AMERISTAR CASINOS INC
Form 424B4
December 12, 2001

PROSPECTUS

THIS FILING IS MADE PURSUANT TO RULE 424(b)(4) UNDER THE SECURITIES ACT OF 1933 IN CONNECTION WITH REGISTRATION NO. 333-73178

6,000,000 SHARES

[AMERISTAR LOGO]

COMMON STOCK

We are offering 4,000,000 shares of our common stock and the selling stockholder is offering 2,000,000 shares of our common stock. We will not receive any proceeds from the shares of common stock sold by the selling stockholder.

Our common stock is traded on the Nasdaq National Market under the symbol "ASCA". The last reported sale price for our common stock on the Nasdaq National Market on December 11, 2001 was $21.45 per share.

FOR A DISCUSSION OF RISKS THAT SHOULD BE CONSIDERED BY INVESTORS IN DECIDING WHETHER TO BUY OUR COMMON STOCK SEE "RISK FACTORS" BEGINNING ON PAGE 8.

	PER SHARE	TOTAL
Public offering price....................................	$20.500	$123,000,000
Underwriting discounts...................................	$1.076	$6,457,500
Proceeds, before expenses, to Ameristar Casinos, Inc........	$19.424	$77,695,000
Proceeds, before expenses, to selling stockholder...........	$19.424	$38,847,500

We have granted the underwriters a 30-day option from the date of this prospectus to purchase from us up to an additional 900,000 shares of common stock at the public offering price, less the underwriting discount, to cover any over-allotments.

None of the Securities and Exchange Commission, the Missouri Gaming Commission, the Iowa Racing and Gaming Commission, the Mississippi Gaming Commission, the Nevada Gaming Commission, the Nevada State Gaming Control Board nor any state securities commission or other gaming authority, has passed upon the adequacy or accuracy of this prospectus or the investment merits of the shares offered hereby. Any representation to the contrary is a criminal offense.

The underwriters are severally underwriting the shares being offered. The underwriters expect to deliver the shares on December 17, 2001.

Joint Book-Running Managers

BEAR, STEARNS & CO. INC. MERRILL LYNCH & CO.

CIBC WORLD MARKETS

The date of this prospectus is December 11, 2001.

[INSIDE FRONT COVER OF PROSPECTUS]

[Photographs of Ameristar Council Bluffs Property:

Buffet
Waterfront Grill Restaurant
Porte Cochere and Hotel
Riverboat and Hotel
Pavilion at Front Entrance.]

[Photographs of Ameristar Kansas City Property:
Streetscape
Bugatti's Little Italy Cafe
Buffet
Porte Cochere
Interior of Casino.]

[Photographs and Artist's Renderings of Ameristar St. Charles Property:
Photograph of Porte Cochere
Rendering of Casual Dining Restaurant
Two Renderings of Steakhouse
Rendering of Oyster Bar
Rendering of Streetscape.]

You should rely only on the information contained or incorporated by reference in this prospectus. Neither we nor any underwriter has authorized any person to provide you with any information or represent anything not contained in this prospectus, and if given or made, any such information or representation should not be relied upon. This prospectus is not an offer to sell nor is it seeking an offer to buy these securities in any jurisdiction where such offer or sale is not permitted. The information contained in this prospectus is correct only as of the date of this prospectus, regardless of the time of the delivery of this prospectus or any sale of these securities.

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PROSPECTUS SUMMARY

This is only a summary of the prospectus. You should read the entire prospectus, including "Risk Factors" and our consolidated financial statements and related notes, as well as the documents incorporated by reference in this prospectus, before making an investment decision. Unless the context indicates otherwise, all references to "Ameristar," "we," "our," "ours" and "us" refer to Ameristar Casinos, Inc. and its consolidated subsidiaries. Except as otherwise noted, all information in this prospectus assumes that the underwriters' over-allotment option is not exercised.

AMERISTAR CASINOS, INC.

We are a leading multi-jurisdictional developer, owner and operator of casinos and related hotel and entertainment facilities in local markets. We own six properties in five markets located in Missouri, Iowa, Mississippi and Nevada catering to customers primarily residing within a 100-mile radius of our properties. Our properties enjoy leading positions in markets with significant barriers to entry, and we believe all of our properties are high-quality assets. We intend to grow our revenues, cash flow and earnings through internal growth initiatives, including the expansion of our existing properties, targeted marketing programs, and the strategic acquisition or development of properties in attractive local gaming markets.

Consistent with this growth strategy, we began to transform our company in late 2000 through a series of strategic transactions and capital improvement programs. In December 2000, we acquired gaming and entertainment properties in Kansas City and St. Charles, Missouri for $488.9 million. Separately, in January 2001 we sold The Reserve Hotel and Casino located in suburban Las Vegas for $71.8 million. Recent capital improvement programs include major renovation and enhancement projects at our Council Bluffs and Vicksburg properties completed during the first and second quarters of 2001, respectively, and the consolidation of contiguous but separate casinos into a single casino at our Kansas City property completed in August 2001. Ongoing capital improvement programs include the construction of a new casino and entertainment complex at our St. Charles property and the construction of a parking garage and the reconfiguration of the casino floor at our Kansas City property.

The implementation of our strategy has contributed substantially to our recent growth. For the nine months ended September 30, 2001, our revenues and EBITDA (as defined below) were $466.7 million and $116.5 million, respectively, representing increases of approximately 89% and 150%, respectively, over the same period in 2000.

We expect further growth from the completion of our ongoing capital improvement projects, the most significant of which is the new complex at St. Charles. This project will significantly expand the size and scope of our operations in the growing St. Louis market, which experienced an 11% increase in gaming revenues during the first nine months of 2001 compared to the first nine months of 2000. The former owner of our St. Charles property invested approximately $169 million in a new casino and entertainment complex before suspending construction in 1997. We have partially redesigned the project, and in May 2001 we commenced a $170 million capital spending plan on the construction of the new casino and entertainment complex. Upon its expected completion in mid-2002, we believe Ameristar St. Charles will be the premier gaming facility in the St. Louis area and will be well-positioned to take advantage of growth in this market.

OUR PROPERTIES

Except as otherwise indicated, the following table presents summary data concerning each of our properties as of November 21, 2001.

LOCATION	FACILITY TYPE	YEAR OPENED	CASINO SQUARE FOOTAGE	SLOT MACHINES	TABLE GAMES	HOTEL ROOMS	PA SP
Kansas City, Missouri.........	Dockside	1997	115,000	2,940	105	184	4
St. Charles, Missouri.........	Dockside	1994	45,000	1,900	35	--	4
Council Bluffs, Iowa..........	Riverboat	1996	38,500	1,510	46	444(1)	3
Vicksburg, Mississippi........	Dockside	1994	42,000	1,248	41	150	1
Jackpot, Nevada(2)............	Land-based	1956	28,500	1,019	30	420	1
Total................			269,000	8,617	257	1,198	14

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(1) Includes 284 rooms owned and operated by affiliates of Kinseth Hospitality Corporation located on land owned by us and leased to affiliates of Kinseth.
(2) Includes the operations of Cactus Petes Resort Casino and The Horseshu Hotel & Casino.
(3) Represents total property-level EBITDA before corporate overhead of $15.6 million. The results of operations for the nine months ended September 30, 2001 are not necessarily indicative of results for the full year.

Our properties include:

AMERISTAR KANSAS CITY. Ameristar Kansas City is a fully integrated gaming, dining, lodging and entertainment complex located seven miles from downtown Kansas City, adjacent to Interstate 435. Ameristar Kansas City was named the number one attraction in Kansas City for 2001 by The Business Journal serving metropolitan Kansas City. In 2000, Ameristar Kansas City was named the top tourist attraction in Missouri by Ingram's magazine. Due to recent favorable regulatory changes in Missouri, in August 2001 we consolidated two contiguous but separate casinos into a single casino at minimal cost with the objectives of increasing revenues, improving operating efficiencies and generating higher customer satisfaction. In connection with the consolidation, we are reconfiguring the casino floor, which we expect to complete in December 2001. We also have commenced construction on a 2,660-space parking garage which we expect to complete in

July 2002 at a cost of approximately $20 million.

