ceased to be the beneficial owner of more

than five percent of the class of securities, check the following. ( )

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

JPMorgan Chase & Co. is the beneficial owner of 442,283 shares of the

issuer's common stock on behalf of other persons known to have one or more of

the following:

the right to receive dividends for such securities;

the power to direct the receipt of dividends from such securities;

the right to receive the proceeds from the sale of such securities;

the right to direct the receipt of proceeds from the sale of such securities;

No such person is known to have an interest in more than 5% of the class of

securities reported herein unless such person is identified below.

Item 7. Identification and Classification of the Subsidiary Which Acquired the

Security being reported on by the Parent Holding Company.

This notice is filed on behalf of JPMorgan Chase & Co. and its wholly owned

Subsidiary (ies),

JPMorgan Chase Bank, National Association

J.P. Morgan Investment Management Inc.

Bank One Trust Co., N.A.

JPMorgan Investment Advisors Inc.

Item 8. Identification and Classification of Members of the Group.

Not Applicable

Item 9. Notice of Dissolution of Group.

Not Applicable

Item 10. **Certifications**

By signing below I certify that, to the best of my knowledge and belief,

the securities referred to above were not acquired and are not held for the

purpose of or with the effect of changing or influencing the control of the

issuer of the securities and were not acquired and are not held in connection

with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the

information set forth in this statement is true, complete and correct.

Dated: February 08, 2006

JPMorgan Chase & Co.

By: /s/ Margaret R. Rubin

Margaret R. Rubin

Corporate Compliance

The original statement shall be signed by each person on whose behalf the statement

is filed or his authorized representative. If the statement is signed on behalf of

a person by his authorized representative (other than an executive officer or general

partner of the filing person), evidence of the representative's authority to sign on

behalf of such person shall be filed with the statement, provided, however, that a

power of attorney for this purpose which is already on file with the commission may

be incorporated by reference. The name and any title of each person who signs the

the statement shall be typed or printed beneath his signature.

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gin-top: 6pt"> Additionally, consolidated operating income and the related margin were adversely impacted by increases in employee compensation and related benefits and depreciation expense at Ameristar St. Charles and by the temporary closure of a principal highway between Black Hawk and Denver in the third quarter of 2005.

We believe that the improvements in operating income and operating income margin at our Kansas City and Council Bluffs properties were mostly attributable to the effective implementation of cost-containment initiatives. Our Jackpot properties benefited from a reduction in entertainment and marketing costs.

Explanation of Responses:

Corporate expense for the year ended December 31, 2005 increased $8.7 million, or 22.1%, over 2004, primarily as a result of additional employee compensation and benefit costs and increased development activities.

Interest Expense

Consolidated interest expense, net of amounts capitalized, was $60.9 million in 2005 compared to $57.0 million in 2004. Total interest cost in 2005 was $66.0 million, an increase of $7.3 million over 2004. The increase is due primarily to a rise in our average LIBOR-based interest rate on our senior credit facilities year-

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over-year and, to a lesser extent, an increase in our long-term debt level resulting from the $115.0 million borrowed in December 2004 to acquire our Black Hawk property. The increases in the average interest rate and long-term debt level were partially offset by a $1.0 million decrease in interest expense resulting from the termination of our interest rate swap agreement on March 31, 2004 and an increase in capitalized interest from $1.7 million in 2004 to $5.0 million in 2005. Capitalized interest in 2005 primarily related to the capital improvement projects at our Black Hawk property and the hotel room renovations at our Council Bluffs and Kansas City properties.

Income Tax Expense

Our effective income tax rate was 36.8% in 2005 and 38.6% in 2004. The federal income tax statutory rate was 35.0% in both years. The differences from the statutory rate are due to state income taxes and the effect of certain expenses we incurred that are not deductible for federal income tax purposes.

Net Income

Net income increased to $66.3 million for the year ended December 31, 2005 compared to $62.0 million in 2004 and diluted earnings per share increased to $1.16 in 2005 from $1.11 in 2004. Our net income and diluted earnings per share in 2005 increased primarily as a result of revenue growth for the reasons mentioned above, as partially offset by increases in depreciation expense, corporate costs and losses on early retirement of debt. Diluted earnings per share were negatively impacted by a 2.6% increase in the number of weighted average diluted shares outstanding in 2005 versus 2004.

Liquidity and Capital Resources

Cash Flows Summary

Our cash flows consisted of the following:

	Years ended December 31,		
	2006	2005	2004
	(Amounts in Thousands)		
Net cash provided by operating activities	$ 169,538	$ 197,459	$ 176,504
Cash flows from investing activities:			
Capital expenditures	(249,123)	(177,789)	(89,633)
Net cash paid for acquisition of Mountain High Casino			(114,171)
Increase (decrease) in construction contracts payable	16,157	4,437	(5,536)
Proceeds from sale of assets	1,368	896	879
Increase in deposits and other non-current assets	(6,083)	(3,393)	(197)
Net cash used in investing activities	(237,681)	(175,849)	(208,658)
Cash flows from financing activities:			
Debt borrowings	485,000	410,000	115,000
Principal payments of debt	(384,346)	(396,554)	(68,562)
Premium on early redemption of senior subordinated notes	(20,425)		
Cash dividends paid	(21,068)	(17,425)	(13,561)
Debt issuance costs	(153)	(5,134)	(88)
Excess tax benefit from stock option exercises	4,266		
Purchases of treasury stock	(8,014)		
Proceeds from stock option exercises	7,878	7,125	7,668
Net cash provided by (used in) financing activities	63,138	(1,988)	40,457

Net (decrease) increase in cash and cash equivalents	$ (5,005)	$ 19,622	$ 8,303

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Cash flows from operating activities

Our business is primarily conducted on a cash basis. Accordingly, operating cash flows tend to follow trends in our operating income. The decline in operating cash flows from 2005 to 2006 was attributable in part to increases in income tax cash payments and debt service payments and the decrease in net income as discussed above. The increase in operating cash flows from 2004 to 2005 was chiefly the result of the improvement in consolidated operating income during 2005, a $16.4 million increase in deferred taxes and positive changes in several of our working capital assets and liabilities.

Cash flows from investing activities

We incurred $249.1 million, $177.8 million and $89.6 million in capital expenditures (including capitalized interest) in 2006, 2005 and 2004, respectively. See Capital expenditures and Liquidity for further discussion of capital expenditures. During 2004, we paid $114.2 million, net of $3.6 million of acquired cash, issued $2.5 million of Common Stock and assumed $2.3 million of long-term debt in connection with the acquisition of our Black Hawk property.

Cash flows from financing activities

Cash flows provided by financing activities were significantly impacted by the following:

The February 15, 2006 redemption of our senior subordinated notes with borrowings under our revolving loan facility;

The November 10, 2005 borrowing of $400.0 million as a term loan under our new credit facility, of which $362.2 million was used to repay the principal amount of loans outstanding under our prior senior credit facilities, with the balance being held to provide funding for future capital needs;

Debt borrowings primarily to fund capital improvement projects;

The December 21, 2004 borrowing of $115.0 million under our senior credit facilities in order to fund the acquisition of our Black Hawk property;

Principal payments on long-term debt;

Prepayments of $26.0 million and $65.0 million on our senior credit facilities in 2005 and 2004, respectively;

Dividend payments;

Proceeds from employee stock option exercises;

The repurchase of 0.4 million shares of Common Stock at a cost of $8.0 million under our stock repurchase program during 2006; and

Debt issuance costs relating to the new credit facility.

As a result of several of the 2006 transactions described above, our total long-term debt outstanding (including current maturities) increased from $780.4 million at December 31, 2005 to $883.0 million at December 31, 2006.

Capital expenditures

In 2006, we incurred $249.1 million in capital expenditures (of which $8.1 million was capitalized interest). These expenditures were mostly funded with cash from operations and, to a lesser extent, with the borrowings

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under our senior credit facilities. Capital expenditures for the year ended December 31, 2006 included: $92.3 million related to our expansion activities at Ameristar St. Charles; $48.3 million for capital improvement projects at Ameristar Black Hawk; $33.3 million for the acquisition of slot machines at all our properties; and $22.4 million for the construction of a new parking garage and casino expansion at Ameristar Vicksburg.

During 2005, capital expenditures totaled $177.8 million (of which $5.0 million was capitalized interest) and included: $57.2 million for capital improvement projects at our Black Hawk property; $52.6 million for long-lived assets relating to various capital maintenance at all our properties; $33.2 million for slot equipment and related technology; $19.7 million related to the Council Bluffs and Kansas City hotel room renovations; and $15.1 million for construction relating to the St. Charles parking garage, hotel and conference center.

Capital expenditures made in 2004 totaled $89.6 million (of which $1.7 million was capitalized interest) and included: $36.9 million for slot equipment and related technology; $35.2 million for long-lived assets relating to various capital maintenance at all our properties; $10.9 million related to the Council Bluffs and Kansas City hotel room renovations; and $6.6 million for information technology projects.