AMERISTAR ST. CHARLES. Ameristar St. Charles is located on the Missouri River in the St. Louis metropolitan area, adjacent to Interstate 70, and has been in operation since 1994. The new casino and entertainment complex, currently under construction, will include a 115,000 square-foot casino with approximately 3,000 slot machines and 104 table games, including a 12-table poker room and a VIP players lounge, and a land-based entertainment center featuring six dining and entertainment venues and other amenities. We believe our new casino and entertainment complex at Ameristar St. Charles will be the premier property in the St. Louis area and will be well-positioned to benefit from growth in this market.

AMERISTAR COUNCIL BLUFFS. Ameristar Council Bluffs is located in Iowa across the Missouri River from Omaha, Nebraska, adjacent to Interstate 29. Ameristar Council Bluffs is the only riverboat casino property in the United States with a Four Diamond rating from the AAA. In the first quarter of 2001, we completed an approximately $7 million renovation and enhancement project at the property, including renovating two casino floors, installing new generation slot machines and remodeling and adding other amenities.

AMERISTAR VICKSBURG. Ameristar Vicksburg is located in Vicksburg, Mississippi, one quarter mile north of Interstate 20, primarily serving the Jackson, Mississippi market. In July 2001 we completed an approximately $10 million capital improvement project at the property, including renovating and expanding the casino, installing new generation slot machines and renovating the property's entertainment venue. Ameristar Vicksburg has a Three Diamond rating from the AAA.

JACKPOT PROPERTIES. Our Jackpot properties, Cactus Petes Resort Casino and The Horseshu Hotel & Casino, are both located in Jackpot, Nevada at the Idaho border. The Jackpot properties have been operating since 1956 and serve customers from Idaho, Oregon, Washington, Montana,

northern California and southwestern Canada. Cactus Petes and Horseshu have Four Diamond and Three Diamond ratings, respectively, from the AAA, and Cactus Petes has been named "Best Hotel/ Resort" in rural Nevada for the last two years by Nevada Magazine.

OUR STRATEGY AND COMPETITIVE STRENGTHS

Our strategy is to pursue the growth and development of our existing properties and to selectively acquire or develop new properties in attractive, local gaming markets. In implementing our strategy, we emphasize a total entertainment experience through high-quality gaming, dining, lodging and other non-gaming amenities to complement and enhance our gaming operations. We seek to promote customer retention through targeted marketing and value-added loyalty programs and by delivering superior customer service. We use players clubs at each property to identify and retain preferred players and utilize a number of promotions designed primarily to increase the frequency of customer visits.

We believe the following strengths will enable us in the execution of our strategy:

- High Quality Properties. We believe the quality of our casino properties is demonstrated by such factors as size, design, ambiance and the breadth and superior nature of amenities offered. Several of our properties have won awards and been featured by recognized travel organizations and publications. We are committed to maintaining market leading properties by upholding the quality of our properties through capital spending programs designed to add amenities, continually update our gaming machines, expand capacity and upgrade our entertainment offerings.

- Well-Located Properties in Protected Markets. All of our properties are easily accessible from well-traveled roadways and are strategically located in gaming markets with significant barriers to entry, such as development restrictions and/or the unavailability of new licenses.

- Strong Presence in Attractive Gaming Markets. Our properties enjoy leading market positions. Our four Midwestern properties serve markets with populations ranging from 1.5 million to 3.7 million within a 100-mile radius. Furthermore, the markets in which our Midwestern properties are located have historically generated strong year-over-year growth in gaming revenues. For the three-year reporting periods ended September 2001, aggregate gaming revenues for these markets grew at a compounded annual growth rate of 8.6%.

- Well-Positioned to Expand into New Jurisdictions. As an experienced multi-jurisdictional gaming operator, we believe we are well-positioned to enter into and successfully compete in new markets that may be created by the expansion of legalized gaming. We have demonstrated our ability to enter into new jurisdictions as we have been granted new licenses by four gaming commissions over the last eight years.

- Experienced Management Team with Proven Track Record. Our executive and property level management teams are experienced industry veterans. Our executive management has an average tenure in the gaming industry of more than 20 years. Our management team has developed a track record of success in the operation, acquisition and development of hotels and casinos, as demonstrated over the last eight years by its development of three casino properties, acquisition and integration of two casino properties and completion of numerous expansion projects.

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THE OFFERING

Common stock offered by Ameristar....................	4,000,000 shares
Common stock offered by the selling stockholder...........	2,000,000 shares
Total common stock offered....	6,000,000 shares
Common stock to be outstanding after this offering...........	24,921,879 shares
Use of proceeds..............	We intend to use the proceeds from this offering to repay debt under our senior credit facilities. We will not receive any proceeds from the sale of the shares by the selling stockholder. See "Use of Proceeds."
Nasdaq National Market symbol......................	"ASCA"
Risk factors.................	See "Risk Factors" beginning on page 8 and other information included in this prospectus

for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

The table set forth above is based on 20,921,879 shares of our common stock outstanding as of December 10, 2001. This table excludes options to purchase 2,659,906 shares of our common stock held by participants in our 1999 Stock Incentive Plan and prior stock option plans as of December 10, 2001. Of this amount, 350,553 options were vested and exercisable as of December 10, 2001.

CORPORATE INFORMATION

We were incorporated in Nevada on August 30, 1993. Our executive offices are located at 3773 Howard Hughes Parkway, Suite 490 South, Las Vegas, Nevada 89109. Our telephone number is (702) 567-7000. Our website address is www.ameristarcasinos.com. Information contained in our web site does not constitute part of this prospectus.

Ameristar Casinos(R), the Ameristar Casino and Ameristar Casino Hotel logos and Cactus Petes(R) are our registered trademarks and servicemarks. This prospectus also includes other trademarks of Ameristar and other companies.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

We have derived the following summary historical financial data for the three year period ended December 31, 2000 from our audited consolidated financial statements. We have derived the summary historical financial data for the nine months ended September 30, 2000 and 2001 from our unaudited condensed consolidated financial statements, which include all adjustments, consisting of normal recurring adjustments, which are, in our opinion, necessary for a fair presentation of our results of operations for such periods. The results of operations for the nine months ended September 30, 2000 and 2001 are not necessarily indicative of the results for the full year. The summary historical and financial data below should be read in conjunction with "Selected Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements included in this prospectus.

The pro forma financial data for the year ended December 31, 2000 and the nine months ended September 30, 2001 give effect to (1) the acquisition of our Missouri properties on December 20, 2000 and the related financing transactions and (2) the sale of The Reserve Hotel and Casino on January 29, 2001, assuming these transactions occurred on January 1, 2000. We derived this information from our historical financial statements as well as the historical financial statements of Station Casinos, Inc. Missouri Operations included elsewhere in this prospectus. You should read this summary unaudited pro forma financial and other data in conjunction with "Unaudited Pro Forma Condensed Financial Statements," which includes the detailed adjustments and assumptions used to prepare this summary information, as well as the historical financial statements included in this prospectus.

While this pro forma information is based on adjustments we deem appropriate and which are factually supported based on currently available data, the pro forma information may not be indicative of what actual results would have been, nor does this information purport to present our financial results for future periods. As used in this prospectus, the terms "EBITDA" and "pro forma EBITDA" have the meanings set forth below in footnotes 2 and 3, respectively.

	ACTUAL RESULTS FOR THE YEARS ENDED DECEMBER 31,			ACTUAL RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30,		PRO F RESULTS YEAR E DECEMBE
	1998	1999	2000	2000	2001	200
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS					
STATEMENT OF OPERATIONS DATA:						
Net revenues................	$259,331	$293,315	$334,135	$246,343	$466,689	$582,
Impairment loss(1)..........	--	--	57,153	57,153	--	
Income (loss) from operations................	3,338	25,545	(22,631)	(32,262)	88,189	95,
Income (loss) before extraordinary item and cumulative effect of change in accounting principle.................	(12,715)	205	(33,747)	(34,563)	24,136	16,
Net income (loss)...........	(12,715)	205	(40,307)	(34,563)	24,001	
Diluted earnings (loss) per share before extraordinary item and cumulative effect of change in accounting principle.................	$ (0.62)	$ 0.01	$ (1.65)	$ (1.70)	$ 1.08	$ 0
Diluted earnings (loss) per share.....................	(0.62)	0.01	(1.98)	(1.70)	1.07	
OTHER FINANCIAL DATA:						
EBITDA(2)...................	$ 38,140	$ 50,005	$ 62,306	$ 46,564	$116,481	$142,
Capital expenditures........	32,312	57,590	33,357	27,676	65,139	41,

	AS OF SEPTEMBER 30, 2001
BALANCE SHEET DATA:	
Cash and cash equivalents..............................	$ 41,931
Total assets...	863,190
Total long-term debt and capital leases................	721,817
Total stockholders' equity.............................	50,998

See footnotes on following page.

(1) Impairment loss related to the sale of The Reserve for the year ended December 31, 2000.

(2) EBITDA consists of income (loss) from operations plus depreciation, amortization, preopening costs and impairment losses. EBITDA information is presented solely as a supplemental disclosure because management believes that it is a widely used measure of operating performance in the gaming

industry and for companies with a significant amount of depreciation and amortization. EBITDA should not be construed as an alternative to income from operations (as determined in accordance with generally accepted accounting principles) as an indicator of our operating performance, or as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. We have significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments that are not reflected in EBITDA. Other gaming companies that report EBITDA information may not calculate EBITDA in the same manner as us.

(3) Pro forma EBITDA for these periods consists of EBITDA plus $1.0 million in costs for Missouri investigations and fines incurred by the former owner of the Missouri properties in 2000 and $1.9 million of development costs associated with our unsuccessful bid for a gaming license in Lemay, Missouri incurred throughout 2000.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical or current facts included in this prospectus or incorporated by reference herein, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe" or "continue" or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations ("cautionary statements") are disclosed under "Risk Factors" and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements included in this prospectus.

We urge you to review carefully the section "Risk Factors" beginning on page 8 in this prospectus for a more complete discussion of the risks of purchasing our common stock. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

RISK FACTORS

Before making any decision to invest in our common stock, you should carefully consider the following factors in addition to the other information contained in this prospectus and incorporated by reference in this prospectus. If any of the following risks actually occur, our business, financial condition and results of operations may suffer. As a result, the trading price of our common stock could decline, and you could lose part or all of your investment.

THE GAMING INDUSTRY IS VERY COMPETITIVE AND INCREASED COMPETITION COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FUTURE OPERATIONS.

The gaming industry is very competitive and we face competitive pressures in a variety of areas. Our operating properties are located in jurisdictions that restrict gaming to certain areas and/or are adjacent to states that prohibit or restrict gaming operations. These restrictions and prohibitions provide substantial benefits to our business and our ability to attract and retain customers. The legalization or expanded legalization or authorization of gaming within or near a market area of one of our properties could have a material adverse effect on our business, financial condition and results of operations. Economic difficulties faced by state governments could lead to intensified political pressures for the legalization of gaming.

From time to time, legislation and ballot measures have been unsuccessfully proposed in Kansas and Nebraska for the legalization of gaming, and we expect similar proposals will be made in the future and may be adopted. In such a case, our properties in Kansas City and Council Bluffs could face additional competition from adjacent states. In addition, the Missouri Gaming Commission is currently considering whether to accept applications for an additional gaming license in the St. Louis area. If an additional gaming license is granted, Ameristar St. Charles would face additional competition. Also, litigation is currently pending before the Mississippi Supreme Court relating to the site of a proposed new casino close to Jackson, Mississippi, which is the principal market for our Vicksburg property.

In addition, the entry into our current markets of additional competitors could have a material adverse effect on our business, financial condition and results of operations, particularly if a competitor were to obtain a license to operate a gaming facility in a superior location. Native American gaming facilities in some instances operate under regulatory requirements that are less stringent than those imposed on state-licensed casinos, which could provide them with a competitive advantage and lead to increased competition in our markets. Furthermore, increases in the popularity of, and competition from, internet and other account wagering gaming services, which allow their customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home, could have a material adverse effect on our business, financial condition, operating results and prospects.

MANY FACTORS, SOME OF WHICH ARE BEYOND OUR CONTROL, COULD ADVERSELY AFFECT OUR ABILITY TO SUCCESSFULLY COMPLETE OUR CONSTRUCTION AND DEVELOPMENT PROJECTS AS PLANNED.

General Construction Risks -- Delays and Cost Overruns. Construction and expansion projects for our properties entail significant risks. These risks include: (1) shortages of materials (including slot machines or other gaming equipment); (2) shortages of skilled labor or work stoppages; (3) unforeseen construction scheduling, engineering, environmental or geological problems; (4) weather interference, floods, fires or other casualty losses; (5) unanticipated cost increases; and (6) construction period disruption to existing operations.

Our anticipated costs and construction periods for construction projects are based upon budgets, conceptual design documents and construction schedule estimates prepared by us in consultation with our architects, consultants and contractors. The cost of any construction project undertaken by us may vary significantly from initial expectations, and we may have a limited amount of capital resources to fund cost overruns on any project. If we cannot finance cost overruns on a timely basis, the completion of one or more projects may be delayed until adequate cash flow from operations or other financing is available. The completion date of any of our construction projects could also differ significantly from initial expectations for construction-related or other reasons. We cannot assure you that any project will be completed on time,

if at all, or within established budgets. Significant delays or cost overruns on our construction projects could have a material adverse effect on our business, financial condition and results of operations.

We employ "fast-track" design and construction methods in some of our construction and development projects. This involves the design of future stages of construction while earlier stages of construction are underway. Although we believe that the use of fast-track design and construction methods can reduce the overall construction time, these methods may not always result in such reductions, may involve additional construction costs than otherwise would be incurred and may increase the risk of disputes with contractors, all of which could have a material adverse effect on our business, financial condition and results of operations.

Construction Dependent upon Available Financing and Cash Flows from Operations. The availability of funds under our senior credit facilities at any time will be dependent upon, among other factors, the amount of our consolidated EBITDA (as defined in the credit agreement) during the preceding four full fiscal quarters. Our future operating performance will be subject to financial, economic, business, competitive, regulatory and other factors, many of which are beyond our control. Accordingly, we cannot assure you that our future consolidated EBITDA and the resulting availability of operating cash flow or borrowing capacity will be sufficient to allow us to undertake or complete current or future construction projects.

As a result of operating risks, including those described in this section, and other risks associated with a new venture, we cannot assure you that, once completed, any development project will increase our operating profits or operating cash flow.

THE COSTS OF OUR DEVELOPMENT AND CONSTRUCTION OF THE NEW CASINO AND ENTERTAINMENT FACILITY AT AMERISTAR ST. CHARLES MAY EXCEED OUR CURRENT ESTIMATES.

Construction is underway on our new casino and entertainment facility at Ameristar St. Charles. Our estimated cost of completing the St. Charles project is based on construction contracts we have signed, contract bids and estimates prepared by us. Due to typical construction uncertainties associated with any project, we cannot be sure that our construction costs will not be higher than the estimated cost of completion. Furthermore, the existing plans for the new casino and entertainment complex at Ameristar St. Charles may change, and the scope of the project may vary significantly from what is currently anticipated. We also cannot be sure that we will not exceed the budgeted costs of the project or that the project will commence operations within the contemplated time frame, if at all.