Our senior credit facilities limit our aggregate capital expenditures to $1.0 billion during the period from November 10, 2005 to November 10, 2012.

Liquidity

At December 31, 2006, our principal debt outstanding consisted of $485.0 million under the revolving loan facility and $396.0 million under the term loan facility. As of December 31, 2006, the amount of the revolving loan facility available for borrowing was $309.6 million, after giving effect to $5.4 million of outstanding letters of credit. All mandatory principal repayments have been made through December 31, 2006.

As discussed above, on November 10, 2005, we obtained a $1.2 billion senior secured credit facility that includes a $400.0 million seven-year term loan facility and a five-year revolving loan facility with capacity for borrowing up to $800.0 million. The proceeds from the term loan were primarily used to repay all $362.2 million principal amount of loans outstanding under the replaced senior secured credit facilities. The new credit facility features lower interest rate add-ons compared to our previous senior secured credit facilities and, together with operating cash flows, will provide the funding for our existing capital improvement projects. We also used proceeds of the new facility to fund the redemption in February 2006 of our 10.75% senior subordinated notes, which we expect will result in a further significant reduction in our borrowing costs, as discussed below.

The revolving loan facility includes a $75.0 million letter of credit sub-facility and a $25.0 million swingline loan sub-facility. Upon the satisfaction of certain conditions, we will have the option to increase the total amount available under the new credit facility by up to an additional $400.0 million, in the form of incremental term loans or additional borrowings under the revolving facility.

The agreement governing our senior credit facilities requires us 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. Certain changes in control could result in the acceleration of our senior credit facilities. As of December 31, 2006, we were in compliance with all applicable covenants.

On February 15, 2006, we redeemed all $380.0 million outstanding principal amount of the senior subordinated notes at a redemption price of 105.375% of the principal amount, plus $20.4 million in accrued and unpaid interest to the redemption date. The retirement of the notes resulted in a one-time charge for loss on early retirement of debt in the first quarter of 2006 of approximately $26.3 million on a pre-tax basis.

At December 31, 2006, we had available $212.5 million of state net operating loss carryforwards that relate to our Missouri properties and may be applied against future taxable income. At December 31, 2006, we also had available $22.4 million of federal net operating loss carryforwards and $27.3 million of state net operating loss carryforwards, which were acquired as part of the Ameristar Black Hawk acquisition. These acquired 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 $5.1 million that can be applied against future taxable income. The remaining unused federal and state net operating loss carryforwards will expire in 2019 through 2025. During the years ended December 31, 2006 and 2005, we made federal and state income tax payments totaling $38.3 million and $15.0 million, respectively.

As of December 31, 2006, in addition to the $309.6 million available for borrowing under the senior credit facilities, we had $101.1 million of cash and cash equivalents, approximately $48.0 million of which were required for daily operations. Our capital expenditures in 2007 are expected to be approximately $407.0 million. We anticipate spending approximately $50.0 million on maintenance capital expenditures (including the acquisition of slot machines and other long-lived assets) and approximately $357.0 million on internal expansion projects. Actual 2007 capital expenditures will depend on the start date of certain projects and the progress of construction through year-end. As described in more detail above, our current major internal expansion projects include: construction of the 400-room, all-suite hotel with an indoor/outdoor swimming pool and a 7,000 square-foot full-service spa, and an additional 2,000-space parking garage at Ameristar St. Charles; construction of the 536-room, four-diamond-quality hotel with related amenities and services at Ameristar Black Hawk; and the casino and parking expansion project and the planned hotel renovation at Ameristar Vicksburg.

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. We believe that our cash flows from operations, cash and cash equivalents and availability under our senior credit facilities will be able to support our operations and liquidity requirements, including all of our currently planned capital expenditures and dividend payments on our Common Stock. However, if our existing sources of cash are insufficient to meet such needs, we will be required to seek additional financing or scale back our capital plans. We would likely have to obtain additional debt financing if we undertake major acquisitions or new development projects. Any loss from service of our riverboat and barge facilities for any reason could materially adversely affect us, including our ability to fund daily operations and to satisfy debt covenants. Our ability to borrow funds under our senior credit facilities at any time is primarily dependent upon the amount of our EBITDA, as defined for purposes of our senior credit facilities, for the preceding four fiscal quarters.

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.

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Contractual and Other Commitments

The following table summarizes our material obligations and commitments to make future payments under certain contracts, including long-term debt obligations, capitalized leases, operating leases and certain construction contracts.

	Payments Due by Period (in Thousands)				
Contractual Obligations:	**2007**	**2008-2009**	**2010-2011**	**After 2011**	**Total**
Long-term debt instruments	$ 4,344	$ 8,699	$587,034	$282,935	$ 883,012
Estimated interest payments on long-term debt (1)	63,937	144,357	97,914	21,693	327,901
Operating leases	3,703	1,538	974	851	7,066
Material construction contracts	228,216	47,395			275,611
Total	$300,200	$201,989	$685,922	$305,479	$1,493,590

(1) Estimated interest payments on long-term debt are based on principal amounts outstanding after giving effect to projected borrowings in 2007 and forecasted LIBOR rates for our senior secured credit facilities.

	Amount of Commitment Expiration Per Period (in Thousands)				
Other Commitments:	**2007**	**2008-2009**	**2010-2011**	**After 2011**	**Total**
Letters of credit	$ 5,373	$	$	$	$ 5,373

Our cash tax payments for 2007 are expected to be approximately $31.0 million.

Another significant operating use of cash in 2007 is interest payments. Our cash interest payments, excluding capitalized interest, were $65.7 million, $59.1 million and $54.3 million for the years ended December 31, 2006, 2005 and 2004, respectively. Cash interest payments may increase in 2007 as a result of a possible rise in interest rates and an expected increase in the average outstanding debt balance from anticipated borrowings under the $800.0 million revolving loan facility to fund our capital improvement projects. For more information, see Note 5 Long-term debt of Notes to Consolidated Financial Statements.

We routinely enter into operational contracts in the ordinary course of our business, including construction contracts for projects that are not material to our business or financial condition as a whole. Our commitments relating to these contracts are recognized as liabilities in our consolidated balance sheets when services are provided with respect to such contracts.

In December 2000, we 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 our purchase of that property. In order to pay for the highway improvement project, the Development District issued revenue bonds totaling $9.0 million in principal amount with scheduled maturities from 2006 through 2011. We have issued an irrevocable standby letter of credit with 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, 2006 and may be subsequently reduced as principal and interest mature under the revenue bonds. Additionally, we are 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

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the bondholders. Through December 31, 2006, we had paid $2.0 million in shortfalls and other costs. As required by the agreements, we anticipate that we will be reimbursed for these shortfall payments by the Development District from future available cash flow, as defined, and have recorded a corresponding receivable as of December 31, 2006.

At December 31, 2006, we had outstanding letters of credit in the amount of $5.4 million, which reduced the amount available to borrow under our revolving loan facility. We do not have any other guarantees, contingent commitments or other material liabilities that are not reflected on our consolidated balance sheets. For more information, see Note 5 Long-term debt of Notes to Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Management s discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements. To prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States, we must make estimates and assumptions that affect the amounts reported in the consolidated financial statements. We regularly evaluate these estimates and assumptions, particularly in areas we consider to be critical accounting estimates, where changes in the estimates and assumptions could have a material impact on our results of operations, financial position and, generally to a lesser extent, cash flows. Senior management and the Audit Committee of our Board of Directors have reviewed the disclosures included herein about our critical accounting estimates, and have reviewed the processes to determine those estimates.

Property and Equipment

We have significant capital invested in our property and equipment, which represents approximately 84% of our total assets. Judgments are made in determining the estimated useful lives of assets, salvage values to be assigned to assets and if or when an asset has been impaired. The accuracy of these estimates affects the amount of depreciation expense recognized in our financial results and the extent to which we have a gain or loss on the disposal of the asset. We assign lives to our assets based on our standard policy, which we believe is representative of the useful life of each category of assets. We review the carrying value of our property and equipment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors we consider in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors.

Excess of Purchase Price Over Fair Value of Net Assets Acquired

At December 31, 2006, we had approximately $77.0 million in goodwill and other intangible assets on our consolidated balance sheet resulting from our acquisition of the Missouri properties in December 2000. As required by SFAS No. 142, we completed our annual assessment for impairment and determined that no goodwill impairment existed. The assessment requires the use of estimates about future operating results of each reporting unit to determine its estimated fair value. Changes in forecasted operations can materially affect these estimates.

Star Awards Program

Our customer reward program, Star Awards, allows customers to earn certain point-based cash rewards or complimentary goods and services based on the volume of the customers gaming activity. Customers can accumulate reward points over time that they may redeem at their discretion under the terms of the program. The reward credit balance is forfeited if a customer does not earn any reward credits over any subsequent 12-month period. As a result of the ability of the customer to bank the reward points, we accrue the expense of reward points, after giving effect to estimated forfeitures, as they are earned. At December 31, 2006 and 2005, $7.7 million and $8.6 million, respectively, were accrued under this program. The value of these point-based cash rewards or complimentary goods and services are netted against revenue as a promotional allowance.