OUR ABILITY TO COMPLETE THE CONSTRUCTION OF THE NEW CASINO AND ENTERTAINMENT COMPLEX AT AMERISTAR ST. CHARLES AS CURRENTLY CONTEMPLATED DEPENDS ON OUR OPERATING PERFORMANCE AND RECEIPT OF A WAIVER FROM OUR LENDERS.

We intend to fund the construction of the new casino and entertainment complex at Ameristar St. Charles with a portion of our cash flow from operations and borrowings under our senior credit facilities. Since the amount of our available cash from operations and our ability to draw funds under our senior credit facilities are both determined by our operating performance, a failure to achieve certain performance levels during the construction period could result in the delay or suspension of construction. In addition, under the terms of our senior credit facilities and the indenture governing our senior subordinated notes, we may not be able to incur additional debt to fund the St. Charles project if cash from operations and available borrowings under our senior credit facilities are not sufficient to fund the construction.

Our senior credit facilities currently limit the amount that we can spend on the project to $110 million plus otherwise allowable capital expenditures, but we expect the cost of the project to exceed this amount. While we are not currently in violation of any of the provisions of our senior credit facilities, we will need to obtain a waiver of this limit from our lenders. We expect to request a waiver from the lenders under our senior credit facilities during the first half of 2002, but we cannot be sure that our

lenders will grant our request. If we do not receive the waiver, our completion of the project will be significantly delayed.

CRAIG H. NEILSEN OWNS A MAJORITY OF OUR COMMON STOCK AND CONTROLS OUR AFFAIRS.

Mr. Neilsen is our President, Chief Executive Officer and Chairman of our board of directors and owns approximately 85% of our outstanding common stock. Upon completion of the offering, Mr. Neilsen will own approximately 63% of our outstanding common stock. Accordingly, Mr. Neilsen has and will continue to have the ability to control our operations and affairs, including the election of the board of directors and, except as otherwise provided by law, other matters submitted to a vote of the stockholders, including a merger, consolidation or sale of the stock of the company. In addition, Mr. Neilsen's substantial ownership affects the liquidity in the market for our common stock.

A CHANGE IN CONTROL COULD RESULT IN THE ACCELERATION OF OUR DEBT OBLIGATIONS.

Certain changes in control could result in the acceleration of our senior credit facilities and our senior subordinated notes. This acceleration could be triggered in the event Mr. Neilsen sells a significant portion of his stock or upon his death if his estate, heirs and devisees must sell a substantial number of shares of our common stock to obtain funds to pay inheritance tax liabilities. We cannot assure you that we would be able to repay any indebtedness that is accelerated as a result of a change in control, and this would likely materially adversely affect our financial condition.

LEVERAGE MAY IMPAIR OUR FINANCIAL CONDITION AND RESTRICT OUR OPERATIONS AND WE MAY INCUR SIGNIFICANT ADDITIONAL DEBT.

We are highly leveraged and have substantial fixed debt service in addition to our operating expenses. The degree to which we are leveraged could have important adverse consequences to our business, including:

- Increasing our vulnerability to general adverse economic and industry conditions;

- Limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions and other general corporate requirements;

- Requiring a substantial portion of our cash flow from operations for the payment of interest on our debt and reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions and general corporate requirements;

- Limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and

- Placing us at a competitive disadvantage to less leveraged competitors.

The terms of our senior credit facilities and the indenture governing our senior subordinated notes contain covenants that may restrict our ability to, among other things, borrow money, pay dividends and effect a consolidation, merger or disposal of substantially all of our assets. Although the covenants in our senior credit facilities and the indenture are subject to various exceptions that are intended to allow us to operate without undue restraint in certain anticipated circumstances, we cannot assure you that these covenants will not adversely affect our ability to finance future operations or capital needs or to engage in other activities that may be in our best interest. In addition, our long-term debt requires us to maintain specified financial ratios and satisfy certain financial condition tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. A breach of any of these covenants would result in a default under our senior credit facilities and the indenture. If an event of default under our senior credit facilities occurs, the lenders could elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. In addition, our senior credit facilities are secured by first priority security interests on substantially all of our real and personal

property, including the capital stock of our subsidiaries. If we are unable to pay all amounts declared due and payable in the event of a default, the lenders could foreclose on these assets.

IF OUR KEY PERSONNEL LEAVES US, OUR BUSINESS WILL BE SIGNIFICANTLY ADVERSELY AFFECTED.

We depend on the continued performance of Craig H. Neilsen, our President, Chief Executive Officer and Chairman, and his management team. Thomas M. Steinbauer, Ameristar's Senior Vice President of Finance, has announced his intention to leave us sometime after mid-2002, and we are currently seeking a replacement for Mr. Steinbauer. If we lose the services of Mr. Neilsen, any of our other executive officers or our senior property management personnel, and cannot replace such persons in a timely manner, it could have a material adverse effect on our business.

THE MARKET FOR QUALIFIED PROPERTY AND CORPORATE MANAGEMENT PERSONNEL IS SUBJECT TO INTENSE COMPETITION.

We have experienced and expect to continue to experience strong competition in hiring and retaining qualified property and corporate management personnel. Recruiting and retaining qualified management personnel is particularly difficult at Ameristar Vicksburg and the Jackpot properties due to local market conditions. If we are unable to successfully recruit and retain qualified management personnel at our properties and at our corporate level, our results of operations could be materially adversely affected.

ADVERSE WEATHER CONDITIONS IN THE AREAS IN WHICH WE OPERATE COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Adverse weather conditions, particularly flooding, heavy snowfall and other extreme weather conditions, can deter our customers from traveling or make it difficult for them to frequent our properties. If any of our properties were to experience prolonged adverse weather conditions, or if our Midwestern properties were to simultaneously experience adverse weather conditions, our results of operations and financial condition could be materially adversely affected.

OUR BUSINESS IS SUBJECT TO RESTRICTIONS AND LIMITATIONS IMPOSED BY GAMING REGULATORY AUTHORITIES THAT COULD ADVERSELY AFFECT US.

The ownership and operation of casino gaming facilities are subject to extensive state and local regulation. The States of Missouri, Iowa, Mississippi and Nevada and the applicable local authorities require various licenses, findings of suitability, registrations, permits and approvals to be held by us and our subsidiaries. The Missouri Gaming Commission, the Iowa Racing and Gaming Commission, the Mississippi Gaming Commission and the Nevada Gaming Commission may, among other things, limit, condition, suspend, revoke or not renew a license or approval to own the stock of any of our Missouri, Iowa, Mississippi or Nevada subsidiaries, respectively, for any cause deemed reasonable by such licensing authority. Our licenses in Missouri will need to be renewed in December 2002 and every two years thereafter. Our gaming license in Iowa must be renewed or continued every year, and our gaming license in Mississippi must be renewed every three years. If we violate gaming laws or regulations, substantial fines could be levied against us, our subsidiaries and the persons involved, and we could be forced to forfeit portions of our assets. The suspension, revocation or non-renewal of any of our licenses or the levy on us of substantial fines or forfeiture of assets would have a material adverse effect on our business, financial condition and results of operations. We are also subject to substantial gaming taxes and fees imposed by various governmental authorities, which are subject to increase.

To date, we have obtained all governmental licenses, findings of suitability, registrations, permits and approvals necessary for the operation of our currently operating gaming activities. However, gaming licenses and related approvals are deemed to be privileges under Missouri, Iowa, Mississippi and Nevada law. We cannot assure you that our existing licenses, permits and approvals will be maintained or extended. We also cannot assure you that any new licenses, permits and approvals that may be required in the future will be granted to us.

IF THE JURISDICTIONS IN WHICH WE OPERATE INCREASE GAMING TAXES AND FEES, OUR RESULTS COULD BE ADVERSELY AFFECTED.

State and local authorities raise a significant amount of revenue through taxes and fees on gaming activities. From time to time, legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, worsening economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes. If the jurisdictions in which we operate were to increase gaming taxes and fees, our results from operations could be adversely affected.

WORSENING ECONOMIC CONDITIONS MAY ADVERSELY AFFECT OUR BUSINESS.

Our business may be adversely affected by economic downturns and instability as we are dependent on discretionary spending by our customers. Any worsening of current economic conditions, including as a result of the events of September 11, 2001, could cause fewer people to spend money at our properties and could adversely affect our revenues.

FAILURE OF LOCAL REAUTHORIZATION OF GAMING ACTIVITIES IN IOWA COULD HAVE A MATERIAL ADVERSE EFFECT ON US.

Under Iowa law, a license to conduct gambling games may be issued in a county only if the county electorate has approved such gambling games. Although the electorate of Pottawattamie County, which has a population of approximately 88,000 and includes the City of Council Bluffs, approved by referendum the gambling games conducted at Ameristar Council Bluffs, a reauthorization referendum must be submitted to the county electorate in the general election to be held in November 2002 and each eight years thereafter. Each such referendum requires the vote of a majority of the persons voting. If any such reauthorization referendum is defeated, Iowa law provides that any previously issued gaming license will remain valid and subject to periodic renewal for a total of nine years from the original issue unless otherwise terminated by the Iowa Racing and Gaming Commission. The original issue date for our Iowa gaming license was January 27, 1995. We cannot assure you that gaming operations of the type we conduct at Ameristar Council Bluffs will continue to be authorized in Pottawattamie County. Any failure of Pottawattamie County to reauthorize gaming operations of the type we conduct at Ameristar Council Bluffs would have a material adverse effect on our business, financial condition and results of operations.

THE NATIONAL GAMBLING IMPACT STUDY COMMISSION'S RECOMMENDATIONS MAY ADVERSELY AFFECT THE GAMING INDUSTRY AND OUR OPERATIONS.

The National Gambling Impact Study Commission (the "National Commission") was established by the U.S. Congress to conduct a comprehensive study of the social and economic impact of gaming in the United States. On April 28, 1999, the National Commission voted to recommend that the expansion of gaming be curtailed. In June 1999, the National Commission issued a final report of its findings and conclusions, together with recommendations for legislative and administrative actions. Highlights of some of those recommendations include: (1) legal gaming should be restricted to those at least 21 years of age; (2) betting on college and amateur sports should be banned; (3) the introduction of casino-style gaming at pari-mutuel racing facilities for the primary purpose of saving pari-mutuel facilities that otherwise may not be financially viable for the purpose of competing with other forms of gaming should be prohibited; (4) internet gaming should be banned in the United States; (5) the types of gaming activities allowed by Native American tribes within a given state should be consistent with the gaming activities allowed to other persons in that state; and (6) state, local and tribal governments should recognize that casino gaming provides economic development, particularly for economically depressed areas and casino gaming as opposed to stand-alone slot machines (e.g., in convenience stores), internet gaming and lotteries do not provide the same economic development. Any regulation of the gaming industry which may result from the National Commission's report may have an adverse effect on the gaming industry and on our financial condition and results of operations.

ANY LOSS FROM SERVICE OF OUR RIVERBOAT AND DOCKSIDE FACILITIES FOR ANY REASON COULD MATERIALLY ADVERSELY AFFECT US.

Our riverboat and dockside facilities in Missouri, Iowa and Mississippi could be lost from service due to casualty, mechanical failure, extended or extraordinary maintenance, floods or other severe weather conditions. Cruises of the Council Bluffs casino are subject to risks generally incident to the movement of vessels on inland waterways, including risks of casualty due to river turbulence and severe weather conditions. In addition, U.S. Coast Guard regulations set limits on the operation of vessels and require that vessels be operated by a minimum complement of licensed personnel.

The U.S. Coast Guard also requires all United States flagged passenger vessels operating exclusively in fresh water to conduct a thorough dry-dock inspection of underwater machinery, valves and hull every five years. Less stringent inspection requirements apply to permanently moored dockside vessels like those at Ameristar Kansas City, Ameristar St. Charles and Ameristar Vicksburg. The Ameristar Council Bluffs riverboat was due for its dry-dock inspection in November 2000, but we have been accepted into a U.S. Coast Guard program that has extended the dry-dock requirement to May 2003 by undergoing a thorough underwater inspection. Upon the formal adoption of regulations relating to this program by the U.S. Coast Guard, we may be able to extend the dry-dock requirement further, to November 2005. If we are unable to continue to extend the dry-dock requirement by performing thorough underwater hull inspections, the Council Bluffs casino would be out of service for a substantial period of time for its dry-dock inspection. This could have a material adverse effect on Ameristar Council Bluffs and on our business, financial condition and results of operations. We cannot assure you that we will actually obtain any further extension of the dry-dock requirement or that similar extensions will be obtained in the future.

The Ameristar Vicksburg site has experienced some instability that requires periodic maintenance and improvements. Although in 1999 we reinforced the cofferdam basin in which the vessel floats, further reinforcements may be necessary. We are also monitoring the site to evaluate what further steps, if any, may be necessary to stabilize the site to permit operations to continue. A site failure would require Ameristar Vicksburg to limit or cease operations.

The loss of a riverboat or dockside facility from service for any period of time likely would adversely affect our operating results and borrowing capacity under our long-term debt facilities. It could also result in the occurrence of an event of a default under one or more of our credit facilities or contracts.

WE COULD FACE SEVERE PENALTIES AND MATERIAL REMEDIATION COSTS IF WE FAIL TO COMPLY WITH APPLICABLE ENVIRONMENTAL REGULATIONS.

As is the case with any owner or operator of real property, we are subject to a variety of federal, state and local governmental regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. Failure to comply with environmental laws could result in the imposition of severe penalties or restrictions on operations by government agencies or courts of law, which could adversely affect operations. We do not have environmental liability insurance to cover most such events, and the environmental liability insurance coverage we maintain to cover certain events includes significant limitations and exclusions. In addition, if we discover any significant environmental contamination affecting any of our properties, we could face material remediation costs or additional development costs for future expansion activities.

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USE OF PROCEEDS

The net proceeds from the sale of the 6,000,000 shares of common stock offered hereby will be approximately $76.8 million to us and $38.8 million to the selling stockholder, based upon an offering price per share of $20.50, after deducting the underwriting discounts and commissions and the estimated offering expenses payable by us. We will not receive any proceeds from the sale of the shares of our common stock being offered by the selling stockholder.

We intend to use the net proceeds we receive from this offering to repay our term loans under our senior credit facilities on a pro rata basis as required. As of September 30, 2001, the weighted average interest rate on the principal amount outstanding under our senior credit facilities was 6.4%, with the interest rates on the term loans A, B and C being 5.9%, 6.4% and 6.6%, respectively. The term loans A, B and C mature on December 20, 2005, 2006 and 2007, respectively.

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock and we do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain all earnings to fund our working capital, debt service and capital expenditures and for general corporate purposes. The ability to declare dividends is in the discretion of our board of directors, but our senior credit facilities and the indenture governing our senior subordinated notes contain restrictions on our ability to pay dividends or make other payments or distributions to our stockholders.