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Cash Coupons

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

Self-Insurance Reserves

We are 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, 2006 and 2005, our estimated liabilities for unpaid and incurred but not reported claims totaled $10.4 million and $10.1 million, respectively. We utilize 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. We believe 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.

Accounting for Share-Based Compensation

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123(R), Share-Based Payment, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. These fair values are calculated by using the Black-Scholes-Merton option pricing formula, which requires estimates for expected volatility, expected dividends, the risk-free interest rate and the term of the option. SFAS No. 123(R) revised SFAS No. 123 and superseded APB Opinion No. 25, Accounting for Stock Issued to Employees. Effective January 1, 2006, we adopted the provisions of SFAS No. 123(R) using the modified prospective application transition method. Under this transition method, the future compensation cost related to all equity instruments granted prior to but not yet vested as of adoption is recognized based on the grant-date fair value, which is estimated in accordance with the original provisions of SFAS No. 123. The grant-date fair value of the awards is generally recognized as expense over the service period. Under the provisions of SFAS No. 123(R), we are required to include an estimate of the number of awards that will be forfeited and update that number based on actual forfeitures. Previously, we had recognized the impact of forfeitures as they occurred. With respect to the determination of the pool of windfall tax benefits, we elected to use the transition election of FASB Staff Position No. FAS 123(R)-3 (the short-cut method) as of the adoption of SFAS No. 123(R).

Income Taxes

We are subject to federal income taxes in the United States and state income taxes in several states in which we operate. We account for income taxes according to SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires the recognition of deferred tax assets, net of applicable reserves, related to net operating loss carryforwards and certain temporary differences. The standard requires recognition of a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied.

At December 31, 2006, we had $33.2 million of deferred tax assets and $121.2 million of deferred tax liabilities. We believe that it is more likely than not that our deferred tax assets are fully realizable because of the future reversal of existing taxable temporary differences and future projected taxable income.

Our income tax returns are subject to examination by the IRS and other tax authorities. We regularly assess the potential outcomes of these examinations in determining the adequacy of our provision for income taxes and our income tax liabilities. To determine necessary reserves, we must make assumptions and judgments

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about potential actions by taxing authorities, partially based on historical precedent. Our estimate of the potential outcome of any uncertain tax issue is highly judgmental, and we believe we have adequately provided for any probable adverse outcomes related to uncertain tax matters. When actual results of tax examinations differ from our estimates, we adjust the income tax provision and our tax reserves in the period in which the examination issues are settled.

Recently Issued Accounting Standards

FIN 48

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, which clarifies the accounting for uncertainty in tax positions. FIN 48 provides that a company may recognize the impact of a tax position in its financial statements only if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective in the first quarter of 2007, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact of adopting FIN 48 on our financial statements.

SAB 108

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108 (SAB 108), which addresses how the effects of prior year uncorrected financial statement misstatements should be considered in current year financial statements. SAB 108 requires registrants to quantify misstatements using both balance sheet and income statement approaches and to evaluate whether either approach results in quantifying an error that is material in light of relative quantitative and qualitative factors. The requirements of SAB 108 are effective for annual financial statements covering the first fiscal year ending after November 15, 2006. The adoption of SAB 108 in 2006 had no impact on our financial position or results of operations.

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which 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. However, for some entities, the application of this statement will change current practice. We are required to adopt SFAS No. 157 as of January 1, 2008. The adoption of SFAS No. 157 is not expected to have a material impact on our financial position, results of operations or cash flows.

Item 7A. 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 facilities. As of December 31, 2006, we had $881.0 million outstanding under our senior credit facilities, bearing interest at variable rates. The senior credit facilities bear interest 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. At December 31, 2006, the average interest rate applicable to the senior credit facilities was 6.6%. An increase of one percentage point in the average interest rate applicable to the senior credit facilities outstanding at December 31, 2006 would increase our annual interest cost by approximately $8.8 million.

Substantially all of our long-term debt is subject to variable interest rates. We continue to monitor interest

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rate markets and, in order to control interest rate risk, may enter into interest rate collar or swap agreements or other derivative instruments as market conditions warrant. We may also choose to refinance a portion of our variable rate debt through the issuance of long-term fixed-rate securities.

Item 8. Financial Statements and Supplementary Data

The Reports of Independent Registered Public Accounting Firm appear at pages F-2 through F-4 hereof, and our Consolidated Financial Statements and Notes to Consolidated Financial Statements appear at pages F-5 through F-26 hereof.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the Exchange Act), that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and President and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and President and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2006. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and President and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

(b) Management s Annual Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm

The information required to be furnished pursuant to this item is set forth under the captions Management s Annual Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm and is included in this Annual Report at pages F-1 through F-4.

(c) Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d) under the Exchange Act, our management, including our Chief Executive Officer and President and our Chief Financial Officer, has evaluated our internal control over financial reporting to determine whether any changes occurred during the fourth fiscal quarter of 2006 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there was no such change during the fourth fiscal quarter of 2006.

Item 9B. Other Information

Not applicable.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be set forth under the captions Proposal No. 1 - Election of Directors and Section 16(a) Beneficial Ownership Reporting Compliance in the definitive Proxy Statement for our 2007 Annual Meeting of Stockholders (our Proxy Statement) to be filed with the Securities and Exchange Commission in April 2007 and is incorporated herein by this reference.

Item 11. Executive Compensation

The information required by this Item will be set forth under the caption Executive Compensation in our Proxy Statement and is incorporated herein by this reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be set forth under the captions Proposal No. 1 - Election of Directors Security Ownership of Certain Beneficial Owners and Management and Executive Compensation Equity Compensation Plan Information in our Proxy Statement and is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be set forth under the captions Proposal No. 1 - Election of Directors and Transactions with Related Persons in our Proxy Statement and is incorporated herein by this reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item will be set forth under the caption Independent Registered Public Accounting Firm in our Proxy Statement and is incorporated herein by this reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following are filed as part of this Report:

(a) 1. Financial Statements

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Notes to Consolidated Financial Statements

(a) 2. Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under related instructions or are inapplicable and therefore have been omitted.

(a) 3. Exhibits

The following exhibits are filed or incorporated by reference as part of this Report. Certain of the listed exhibits are incorporated by reference to previously filed reports of ACI under the Exchange Act, including Forms 10-K, 10-Q and 8-K. These reports have been filed with the Securities and Exchange Commission under File No. 0-22494.

Exhibit Number	Description of Exhibit	Method of Filing
3(i)(a)	Articles of Incorporation of ACI	Incorporated by reference to Exhibit 3.1 to Registration Statement on Form S-1 filed by ACI under the Securities Act of 1933, as amended (File No. 33-68936) (the Form S-1).
3(i)(b)	Certificate of Amendment to Articles of Incorporation of ACI	Incorporated by reference to Exhibit 3.1 to ACI s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
3(i)(c)	Certificate of Change Pursuant to NRS 78.209	Incorporated by reference to Exhibit 3(i).1 to ACI s Current Report on Form 8-K filed on June 8, 2005.
3(ii)	Bylaws of ACI	Incorporated by reference to Exhibit 3.2 to ACI s Annual Report on Form 10-K for the year ended December 31, 1995.
4.1	Specimen Common Stock Certificate	Incorporated by reference to Exhibit 4 to Amendment No. 2 to the Form S-1.
4.2	Credit Agreement dated as of November 10, 2005 among ACI, the various Lenders party thereto from time to time, Wells Fargo Bank, N.A., as Joint Lead Arranger and Syndication Agent, Deutsche Bank Securities Inc., as Joint Lead Arranger, the Documentation Agents and Managing Agents party thereto, and Deutsche Bank Trust Company Americas, as Administrative Agent (exhibits and schedules omitted) (the Credit Agreement)	Incorporated by reference to Exhibit 4.2 to ACI s Annual Report on Form 10-K for the year ended December 31, 2005 (the 2005 10-K).