PRICE RANGE OF OUR COMMON STOCK

Our common stock is quoted on the Nasdaq National Market under the symbol "ASCA." The following table reflects the range of high and low sale prices as reported on the Nasdaq National Market for the quarters identified below:

	HIGH	LOW
Year ended December 31, 1999		
First Quarter	$ 3.63	$ 2.13
Second Quarter	3.88	2.31
Third Quarter	4.44	3.00
Fourth Quarter	4.31	3.25
Year ended December 31, 2000		
First Quarter	$ 4.19	$ 3.63
Second Quarter	4.34	3.00
Third Quarter	6.00	4.19
Fourth Quarter	6.63	4.59
Year ending December 31, 2001		
First Quarter	$ 6.75	$ 4.50
Second Quarter	18.75	6.53
Third Quarter	21.90	9.41
Fourth Quarter (through December 11, 2001)	25.51	12.00

On December 11, 2001, the last reported sale price of our common stock on the Nasdaq National Market was $21.45 per share. As of December 10, 2001, there were 202 holders of record of our common stock.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2001 (1) on an actual basis and (2) on an adjusted basis, to reflect the sale of 4,000,000 shares of common stock offered by us in this offering at an offering price of $20.50 per share, less the estimated underwriting discount and offering expenses. You should read the following table along with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and consolidated financial statements and notes included in this prospectus.

	AS OF SEPTEMBER 30, 2001	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Cash and cash equivalents	$ 41,931	$ 41,931
Long-term debt (including current maturities):		

Senior credit facilities	$330,063	$253,268
10 3/4% senior subordinated notes due 2009, net of original issue discount	375,389	375,389
Capitalized leases and other	16,365	16,365
Total long-term debt	721,817	645,022
Stockholders' equity		
Preferred stock ($0.01 par value, 30,000,000 shares authorized, no shares issued and outstanding)	--	--
Common stock ($0.01 par value, 30,000,000 shares authorized; 20,870,045 shares issued and outstanding, actual; 24,870,045 shares issued and outstanding, as adjusted)	209	249
Additional paid-in capital	44,563	121,318
Accumulated other comprehensive loss	(2,350)	(2,350)
Retained earnings	8,576	8,576
Total stockholders' equity	50,998	127,793
Total capitalization	$772,815	$772,815

UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma condensed financial statements are based on our historical financial statements and the historical financial statements of Station Casinos, Inc. Missouri Operations and should be read in conjunction with the historical financial statements included in this prospectus.

The pro forma financial statements reflect (1) the acquisition of our Missouri properties on December 20, 2000 and the related financing transactions and (2) the sale of The Reserve Hotel and Casino on January 29, 2001, assuming such transactions occurred on January 1, 2000.

Pro forma adjustments to historical financial statements include adjustments which we deem appropriate, reflecting items of recurring significance and which are factually supported based on currently available information. The pro forma financial statements may not be indicative of what actual results would have been, nor do the pro forma financial statements purport to present our condensed financial results for future periods.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	AMERISTAR HISTORICAL (INCLUDING THE MISSOURI PROPERTIES)	PRO FORMA ADJUSTMENTS FOR THE ACQUISITIONS AND RELATED FINANCINGS	PRO FORMA ADJUSTMENTS FOR THE SALE OF THE RESERVE	PRO FO ACQUI RE FINA AND THE

Revenues:				
Casino	$409,651		$(3,649)(7)	$40
Food and beverage	52,351		(1,311)(7)	5
Rooms	17,908		(278)(7)	1
Other	13,698		(498)(7)	1
	493,608	--	(5,736)	48
Less: Promotional allowances	26,919		(603)(8)	2
Net revenues	466,689	--	(5,133)	46
Operating Expenses:				
Casino	203,397		(2,536)(7)	20
Food and beverage	34,066		(976)(7)	3
Rooms	6,053		(91)(7)	
Other	9,136		(66)(7)	
Selling, general and administrative	97,556		(1,396)(7)	9
Depreciation and amortization	28,292			2
Total operating expenses	378,500	--	(5,065)	37
Income (loss) from operations	88,189	--	(68)	8
Other Income (Expense):				
Interest income	475			
Interest expense	(50,839)	$(165)(4)	2(7)	
			310(8)	(5
Other	(143)			
	(50,507)	(165)	312	(5
Income (loss) before income tax provision (benefit), extraordinary item and cumulative effect of change in accounting principle	37,682	(165)	244	3
Income tax provision (benefit)	13,546	(58)(9)	(23)(7)	
			109(9)	1
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	$ 24,136	$(107)	$ 158	$ 2
Earnings (loss) per share before extraordinary item and cumulative effect of change in accounting principle:				
Basic	$ 1.17			$
Diluted	$ 1.08			$
Basic shares outstanding	20,655			2
Diluted shares outstanding	22,349			2

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	AMERISTAR HISTORICAL	MISSOURI PROPERTIES HISTORICAL (TO DECEMBER 20, 2000)	PRO FORMA ADJUSTMENTS FOR THE ACQUISITIONS AND RELATED FINANCINGS	PRO FO ADJUSTM FOR T SALE THE RES
Revenues:				
Casino	$278,567	$275,534		$(47,1
Food and beverage	53,653	30,565		(15,7
Rooms	18,121	8,794		(4,0
Other	12,018	6,827		(1,5
	362,359	321,720	--	(68,5
Less: Promotional allowances	28,224	11,330		(6,4
Net revenues	334,135	310,390	--	(62,0
Operating Expenses:				
Casino	127,077	146,189		(25,6
Food and beverage	35,135	27,349		(12,4
Rooms	6,944	2,904		(1,6
Other	12,257	3,047		(1,1
Selling, general and administrative	90,416	48,746	$ (1,366)(1)	(15,0
Depreciation and amortization	27,784	17,923	(859)(2) 5,160(3)	(6,2
Impairment loss on assets held for sale	57,153	--		(57,1
Total operating expenses	356,766	246,158	2,935	(119,3
Income (loss) from operations	(22,631)	64,232	(2,935)	57,2
Other Income (Expense):				
Interest income	161			
Interest expense	(28,316)	(40,742)	(74,743)(4) 25,319(5) 40,742(6)	4 3,6
Other	(942)	1,294		4
	(29,097)	(39,448)	(8,682)	4,5
Income (loss) before income tax provision (benefit)and extraordinary item	(51,728)	24,784	(11,617)	61,8
Income tax provision (benefit)	(17,981)	6,875	(4,066)(9)	21,0 6
Income (loss) before extraordinary item	$(33,747)	$ 17,909	$ (7,551)	$ 40,1
Earnings (loss) per share before extraordinary item:				
Basic	$ (1.65)			
Diluted	$ (1.65)			
Basic shares outstanding	20,401			

Diluted shares outstanding..............	20,401
	========

NOTES TO UNAUDITED PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

The following pro forma adjustments have been made to the unaudited pro forma condensed statements of operations for the nine months ended September 30, 2001 and the year ended December 31, 2000:

(1) Reflects the reduction to rent expense associated with land purchased at our Kansas City property as part of the acquisitions.

(2) Reflects adjustments to depreciation expense as a result of changes in the carrying value of the Missouri properties' property and equipment and leasehold improvements.

(3) Reflects the amortization of excess of purchase price over fair market value of net assets acquired on a straight-line basis over an estimated useful life of 40 years and the amortization of identified intangible assets (primarily customer lists) on a straight-line basis over an estimated useful life of two years. The excess purchase price over fair market value of net assets acquired is deductible for tax purposes and is amortized over a 15 year period.

(4) Reflects interest expense from the senior credit facilities, senior subordinated credit facility and senior subordinated notes, including amortization of debt issuance costs.

(5) Reflects the reduction in interest expense from repaying and terminating the $115 million revolving credit facility, repurchasing the 10.5% senior subordinated notes and repaying other existing indebtedness, including amortization of debt issuance costs.

(6) Reflects the reduction of the Missouri properties' historical interest expense related to debt not being assumed in the acquisitions.

(7) Reflects the historical results of The Reserve Hotel and Casino.

(8) Reflects the reduction in interest expense related to the permanent reduction of certain borrowings under the senior credit facilities.

(9) Reflects the tax effect of the pro forma adjustments using the 35% statutory tax rate, excluding the actual tax effects of the historical results of The Reserve Hotel and Casino referred to in Note 7.

SELECTED FINANCIAL AND OTHER DATA

The selected consolidated financial and other data presented below as of and for each of the five years ended December 31, 2000 have been derived from our audited consolidated financial statements. We have derived the selected historical financial data for the nine months ended September 30, 2000 and 2001 from our unaudited condensed consolidated financial statements, which include all adjustments, consisting of normal recurring adjustments, which are, in our opinion, necessary for a fair presentation of our results of operations for such periods. The results of operations for the nine months ended September 30, 2001 are not necessarily indicative of the results for the full year. The selected consolidated financial and other data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, and notes thereto, included elsewhere in this prospectus (except for the consolidated financial statements as of and for the years ended December 31, 1996 and 1997, which are not included in this prospectus).

	FOR THE YEARS ENDED DECEMBER 31,				
	1996	1997	1998	1999	2000
	(IN THOUSANDS, EXCEPT PER SHARE DAT				
STATEMENT OF OPERATIONS(1):					
Revenues:					
Casino	$158,431	$169,241	$210,968	$240,445	$278,567
Food and beverage	24,250	30,672	45,853	49,142	53,653
Rooms	7,641	9,685	14,201	17,257	18,121
Other	7,760	8,275	10,401	11,089	12,018
	198,082	217,873	281,423	317,933	362,359
Less: Promotional allowances	12,524	15,530	22,092	24,618	28,224
Net revenues	185,558	202,343	259,331	293,315	334,135
Operating Expenses:					
Casino	72,778	74,897	98,036	107,386	127,077
Food and beverage	16,773	19,784	31,698	33,207	35,135
Rooms	2,368	3,130	5,809	6,372	6,944
Other	7,054	7,546	10,044	10,203	12,257
Selling, general and administrative	47,758	51,958	75,604	86,142	90,416
Depreciation and amortization	14,135	16,358	24,191	24,460	27,784
Impairment loss on assets held for sale	--	646	--	--	57,153
Preopening costs	7,379	--	10,611	--	--
Total operating expenses	168,245	174,319	255,993	267,770	356,766
Income (loss) from operations	17,313	28,024	3,338	25,545	(22,631)
Other Income (Expense):					
Interest income	354	445	296	300	161
Interest expense	(8,303)	(12,107)	(22,699)	(24,449)	(28,316)
Other	(77)	(35)	(13)	(851)	(942)
Income (loss) before income tax provision (benefit)	9,287	16,327	(19,078)	545	(51,728)
Income tax provision (benefit)	3,390	5,959	(6,363)	340	(17,981)
Income (loss) before extraordinary loss and cumulative Effect of change in accounting principle	5,897	10,368	(12,715)	205	(33,747)
Extraordinary loss on early retirement of debt, net of Income taxes	--	(673)	--	--	(6,560)
Cumulative effect of change in accounting principle, net of income taxes	--	--	--	--	--
Net income (loss)	$ 5,897	$ 9,695	$(12,715)	$ 205	$(40,307)

Diluted earnings (loss) per share:					
Income (loss) before extraordinary loss and cumulative	$ 0.29	$ 0.51	$ (0.62)	$ 0.01	$ (1.65)
Effect of change in accounting principle Net income (loss)	0.29	0.48	(0.62)	0.01	(1.98)

See footnotes on following page.

	FOR THE YEARS ENDED DECEMBER 31,				
	1996	1997	1998	1999	2000
	(IN THOUSANDS, EXCEPT PER SHARE DAT				
OTHER FINANCIAL DATA:					
EBITDA(2)	$ 38,827	$ 45,028	$ 38,140	$ 50,005	$ 62,306
Cash flows from operating activities	33,177	33,641	23,123	34,287	38,836
Cash flows from investing activities	(53,746)	(63,417)	(53,863)	(50,048)	(521,206)
Cash flows from financing activities	16,506	32,083	35,918	13,083	503,084
Capital expenditures	43,087	72,932	32,312	57,590	33,357
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 10,724	$ 13,031	$ 18,209	$ 15,531	$ 36,245
Total assets	270,052	336,186	351,773	378,645	890,921
Total long-term debt and capital leases	164,139	199,623	242,721	250,288	791,433
Stockholders' equity	70,944	80,639	67,924	68,169	28,044

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(1) The casino at Ameristar Council Bluffs opened in January 1996, portions of the land-based facilities opened in June 1996 and the 160-room hotel opened in November 1996. The remaining land-based facilities opened in February and March 1997. The expanded casino opened in November 1999. The Reserve Hotel and Casino opened in February 1998. The Ameristar Vicksburg hotel opened in June 1998. The expanded casino opened in December 1999. Results for the year ended December 31, 2000 include 11 days of operations at Ameristar Kansas City and Ameristar St. Charles, which were acquired on December 20, 2000. Results for the nine months ended September 30, 2001 include the operations of The Reserve until January 29, 2001, when it was sold.

Certain reclassifications, having no effect on net income, have been made to the prior period's condensed consolidated financial statements to conform to the current period's presentation. We previously recorded our customers' progress toward players club points as a casino department expense. However, under the Emerging Issues Task Force ("EITF") Issue 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future" ("EITF 00-22"), this progress must now be recorded as a reduction of revenue.

(2) EBITDA consists of income (loss) from operations plus depreciation, amortization, preopening costs and impairment losses. EBITDA information is presented solely as a supplemental disclosure because management believes that it is a widely used measure of operating performance in the gaming industry and for companies with a significant amount of depreciation and amortization. EBITDA should not be construed as an alternative to income from operations (as determined in accordance with generally accepted accounting principles) as an indicator of our operating performance, or as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. We have significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments that are not reflected in EBITDA. Gaming companies that report EBITDA information may not calculate EBITDA in the same manner as us.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the section "Selected Financial and Other Data" and the consolidated financial statements and related notes included elsewhere in this prospectus.

OVERVIEW

We develop, own and operate casinos and related hotel, food and beverage, entertainment and other facilities, with six properties in operation in Missouri, Iowa, Mississippi and Nevada. Our properties consist of Ameristar Casino Hotel Kansas City, located in Kansas City, Missouri; Ameristar Casino St. Charles, located in St. Charles, Missouri serving the St. Louis metropolitan area; Ameristar Casino Hotel Council Bluffs, located in Council Bluffs, Iowa serving the Omaha, Nebraska/Council Bluffs metropolitan area; Ameristar Casino Hotel Vicksburg, located in Vicksburg, Mississippi; and Cactus Petes Resort Casino and The Horseshu Hotel & Casino located in Jackpot, Nevada at the Idaho border. We acquired the Missouri properties in December 2000. We sold The Reserve Hotel and Casino in Henderson, Nevada in late January 2001.

We recently completed or are in the process of completing several major enhancement projects at our properties. These projects include the following:

- Renovation and Enhancement Project at Ameristar Council Bluffs. In the first quarter of 2001, we completed an approximately $7 million renovation and enhancement of the first two levels of the casino at the Council Bluffs property, featuring the installation of multimedia, high-definition plasma screens throughout the casino along with new slot product and EZ-Pay, a cashless ticket system designed to improve guest satisfaction.

- Renovation and Enhancement Project at Ameristar Vicksburg. In the second quarter of 2001, we substantially completed an approximately $10 million renovation and enhancement project at Ameristar Vicksburg, including a completely renovated casino with the latest slot machine technology; a new VIP players lounge; the Bottleneck Blues Bar, an intricately-themed, delta-style, blues club environment with live entertainment, dining and gaming; and new high-definition plasma screens for special event viewing.