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Exhibit Number	Description of Exhibit	Method of Filing
4.3	First Amendment to Credit Agreement, dated as of August 21, 2006, among ACI, the various Lenders party to the Credit Agreement and Deutsche Bank Trust Company Americas, as Administrative Agent.	Incorporated by reference to Exhibit 4.1 to ACI s Current Report on Form 8-K filed on August 24, 2006.
*10.1(a)	Employment Agreement dated November 15, 1993 between ACI and Thomas M. Steinbauer	Incorporated by reference to Exhibit 10.1(a) to ACI s Annual Report on Form 10-K for the year ended December 31, 1994.
*10.1(b)	Amendment No. 1 to Employment Agreement dated as of October 5, 2001 between ACI and Thomas M. Steinbauer	Incorporated by reference to Exhibit 10.2 to ACI s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (the September 2001 10-Q).
*10.1(c)	Amendment No. 2 to Employment Agreement dated as of August 15, 2002 between ACI and Thomas M. Steinbauer	Incorporated by reference to Exhibit 10.2 to ACI s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 (the September 2002 10-Q).
*10.1(d)	Amended and Restated Executive Employment Agreement dated as of March 11, 2002 between ACI and Gordon R. Kanofsky	Incorporated by reference to Exhibit 10.1(c) to ACI s Annual Report on Form 10-K for the year ended December 31, 2001 (the 2001 10-K).
*10.1(e)	Amendment to Amended and Restated Executive Employment Agreement dated as of August 16, 2002 between ACI and Gordon R. Kanofsky	Incorporated by reference to Exhibit 10.3 to the September 2002 10-Q.
*10.1(f)	Executive Employment Agreement dated as of March 13, 2002 between ACI and Peter C. Walsh	Incorporated by reference to Exhibit 10.1(d) to the 2001 10-K.
*10.1(g)	Amendment to Executive Employment Agreement dated as of August 16, 2002 between ACI and Peter C. Walsh	Incorporated by reference to Exhibit 10.4 to the September 2002 10-Q.
*10.1(h)	Executive Employment Agreement dated as of June 5, 2002 between ACI and Angela R. Baker (now known as Angela R. Frost)	Incorporated by reference to Exhibit 10.1(g) to ACI s Annual Report on Form 10-K for the year ended December 31, 2002 (the 2002 10-K).
*10.1(i)		

	Executive Employment Agreement, dated as of July 28, 2006, between ACI and John M. Boushy	Incorporated by reference to Exhibit 10.1 to ACI s Current Report on Form 8-K filed on August 2, 2006 (the August 2006 8-K).
*10.2	Restricted Stock Agreement, dated July 28, 2006, between ACI and John M. Boushy	Incorporated by reference to Exhibit 10.2 to the August 2006 8-K.
*10.3(a)	Ameristar Casinos, Inc. Management Stock Option Incentive Plan, as amended and restated	Incorporated by reference to Exhibit 10.3 to ACI s Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.

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Exhibit Number	Description of Exhibit	Method of Filing
*10.3(b)	Amendment to Ameristar Casinos, Inc. Amended and Restated Management Stock Option Incentive Plan	Incorporated by reference to Exhibit 10.3 to the September 2001 10-Q.
*10.3(c)	Second Amendment to Ameristar Casinos, Inc. Amended and Restated Management Stock Option Incentive Plan	Incorporated by reference to Exhibit 10.3(c) to the 2002 10-K.
*10.4(a)	Ameristar Casinos, Inc. Amended and Restated 1999 Stock Incentive Plan, effective as of June 17, 2005	Incorporated by reference to Exhibit 10.1 to ACI s Current Report on Form 8-K filed on June 22, 2005.
*10.4(b)	Form of Stock Option Agreement under Ameristar Casinos, Inc. Amended and Restated 1999 Stock Incentive Plan	Filed electronically herewith.
*10.5	Ameristar Casinos, Inc. 2002 Non-Employee Directors Stock Election Plan	Incorporated by reference to Appendix A to the definitive Proxy Statement filed by ACI under cover of Schedule 14A on April 30, 2002 (the 2002 Proxy Statement).
*10.6	Ameristar Casinos, Inc. Performance-Based Bonus Plan for Craig H. Neilsen	Incorporated by reference to Appendix B to the 2002 Proxy Statement.
*10.7	Form of Indemnification Agreement between ACI and each of its directors and executive officers	Incorporated by reference to Exhibit 10.33 to Amendment No. 2 to the Form S-1.
10.8	Second Amended and Restated Excursion Boat Sponsorship and Operations Agreement dated as of November 18, 2004 between Iowa West Racing Association and ACCBI	Incorporated by reference to Exhibit 10.9 to ACI s Annual Report on Form 10-K for the year ended December 31, 2004.
10.9	Settlement, Use and Management Agreement and DNR Permit, dated May 15, 1995, between the State of Iowa acting through the Iowa Department of Natural Resources and ACCBI as assignee of Koch Fuels, Inc.	Incorporated by reference to Exhibits 10.12 and 99.1 to ACI s Annual Report on Form 10-K for the year ended December 31, 1996.
*10.10	Ameristar Casinos, Inc. Deferred Compensation Plan	Incorporated by reference to Exhibit 10.14 to ACI s Annual Report on Form 10-K for the year ended December 31, 2000.
*10.11		

	Master Trust Agreement for Ameristar Casinos, Inc. Deferred Compensation Plan, dated as of April 1, 2001, between ACI and Wilmington Trust Company	Incorporated by reference to Exhibit 10.15 to the 2002 10-K.
*10.12	Amended and Restated Non-Qualified Stock Option Agreement, dated as of December 16, 2004, between ACI and Craig H. Neilsen	Incorporated by reference to Exhibit 10.12 to the 2005 10-K.

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Exhibit Number	Description of Exhibit	Method of Filing
*10.13	Performance Criteria for 2006, adopted on March 30, 2006 for purposes of the Ameristar Casinos, Inc. Performance-Based Bonus Plan for Craig H. Neilsen	Incorporated by reference to Exhibit 10.1 to ACI s Current Report on Form 8-K filed on April 4, 2006 (the April 2006 8-K).
*10.14	2006 Annual Bonus Program for Corporate Senior Management, adopted on March 30, 2006	Incorporated by reference to Exhibit 10.2 to the April 2006 8-K.
14	Ameristar Casinos, Inc. Code of Ethics for the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer	Filed electronically herewith.
21	Subsidiaries of ACI	Filed electronically herewith.
23.1	Consent of Independent Registered Public Accounting Firm Ernst & Young LLP	Filed electronically herewith.
23.2	Consent of Independent Registered Public Accounting Firm Deloitte & Touche LLP	Filed electronically herewith.
31.1	Certification of John M. Boushy, Chief Executive Officer and President, 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.
99.1	Agreement of ACI, dated as of March 15, 2006, to furnish the Securities and Exchange Commission certain instruments defining the rights of holders of certain long-term debt	Incorporated by reference to Exhibit 99.1 to the 2005 10-K.

99.2	Ameristar Casinos, Inc. Code of Conduct for Directors, Officers and Team Members	Incorporated by reference to ACI s Current Report on Form 8-K filed on May 3, 2004.

* Denotes a management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

March 16, 2007 By: /s/ John M. Boushy

John M. Boushy
Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Name and Title	Date
/s/ John M. Boushy	John M. Boushy, Chief Executive Officer, President and Director (principal executive officer)	March 16, 2007
/s/ Thomas M. Steinbauer	Thomas M. Steinbauer, Senior Vice President of Finance, Chief Financial Officer, Treasurer and Director (principal financial officer)	March 16, 2007
/s/ Thomas L. Malone	Thomas L. Malone, Vice President of Finance and Chief Accounting Officer (principal accounting officer)	March 16, 2007
/s/ Ray H. Neilsen	Ray H. Neilsen, Co-Chairman of the Board	March 16, 2007
/s/ Gordon R. Kanofsky	Gordon R. Kanofsky, Co-Chairman of the Board	March 16, 2007
/s/ Larry A. Hodges	Larry A. Hodges, Director	March 16, 2007
/s/ Carl Brooks	Carl Brooks, Director	March 16, 2007
/s/ Leslie Nathanson Juris	Leslie Nathanson Juris, Director	March 16, 2007
/s/ J. William Richardson	J. William Richardson, Director	March 16, 2007
/s/ Luther P. Cochrane	Luther P. Cochrane, Director	March 16, 2007

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MANAGEMENT S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Ameristar Casinos, Inc. and subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company s internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company s management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2006. In making this assessment, the Company s management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on its assessment, management believes that, as of December 31, 2006, the Company s internal control over financial reporting is effective based on those criteria.

The Company s independent registered public accounting firm has audited management s assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2006, as stated in their report, appearing on page F-2, which expresses unqualified opinions on management s assessment and on the effectiveness of the Company s internal control over financial reporting as of December 31, 2006.

Ameristar Casinos, Inc.
Las Vegas, Nevada
March 16, 2007

/s/ John M. Boushy	/s/ Thomas M. Steinbauer
John M. Boushy Chief Executive Officer and President	Thomas M. Steinbauer Senior Vice President of Finance, Chief Financial Officer and Treasurer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Ameristar Casinos, Inc.:

We have audited management s assessment, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting, that Ameristar Casinos, Inc. and its subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2006 and 2005 and the related consolidated statements of income, stockholders equity and comprehensive income, and cash flows for each of the two years ended December 31, 2006 of the Company and our report dated March 12, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 12, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Ameristar Casinos, Inc.:

We have audited the accompanying consolidated balance sheets of Ameristar Casinos, Inc. and its subsidiaries (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders equity and comprehensive income, and cash flows for each of the two years in the period ended December 31, 2006. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for Share-Based Payments in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004) on January 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 12, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Ameristar Casinos, Inc.
Las Vegas, Nevada

We have audited the accompanying consolidated statements of income, stockholders equity and comprehensive income, and cash flows of Ameristar Casinos, Inc. (a Nevada Corporation) and subsidiaries (the Company) for the year ended December 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Ameristar Casinos, Inc. and subsidiaries for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Las Vegas, Nevada
March 16, 2005

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

	December 31, 2006	December 31, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 101,140	$ 106,145
Restricted cash	6,425	6,474
Accounts receivable, net	7,325	5,242
Income tax refunds receivable	2,164	
Inventories	7,241	6,926
Prepaid expenses	11,689	9,184
Deferred income taxes	3,508	5,672
Total current assets	139,492	139,643
Property and Equipment, at cost:		
Buildings and improvements	1,090,777	1,015,443
Furniture, fixtures and equipment	404,709	358,192
	1,495,486	1,373,635
Less: accumulated depreciation and amortization	(477,780)	(391,014)
	1,017,706	982,621
Land	81,481	75,524
Construction in progress	186,507	75,151
Total property and equipment, net	1,285,694	1,133,296
Excess of purchase price over fair market value of net assets acquired	76,988	78,192
Deposits and other assets	39,301	32,855
TOTAL ASSETS	$ 1,541,475	$ 1,383,986
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	$ 14,443	$ 12,627
Construction contracts payable	25,657	9,500
Income taxes payable		3,373
Accrued liabilities	71,462	83,889
Current maturities of long-term debt	4,344	4,374
Total current liabilities	115,906	113,763
Long-term debt, net of current maturities	878,668	776,029

Deferred income taxes	91,528	94,445
Deferred compensation and other long-term liabilities	21,209	16,039
Commitments and contingencies (Note 11)		
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 56,935,403 and 55,958,358 shares; Outstanding 56,524,567 and 55,958,358 shares	569	560
Additional paid-in capital	199,951	179,989
Treasury stock, at cost (410,836 shares)	(8,014)	
Retained earnings	241,658	203,161
Total stockholders equity	434,164	383,710
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 1,541,475	$ 1,383,986

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

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

	Years ended December 31, 2006	2005	2004
Revenues:			
Casino	$ 1,008,311	$ 974,178	$ 856,901
Food and beverage	131,795	125,918	114,010
Rooms	27,972	25,355	26,082
Other	29,082	26,041	23,166
	1,197,160	1,151,492	1,020,159
Less: Promotional allowances	196,862	190,134	165,461
Net revenues	1,000,298	961,358	854,698
Operating Expenses:			
Casino	439,101	431,101	379,909
Food and beverage	68,744	66,299	63,758
Rooms	6,780	6,454	6,565
Other	18,749	16,503	13,687
Selling, general and administrative	200,588	186,050	157,907
Depreciation and amortization	93,889	85,366	73,236
Impairment loss on assets held for sale	931	869	174
Total operating expenses	828,782	792,642	695,236
Income from operations	171,516	168,716	159,462
Other Income (Expense):			
Interest income	2,746	830	245
Interest expense, net	(50,291)	(60,913)	(57,003)
Loss on early retirement of debt	(26,264)	(2,074)	(923)
Net gain (loss) on disposition of assets	683	(1,655)	(904)
Income Before Income Tax Provision	98,390	104,904	100,877
Income tax provision	38,825	38,619	38,898
Net Income	$ 59,565	$ 66,285	$ 61,979
Earnings Per Share:			
Basic	$ 1.06	$ 1.19	$ 1.15

Diluted	$	1.04	$	1.16	$	1.11
Cash Dividends Declared Per Share	$	0.38	$	0.31	$	0.25
Weighted Average Shares Outstanding:						
Basic		56,155		55,664		54,114
Diluted		57,327		57,127		55,653

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

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AMERISTAR CASINOS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME
(Amounts in Thousands)

	Capital Stock Number of Shares	Capital Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total
Balance, December 31, 2003	53,222	$ 532	$ 150,116	$ (688)	$	$ 105,883	$ 255,843
Net income						61,979	61,979
Change in fair value of interest rate swap agreement, net of deferred tax of $297				688			688
Total comprehensive income							62,667
Exercise of stock options	1,542	15	7,653				7,668
Tax benefit of stock option exercises			6,183				6,183
Dividends						(13,561)	(13,561)
Common stock issued in connection with the Mountain High Casino acquisition	118	2	2,498				2,500
Balance, December 31, 2004	54,882	549	166,450			154,301	321,300
Net income						66,285	66,285
Exercise of stock options	1,076	11	7,114				7,125
Tax benefit of stock option exercises			6,425				6,425
Dividends						(17,425)	(17,425)
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

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

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

	Years ended December 31, 2006	2005	2004
Cash Flows from Operating Activities:			
Net income	$ 59,565	$ 66,285	$ 61,979
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	93,889	85,366	73,236
Amortization of debt issuance costs and debt discounts	990	3,891	4,418
Stock-based compensation expense	7,811		
Loss on early retirement of debt	26,264	2,074	923
Net change in deferred compensation liability	71	633	(681)
Impairment loss on assets held for sale	931	869	174
Net (gain) loss on disposition of assets	(683)	1,576	717
Net change in deferred income taxes	1,702	16,424	28,688
Excess tax benefit from stock option exercises	(4,266)	6,425	6,183
Changes in operating assets and liabilities:			
Restricted cash	49	(1,988)	(1,809)
Accounts receivable, net	(2,083)	1,212	471
Income tax refunds receivable	(2,164)		643
Inventories	(315)	1	(631)
Prepaid expenses	(2,505)	(420)	942
Assets held for sale		596	186
Accounts payable	1,816	(277)	(3,286)
Income taxes payable	893	1,806	499
Accrued liabilities	(12,427)	12,986	3,852
Net cash provided by operating activities	169,538	197,459	176,504
Cash Flows from Investing Activities:			
Capital expenditures	(249,123)	(177,789)	(89,633)
Net cash paid for acquisition of Mountain High Casino			(114,171)
Increase (decrease) in construction contracts payable	16,157	4,437	(5,536)
Proceeds from sale of assets	1,368	896	879
Increase in deposits and other non-current assets	(6,083)	(3,393)	(197)
Net cash used in investing activities	(237,681)	(175,849)	(208,658)
Cash Flows from Financing Activities:			
Debt borrowings	485,000	410,000	115,000
Principal payments of debt	(384,346)	(396,554)	(68,562)
Premium on early redemption of senior subordinated notes	(20,425)		
Cash dividends paid	(21,068)	(17,425)	(13,561)
Debt issuance costs	(153)	(5,134)	(88)
Excess tax benefit from stock option exercises	4,266		
Purchases of treasury stock	(8,014)		

Proceeds from stock option exercises	7,878	7,125	7,668
Net cash provided by (used in) financing activities	63,138	(1,988)	40,457
Net (Decrease) Increase in Cash and Cash Equivalents	(5,005)	19,622	8,303
Cash and Cash Equivalents Beginning of Year	106,145	86,523	78,220
Cash and Cash Equivalents End of Year	$ 101,140	$ 106,145	$ 86,523

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

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

	Years ended December 31,		
	2006	2005	2004
Supplemental Cash Flow Disclosures:			
Cash paid for interest, net of amounts capitalized	$ 65,675	$ 54,015	$ 52,640
Cash paid for federal and state income taxes (net of refunds received)	$ 38,294	$ 14,993	$ 3,362
Non-cash Investing and Financing Activities:			
Acquisition of Mountain High Casino			
Fair value of non-cash assets acquired	$	$	$ 120,784
Less net cash paid			(114,171)
Less fair value of common stock issued			(2,500)
Liabilities assumed	$	$	$ 4,113

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

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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 seven casino properties in six markets. The Company s portfolio of casinos consists of: Ameristar St. Charles (serving greater St. Louis, Missouri); Ameristar Kansas City (serving the Kansas City, Missouri metropolitan area); Ameristar Council Bluffs (serving Omaha, Nebraska and southwestern Iowa); Ameristar Vicksburg (serving Jackson, Mississippi and Monroe, Louisiana); Ameristar Black Hawk (serving the Denver 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 Black Hawk (formerly known as Mountain High Casino) on December 21, 2004. Accordingly, the consolidated financial statements reflect Ameristar Black Hawk s operating results for only 11 days in 2004.

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, 2006 and 2005, restricted cash totaled $6.4 million and $6.5 million, respectively. 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, 2006 and 2005 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, 2006 and 2005, total accounts receivable were $7.4 million and $5.3 million, respectively. As of December 31, 2006 and 2005, an allowance of $0.1 million has been applied to reduce total accounts receivable to amounts anticipated to be collected. Gaming receivables were $0.4 million and $0.3 million at December 31, 2006 and 2005, respectively, and are included in the Company s accounts receivable balance.

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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 $8.1 million, $5.0 million and $1.7 million was capitalized for the years ended December 31, 2006, 2005 and 2004, 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.

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. The Company expenses debt issuance costs ratably 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.

In connection with the $1.2 billion senior secured credit facility obtained on November 10, 2005, the Company capitalized $5.2 million in new debt issuance costs and expensed $1.9 million in debt issuance costs relating to the replaced senior secured credit facilities. For the years ended December 31, 2006 and 2005, the total previously deferred debt issuance costs expensed as a result of the early retirement of debt were $5.8 million and $2.1 million, respectively.

Derivative instruments and hedging activities

From time to time, the Company seeks to manage interest rate risk associated with variable rate borrowings

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through the use of derivative instruments designated as cash flow hedges. The Company accounts for these derivative instruments in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 138, Accounting for Certain Derivative Instruments and Hedging Activities an Amendment of FASB Statement No. 133. SFAS No. 133 requires that derivative financial instruments be recognized as assets or liabilities, with changes in fair value affecting net income or comprehensive income. See also Note 5 Long-term debt.

Revenue recognition

In accordance with industry practice, 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 customers 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,		
	2006	2005	2004
	(Amounts in Thousands)		
Food and beverage	$ 53,316	$ 52,273	$ 38,855
Rooms	6,427	5,405	3,856
Entertainment	4,871	4,871	4,993
Other	2,468	2,001	1,733
	$ 67,082	$ 64,550	$ 49,437

Star Awards Program

The Company s customer reward program, Star Awards, allows customers to earn certain point-based cash rewards or complimentary goods and services based on the volume of the customers gaming activity. Customers can accumulate reward points over time that they may redeem at their discretion under the terms of the program. The reward credit balance is forfeited if a customer does not earn any reward credits over any subsequent 12-month period. As a result of the ability of the customer to bank the reward points, the Company accrues the expense of reward points, after giving effect to estimated forfeitures, as they are earned. At December 31, 2006 and 2005, $7.7 million and $8.6 million, respectively, were accrued. The value of these point-based cash rewards or complimentary goods and services are netted against revenue as a promotional allowance.

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Cash Coupons

The Company s former, current and future gaming customers may be awarded, on a discretionary basis, cash coupons based, in part, on their gaming play volume. The coupons are provided on a discretionary basis to induce future play, are redeemable within a short time period (generally seven days) and are redeemable only on a return visit. 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 $25.5 million, $23.6 million and $20.8 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Business development expenses

Business development expenses are general costs incurred in connection with identifying, evaluating and pursuing opportunities to expand into existing or new gaming jurisdictions. Such costs include, among others, professional service fees, travel-related costs, lobbyist fees and fees for applications filed with regulatory agencies, and are expensed as incurred. Any site acquisition and design costs are expensed when the Company determines a business development opportunity is no longer feasible. During the years ended December 31, 2006, 2005 and 2004, the Company recorded $3.2 million, $6.6 million and $4.3 million, respectively, in business development expenses, which are included in selling, general and administrative expenses in the accompanying consolidated statements of income.

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.

Stock split

On April 29, 2005, the Company s Board of Directors declared a 2-for-1 split of the Company s $0.01 par value common stock, which was distributed at the close of business on June 20, 2005. As a result of the split, 27.9 million additional shares were issued. Stockholders equity was restated to give retroactive recognition to the stock split for all periods presented by reclassifying the par value of the additional shares arising from the split from paid-in capital to common stock. All references in the financial statements and notes to numbers of shares and per share amounts reflect the stock split.

Earnings per share

The Company calculates earnings per share in accordance with SFAS No. 128, Earnings Per Share. Basic earnings 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. For 2006, 2005 and 2004, all outstanding options with an exercise price lower than the market price have been included in the calculation of diluted earnings per share.

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

	Years ended December 31,		
	2006	2005	2004
	(Amounts in Thousands)		
Weighted average number of shares outstanding-basic earnings per share	56,155	55,664	54,114
Dilutive effect of stock options	1,172	1,463	1,539
Weighted average number of shares outstanding-diluted earnings per share	57,327	57,127	55,653

For the years ended December 31, 2006, 2005 and 2004, the potentially dilutive stock options excluded from the earnings per share computation, as their effect would be anti-dilutive, totaled 1.4 million, 0.1 million and 0.2 million, respectively.

Accounting for stock-based compensation

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123(R), Share-Based Payment, requiring that compensation cost relating to share-based payment transactions be recognized 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). Prior to January 1, 2006, the Company accounted for share-based compensation to employees in accordance with Accounting Principles Board Opinion (APB) No. 25 and related interpretations. The Company also followed the disclosure requirements of SFAS No. 123, as amended by SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. The Company adopted SFAS No. 123(R) using the modified prospective method and, accordingly, financial statement amounts for prior periods presented in this Annual Report have not been restated to reflect the fair value method of recognizing compensation cost relating to stock options.

Recently issued accounting pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109, which clarifies the accounting for uncertainty in tax positions. FIN 48 provides that a company may recognize the impact of a tax position in its financial statements only if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective in the first quarter of 2007, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact of adopting FIN 48 on its financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which 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. However, for some entities, the application of this statement will change current practice. The Company is required to adopt SFAS No. 157 as of January 1, 2008. The adoption of SFAS No. 157 is not expected to have a material impact on the Company s financial position, results of operations or cash flows.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108 (SAB 108), which addresses how the effects of prior year uncorrected financial statement misstatements should be considered in current year financial statements. SAB 108 requires registrants to quantify misstatements using both balance sheet and income statement approaches and to evaluate whether either approach results in quantifying an error that is material in light of relative quantitative and qualitative factors. The requirements of SAB 108 are effective for annual financial statements covering the first fiscal

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year ending after November 15, 2006. The adoption of SAB 108 in 2006 had no impact on the Company s financial position or results of operations.

Reclassifications

Certain reclassifications, having no effect on net income, have been made to the prior periods consolidated financial statements to conform to the current period s presentation.

Note 3 Accrued liabilities

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

	2006	2005
	(Amounts in Thousands)	
Compensation and related benefits	$ 28,369	$ 26,402
Interest	2,123	18,496
Taxes other than state and federal income taxes	15,976	15,242
Players club rewards	7,730	8,605
Progressive slot machine and related accruals	6,975	6,252
Marketing and other accruals	10,289	8,892
	$ 71,462	$ 83,889

Note 4 Federal and state income taxes

The components of the income tax provision are as follows:

	Years ended December 31,		
	2006	2005	2004
	(Amounts in Thousands)		
Current:			
Federal	$ 32,596	$ 19,993	$ 1,768
State	4,898	2,411	2,999
Total current	37,494	22,404	4,767
Deferred:			
Federal	(1,055)	14,296	33,288
State	1,182	715	(361)
Total deferred	127	15,011	32,927
Federal benefit applied to reduce goodwill	1,204	1,204	1,204
Total	$ 38,825	$ 38,619	$ 38,898

The Company recorded $4.3 million, $6.4 million and $6.2 million as an increase to contributed capital for certain tax benefits from employee share-based compensation for the years ended December 31, 2006, 2005 and 2004, respectively.

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

	Years ended December 31,		
	2006	2005	2004
Federal statutory rate	35.0%	35.0%	35.0%
State income tax expense, net of federal benefit	4.4	1.9	1.7
Nondeductible political and lobbying costs	0.3	0.3	1.5
Other	(0.2)	(0.4)	0.4
	39.5%	36.8%	38.6%

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 net deferred income tax liability consisted of the following:

	December 31,	
	2006	2005
	(Amounts in Thousands)	
Deferred income tax assets:		
Net operating loss carryforwards	$ 17,380	$ 20,546
Deferred compensation	6,732	3,482
Accrued expenses	4,529	
Share-based compensation	2,395	
Accrued vacation	2,130	2,232
Project development costs	31	1,737
Other		824
Total deferred income tax assets	33,197	28,821
Deferred income tax liabilities:		
Property and equipment	(106,614)	(107,382)
Goodwill amortization	(10,472)	(8,735)
Prepaid insurance	(1,785)	(1,477)
Other	(2,346)	
Total deferred income tax liabilities	(121,217)	(117,594)
Net deferred income tax liability	$ (88,020)	$ (88,773)

At December 31, 2006, the Company had available $212.5 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, 2006, the Company also had available $22.4 million of federal net operating loss carryforwards and $27.3 million of state net operating loss carryforwards, which were acquired as part of the Mountain High Casino acquisition. These 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 $5.1 million that can be applied against future taxable income. For the years ended December 31, 2006 and 2005, the Company made federal and state income tax payments totaling $38.3 million and $15.0 million, respectively. The remaining unused federal and state net operating loss carryforwards will expire in 2019 through 2025. 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 and future projected taxable income.

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Note 5 Long-term debt

Long-term debt consisted of the following:

	December 31, 2006	December 31, 2005
	(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 (6.4% at December 31, 2006); principal due November 10, 2010	$ 485,000	$
Term loan facility, at variable interest (6.9% at December 31, 2006 and 5.9% at December 31, 2005); $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	396,000	400,000
Senior subordinated notes, unsecured, 10.75% fixed interest; redeemed on February 15, 2006		378,045
Other	2,012	2,358
	883,012	780,403
Less: Current maturities	(4,344)	(4,374)
	$ 878,668	$ 776,029

Maturities of the Company s borrowings for each of the next five years and thereafter as of December 31, 2006 are as follows (amounts in thousands):

Year	Maturities
2007	$ 4,344
2008	4,337
2009	4,362
2010	489,386
2011	97,648
Thereafter	282,935
	$ 883,012

Senior credit facilities

On November 10, 2005, the Company obtained a $1.2 billion senior secured credit facility (the Credit Facility). The Credit Facility provides for a seven-year $400.0 million term loan facility and a five-year $800.0 million revolving loan facility. The revolving loan facility includes a $75.0 million letter of credit sub-facility and a $25.0 million swingline loan sub-facility. Upon the satisfaction of certain conditions, the Company will have the option to increase the total amount available under the Credit Facility by up to an additional $400.0 million, in the form of incremental term loans or additional borrowings under the revolving facility.

On November 10, 2005, proceeds of the Credit Facility s term loan were used to repay all $362.2 million

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principal amount of loans outstanding under the prior senior credit facilities and all commitments under the replaced senior credit facilities were terminated. The remaining proceeds of the Credit Facility s term loan were utilized by the Company for general corporate and working capital purposes.

The term loan facility bears interest at the London Interbank Offered Rate (LIBOR) plus 150 basis points or the base rate plus 50 basis points, at the Company s option. Borrowings under the revolving loan facility currently bear interest at LIBOR plus 100 basis points or the base rate plus 0 basis points. The LIBOR margin is subject to adjustment between 75 and 175 basis points and the base rate margin is subject to adjustment between 0 and 75 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.

At December 31, 2006, the Company s principal debt outstanding consisted of $485.0 million under the revolving loan facility and $396.0 million under the term loan facility. As of December 31, 2006, the amount of the revolving loan facility available for borrowing was $309.6 million, after giving effect to $5.4 million of outstanding letters of credit. All mandatory principal repayments have been made through December 31, 2006.

In connection with obtaining the Credit Facility, on November 10, 2005, each of the Company s subsidiaries (the Guarantors) entered into a guaranty (the Guaranty) pursuant to which the Guarantors guaranteed the Company s obligations under the Credit Facility. The obligations of the Company under the Credit Facility, and of the Guarantors under the Guaranty, are secured by substantially all of the assets of the Company and the Guarantors.

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, 2006, the Company was required to maintain a senior debt ratio, defined as senior debt divided by EBITDA, of no more than 4.00:1, and a total debt ratio, defined as consolidated debt divided by EBITDA, of no more than 5.50:1. As of December 31, 2006 and 2005, the Company s senior debt ratio was 3.32:1 and 1.57:1, respectively. The total debt ratio as of December 31, 2006 and 2005 was 3.33:1 and 3.07:1, respectively. As of December 31, 2006, 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, 2006 and 2005, the Company s fixed charge coverage ratio was 1.90:1 and 2.50:1, respectively.

The Company is permitted to make up to $40.0 million in annual dividend payments under the terms of the Credit Facility. During the year ended December 31, 2006, the Company paid dividends totaling $21.1 million.

In August 2006, the Credit Facility was amended to allow up to a total of $125.0 million in cash repurchases of the Company s stock during the period from November 10, 2005 to November 10, 2012. As of December 31, 2006, the Company has paid $8.0 million to repurchase stock during the term of the Credit Facility.

The Credit Facility also limits the Company s aggregate capital expenditures to $1.0 billion during the period from November 10, 2005 to November 10, 2012. As of December 31, 2006, capital expenditures made during the term of the Credit Facility totaled $265.9 million.

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

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Senior subordinated notes

On February 2, 2001, the Company issued $380.0 million in aggregate principal amount of 10.75% senior subordinated notes due 2009. The notes were issued at a discount, resulting in an effective yield of 11.0%. The notes were unsecured and ranked junior to all of the Company s senior debt, including borrowings under the Credit Facility.

On February 15, 2006, the Company redeemed all $380.0 million outstanding principal amount of its 10.75% senior subordinated notes due 2009 at a redemption price of 105.375% of the principal amount, plus $20.4 million in accrued and unpaid interest to the redemption date. The redemption of the notes was funded through borrowings under the revolving loan facility. The retirement of the notes resulted in a one-time charge for loss on early retirement of debt in the first quarter of 2006 of approximately $26.3 million on a pre-tax basis.

Other debt

In connection with the Mountain High Casino acquisition 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, which 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, 2006, the outstanding principal balance relating to the municipal bonds was $1.8 million.

Interest rate protection

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. Derivative financial instruments are recognized as assets or liabilities, with changes in fair value affecting net income or comprehensive income (loss).

In April 2001, the Company entered into an interest rate swap agreement to fix the interest rate on $100.0 million of LIBOR-based borrowings under its previous senior credit facilities at 5.07% plus the applicable margin. The interest rate swap agreement was highly effective as a cash flow hedging instrument and, therefore, the value of the swap agreement (net of tax) was recorded as accumulated other comprehensive loss as part of stockholders equity. On March 31, 2004, the swap agreement terminated, resulting in a reduction of both the swap liability and accumulated other comprehensive loss to $0. The Company paid $1.0 million of additional interest expense in 2004 as a result of the interest rate swap agreement.

Fair value of long-term debt

The estimated fair value of the Company s long-term debt at December 31, 2006 was consistent with its book value of $883.0 million due to the $881.0 million outstanding under the Credit Facility that carries variable interest rates. At December 31, 2005, the estimated fair value of the Company s long-term debt was approximately $803.7 million, compared to its book value of $780.4 million, based on the quoted market price of the senior subordinated notes and the variable interest rates on the other long-term debt.

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Note 6 Leases

Operating leases

The Company maintains operating leases for certain office facilities, vehicles, office equipment, signage and land. Rent expense under operating leases totaled $3.7 million, $3.5 million and $2.5 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Future minimum lease payments required under operating leases for each of the five years subsequent to December 31, 2006 and thereafter are as follows (amounts in thousands):

Year	Payments
2007	$ 3,703
2008	911
2009	627
2010	555
2011	419
Thereafter	851
	$ 7,066

Note 7 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 $2.1 million, $1.9 million and $1.6 million for the years ended December 31, 2006, 2005 and 2004, 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 covering all employees who work an average of 32 hours or more per week on a regular basis. The plan, which is self-funded by the Company with respect to claims below a certain amount, requires contributions from eligible employees and their dependents. The Company s contribution expense for the plan was approximately $27.0 million, $29.9 million and $21.4 million for the years ended December 31, 2006, 2005 and 2004, respectively. At December 31, 2006 and 2005, estimated liabilities for unpaid and incurred but not reported claims totaled $5.4 million.

Deferred compensation plan

On April 1, 2001, the Company adopted a non-qualified deferred compensation plan for certain highly compensated employees. 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, 2006, 2005 and 2004 were $0.9 million, $0.8 million and $0.7 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 that the Company is unwilling or unable to pay the plan benefits for any reason other than insolvency. As a result, the

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Company is prevented from withdrawing or accessing assets for corporate needs. Plan participants can 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, 2006 and 2005, plan assets were $21.0 million and $15.9 million, respectively, and are reflected in other assets in the accompanying consolidated balance sheets. The liabilities due the participants were $21.2 million and $16.0 million as of December 31, 2006 and 2005, respectively. For the years ended December 31, 2006, 2005 and 2004, net deferred compensation expense was $0.1 million, $1.1 million and $0.3 million, respectively.

Craig H. Neilsen, the Company s former Chairman of the Board and Chief Executive Officer, died in November 2006. In early 2007, Mr. Neilsen s designated beneficiary received $9.6 million in deferred compensation benefits as a result of his death. The payment of the benefits, which consisted of Mr. Neilsen s contributions, the Company s matching contributions and the related earnings, was funded by the partial liquidation of Plan assets.

Stock incentive plans

The Company has various stock incentive plans for directors, officers, employees, consultants and advisers of the Company. The plans permit the grant of options to purchase common stock intended to qualify as incentive stock options or non-qualified stock options and also provide for the award of restricted stock. The maximum number of shares available for issuance under the plans is 14.0 million (net of options that terminate or are canceled without being exercised), subject to certain limitations. 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.

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

	Years ended December 31,					
	2006		2005		2004	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	5,782,150	$ 15.96	5,676,048	$ 12.05	5,659,704	$ 7.13
Granted	1,909,830	27.69	1,560,470	23.20	1,948,000	19.87
Exercised	(884,197)	8.92	(1,075,648)	6.55	(1,539,672)	4.48
Forfeited or expired	(574,452)	17.17	(378,720)	13.87	(391,984)	9.48
Outstanding at end of year	6,233,331	$ 20.44	5,782,150	$ 15.96	5,676,048	$ 12.05
Options exercisable at end of year	2,169,497	$ 15.83	1,913,114	$ 13.18	1,298,338	$ 7.33
Options available for grant at end of year	1,507,904		2,939,158		1,120,908	

The total intrinsic value of options exercised during the years ended December 31, 2006, 2005 and 2004 was $13.4 million, $18.4 million and $17.7 million, respectively. The aggregate intrinsic value of options outstanding was $127.4 million and $92.3 million at December 31, 2006 and 2005, respectively. The aggregate intrinsic value of options exercisable at December 31, 2006 and 2005 was $34.3 million, and $25.2 million, respectively. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

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Following is a summary of the status of stock options outstanding at December 31, 2006:

	Outstanding Options			Exercisable Options	
Exercise Price Range	Number	Weighted Average Remaining Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$1.50-$2.75	147,222	3.5	$ 2.21	147,222	$ 2.21
$3.21-$5.46	13,040	5.8	4.98	2,800	3.21
$6.35-$9.28	550,932	5.6	7.17	340,148	7.20
$10.08-$12.40	495,020	6.6	11.31	261,972	11.30
$13.18-$15.77	545,360	6.0	13.91	350,040	13.76
$16.99-$18.59	501,092	6.7	18.33	7,740	17.01
$19.36-$21.99	1,312,691	4.5	21.28	575,703	21.30
$22.65-$24.59	1,246,744	5.0	22.89	410,392	22.87
$25.52-$27.42	157,100	5.1	26.76	73,480	27.28
$31.68	1,264,130	7.0	31.68		
	6,233,331	5.7	$ 20.44	2,169,497	$ 15.83

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) for 2006 and SFAS No. 123 for 2005 and 2004.

	Years ended December 31,		
	2006	2005	2004
Weighted-average fair value per share of options granted during the year (estimated on grant date using the Black-Scholes-Merton option pricing model)	$9.54	$8.21	$6.92
Weighted-average assumptions:			
Expected stock price volatility	39%	47%	48%
Risk-free interest rate	4.6%	4.3%	3.9%
Expected option life (years)	4	5	6
Expected annual dividend yield	1.5%	1.4%	1.5%

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The following table sets forth pro forma information for the years ended December 31, 2005 and 2004 as if compensation cost had been determined consistent with the requirements of SFAS No. 123.

	Year Ended December 31, 2005	2004
	(Amounts in Thousands, Except Per Share Data)	
Net income:		
As reported	$ 66,285	$ 61,979
Deduct: compensation expense under fair value-based method (net of tax)	(6,945)	(4,850)
Pro forma	$ 59,340	$ 57,129
Basic earnings per share:		
As reported	$ 1.19	$ 1.15
Pro forma (net of tax)	$ 1.07	$ 1.06
Diluted earnings per share:		
As reported	$ 1.16	$ 1.11
Pro forma (net of tax)	$ 1.04	$ 1.03

For the year ended December 31, 2006, there was $7.9 million of compensation cost related to non-qualified stock options and restricted stock recognized in operating results (included in selling, general and administrative expenses). As of December 31, 2006, there was approximately $28.5 million of total unrecognized compensation cost related to nonvested 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 3.7 years.

On July 28, 2006, the Company granted non-qualified stock options exercisable for 0.4 million shares of common stock and granted 0.1 million restricted shares of common stock as part of a compensation agreement with the Company s new Chief Executive Officer and President. During 2006, the Company recognized $1.3 million in stock-based compensation expense related to the new Chief Executive Officer and President s compensation agreement. As of December 31, 2006, there was approximately $1.2 million of unrecognized compensation expense related to the restricted shares of common stock issued under the Company s stock incentive plans. That cost is expected to be recognized over a weighted-average period of two years.

During the years ended December 31, 2006, 2005 and 2004, the amount of cash received from the exercise of stock options was $7.9 million, $7.1 million and $7.7 million, respectively.

Note 8 Stock Repurchases

On July 24, 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. As of December 31, 2006, 0.4 million shares have been repurchased at a cost of $8.0 million, an average of $19.49 per share.

Note 9 Acquisition of Mountain High Casino

On May 28, 2004, the Company signed an Asset Purchase Agreement (Agreement) with Windsor Woodmont Black Hawk Resort Corp., a Colorado corporation (Windsor Woodmont), which was amended on August 3, 2004. On December 21, 2004, pursuant to the amended Agreement, the Company acquired Mountain High Casino (now known as Ameristar Black Hawk) in Black Hawk, Colorado and related assets from Windsor Woodmont for approximately $117.0 million in cash and $2.5 million of Company common stock (valued based on the average of the closing sale prices of the common stock for each of the 10

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consecutive trading days ended December 20, 2004), plus the assumption of approximately $2.3 million of outstanding debt, in a reorganization under Section 368(a)(1)(G) of the Internal Revenue Code. Additionally, the Company incurred $0.8 million in acquisition costs that were included in the purchase price of Mountain High.

The Mountain High 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 final allocation of the purchase price was completed within one year from the date of acquisition and resulted in the following valuation of the assets acquired and liabilities assumed:

	December 21, 2004 (Amounts in Thousands)
Current assets, including $3,670 of cash acquired	$ 3,967
Property and equipment	110,756
Net deferred tax assets	9,683
Other assets	92
Total assets acquired	124,498
Current liabilities	2,073
Long-term debt	2,040
Total liabilities assumed	4,113
Net assets acquired	$ 120,385

The purchase price was less than the fair values of the assets acquired and liabilities assumed by $12.6 million, which was allocated pro rata to reduce the carrying value of non-current assets. Additionally, the Company acquired $13.2 million of deferred tax assets, which were principally the result of net operating loss carryforwards recognized by Windsor Woodmont prior to December 21, 2004.

The pro forma consolidated results of operations, as if the acquisition of Mountain High had occurred on January 1, 2004, are as follows:

	Year ended December 31, 2004 (Amounts in Thousands, Except Per Share Data)
Pro Forma	
Net revenues	$ 911,020
Net income	$ 61,396
Basic net income per common share	$ 1.13
Diluted net income per common share	$ 1.10

For the year ended December 31, 2004, the pro forma consolidated results of operations exclude reorganization costs of $1.1 million incurred in connection with Windsor Woodmont s Chapter 11 bankruptcy reorganization. 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 10 Excess of purchase price over fair market value of net assets acquired

In June 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets. The primary impact on the Company is that the excess of purchase price over fair market value of the net assets acquired in connection with the acquisition of the Missouri properties in December 2000 is no longer being amortized as of January 1, 2002. Instead, goodwill must be reviewed for impairment at least annually and more frequently if events or circumstances indicate a possible impairment. The Company completed a review of goodwill as of October 1, 2006, 2005 and 2004 and determined that no impairment existed as of those dates. The Company will continue to perform an annual review of goodwill impairment as of October 1 of each year and will review goodwill sooner if events or circumstances indicate a possible impairment. As of December 31, 2006 and 2005, the balance of goodwill was $77.0 million and $78.2 million, respectively. 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 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 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, 2006 and 2005, the estimated liabilities for unpaid and incurred but not reported claims totaled $10.4 million and $10.1 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, 2006 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, 2006, the Company had paid $2.0 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, 2006.

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Note 12 Selected Quarterly Financial Results (unaudited)

The following table sets forth certain consolidated quarterly financial information for the years ended December 31, 2006 and 2005.

	For the fiscal quarters ended				
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	Total
	(Amounts in Thousands, Except Per Share Data)				
Net revenues	$ 256,094	$ 246,583	$ 253,578	$ 244,043	$ 1,000,298
Income from operations (1)	43,657	39,584	46,253	42,021	171,516
Income before income tax provision (1)	4,589	28,118	34,611	31,071	98,390
Net income (1)	2,618	18,028	21,085	17,833	59,565
Basic earnings per share (2)	$ 0.05	$ 0.32	$ 0.38	$ 0.32	$ 1.06
Diluted earnings per share (2)	$ 0.05	$ 0.32	$ 0.37	$ 0.31	$ 1.04

	For the fiscal quarters ended				
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	Total
	(Amounts in Thousands, Except Per Share Data)				
Net revenues (1)	$ 240,109	$ 238,868	$ 238,591	$ 243,791	$ 961,358
Income from operations (1)	46,283	42,230	40,479	39,723	168,716
Income before income tax provision (1)	30,454	26,614	25,406	22,429	104,904
Net income (1)	19,230	16,654	16,100	14,300	66,285
Basic earnings per share (2)	$ 0.35	$ 0.30	$ 0.29	$ 0.26	$ 1.19
Diluted earnings per share (2)	$ 0.34	$ 0.29	$ 0.28	$ 0.25	$ 1.16

(1) The sum of the amounts for the four quarters does not equal the total for the year due to rounding.

(2) Because earnings 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 per share amounts for the year.

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