- New Casino and Entertainment Facility at Ameristar St. Charles. We continue to make progress on the new casino and entertainment facility under construction at Ameristar St. Charles without interruption to the property's ongoing operations. Construction is on schedule and the new facility is expected to open in mid-2002. The estimated construction cost to complete this project is approximately $170 million, of which $14.8 million had been incurred as of September 30, 2001.

- Single Boat Consolidation at Ameristar Kansas City. In August 2001, we completed the consolidation of two contiguous but separate casinos at Ameristar Kansas City into a single casino. Ongoing modifications to the casino floor resulting from the consolidation include redesigning the casino floor layout to take advantage of the single casino configuration and enhance customer satisfaction; relocating and expanding the high-limit area, including the addition of six high-limit table games; moving the poker room from the second level of the casino to the first; and combining the two casino delicatessens into a single, expanded delicatessen. We expect to complete these improvements in December 2001.

- New Parking Garage at Ameristar Kansas City. In the third quarter of 2001, Ameristar Kansas City began site work at the property in preparation for the construction of a new $20 million, 2,660-space parking garage. Construction of the parking garage commenced early in the fourth quarter of 2001 and is expected to be completed in July 2002.

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Certain of our operations are seasonal in nature. To date, our operations in Missouri, Iowa and Nevada have experienced some seasonality, with the winter months being the slower periods. Operations at Ameristar Vicksburg have not experienced any material seasonality. Since our customers primarily reside within a 100-mile radius of our properties, we believe our revenues have only been marginally affected by the slowdown in air travel resulting from the events of September 11, 2001.

Our quarterly and annual operating results may be affected by competitive pressures, the commencement of new gaming operations, the amount of preopening costs, charges associated with debt refinancing and/or property acquisition and disposition transactions, construction at existing facilities and general weather conditions. Consequently, our operating results for any quarter or year are not necessarily comparable and may not be indicative of future periods results.

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RESULTS OF OPERATIONS

The following table highlights the consolidated cash flow information and results of operations of Ameristar's operating subsidiaries for its principal properties:

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1998(1)	1999(1)	2000(1)	2000(1)	2001
	(AMOUNTS IN THOUSANDS)				
CONSOLIDATED CASH FLOW INFORMATION:					
Cash flows provided by operating					

activities	$ 23,123	$ 34,287	$ 38,836	$ 21,771	$ 76,992
Cash flows provided by (used in) investing activities	(53,863)	(50,048)	(521,206)	(30,087)	10,022
Cash flows provided by (used in) financing activities	35,918	13,083	503,084	8,851	(81,328)
NET REVENUES:					
Ameristar Kansas City(2)	$ --	$ --	$ 7,845	$ --	$158,323
Ameristar St. Charles(2)	--	--	4,289	--	106,675
Ameristar Council Bluffs	95,652	109,678	120,868	93,466	94,454
Ameristar Vicksburg	66,399	74,365	79,600	60,887	58,306
Jackpot properties	53,676	57,120	59,339	46,100	43,885
The Reserve(3)	43,381	51,969	62,082	45,778	5,046
Corporate and other	223	183	112	112	--
Consolidated net revenues	$259,331	$293,315	$ 334,135	$246,343	$466,689
OPERATING INCOME (LOSS):					
Ameristar Kansas City(2)	$ --	$ --	$ 1,168	$ --	$ 35,166
Ameristar St. Charles(2)	--	--	597	--	30,828
Ameristar Council Bluffs	17,230	20,714	22,060	18,239	19,501
Ameristar Vicksburg	13,562	15,392	16,041	12,603	10,810
Jackpot properties	9,638	10,619	10,595	8,570	8,039
The Reserve(3)	(26,703)	(7,089)	(57,321)	(58,980)	67
Corporate and other	(10,389)	(14,091)	(15,771)	(12,694)	(16,222)
Consolidated operating income (loss)	$ 3,338	$ 25,545	$ (22,631)	$(32,262)	$ 88,189
EBITDA(4):					
Ameristar Kansas City(2)	$ --	$ --	$ 1,459	$ --	$ 44,345
Ameristar St. Charles(2)	--	--	715	--	33,313
Ameristar Council Bluffs	24,322	28,430	32,053	25,551	26,502
Ameristar Vicksburg	20,231	21,092	22,945	17,626	16,877
Jackpot properties	13,163	13,743	14,215	11,242	11,039
The Reserve(3)	(9,519)	426	6,146	4,491	67
Corporate and other	(10,057)	(13,686)	(15,227)	(12,346)	(15,662)
Consolidated EBITDA	$ 38,140	$ 50,005	$ 62,306	$ 46,564	$116,481
OPERATING INCOME (LOSS) MARGINS:					
Ameristar Kansas City(2)	--	--	14.9%	--	22.2%
Ameristar St. Charles(2)	--	--	13.9%	--	28.9%
Ameristar Council Bluffs	18.0%	18.9%	18.3%	19.5%	20.6%
Ameristar Vicksburg	20.4%	20.7%	20.2%	20.7%	18.5%
Jackpot properties	18.0%	18.6%	17.9%	18.6%	18.3%
The Reserve(3)	(61.6)%	(13.6)%	(92.3)%	(128.8)%	1.3%
Consolidated operating income (loss) margin	1.3%	8.7%	(6.8)%	(13.1)%	18.9%
EBITDA MARGINS(4):					
Ameristar Kansas City	--	--	18.6%	--	28.0%
Ameristar St. Charles	--	--	16.7%	--	31.2%
Ameristar Council Bluffs	25.4%	25.9%	26.5%	27.3%	28.1%
Ameristar Vicksburg	30.5%	28.4%	28.8%	28.9%	28.9%
Jackpot properties	24.5%	24.1%	24.0%	24.4%	25.2%
The Reserve(3)	(21.9)%	0.8%	9.9%	9.8%	1.3%
Consolidated EBITDA margin	14.7%	17.0%	18.6%	18.9%	25.0%

See footnotes on following page.

(1) Certain reclassifications, having no effect on net income, have been made to prior periods' financial information to conform to the current period's presentation, including the implementation of EITF 00-22.

(2) The Missouri properties were acquired on December 20, 2000.

(3) The Reserve was sold on January 29, 2001. Operating results for the nine-month period ending September 30, 2000 include an impairment loss of $57.2 million related to assets held for sale.

(4) EBITDA consists of income (loss) from operations plus depreciation, amortization and impairment losses. EBITDA margin is EBITDA as a percentage of net revenues. EBITDA information is presented solely as a supplemental disclosure because management believes that it is a widely used measure of operating performance in the gaming industry. EBITDA should not be construed as an alternative to income from operations (as determined in accordance with generally accepted accounting principles) as an indicator of our operating performance, or as an alternative to cash flow from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. We have significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments, which are not reflected in EBITDA. It should also be noted that not all gaming companies that report EBITDA information calculate EBITDA in the same manner as us.

NINE MONTHS ENDED SEPTEMBER 30, 2001 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 2000

Net Revenues

Consolidated net revenues for the nine months ended September 30, 2001 increased to $466.7 million from $246.3 million during the same period in 2000, an increase of 89.5 percent. The growth in revenues is primarily attributable to contributions from the Kansas City and St. Charles properties, which were acquired on December 20, 2000 and contributed net revenues of $265.0 million in the first nine months of 2001. The Missouri properties' contributions were partially offset by the absence of revenues from The Reserve, which was sold in late January 2001.

Ameristar Kansas City's net revenues of $158.3 million for the first nine months of 2001 were adversely impacted by a market-wide decline in table games revenues and construction disruption associated with the one-boat consolidation, casino floor reconfiguration and parking garage site work. Net revenues in the latter portion of the period were also adversely impacted by enhanced competition from another property following the June 2001 opening of its newly renovated facility. Ameristar Kansas City's market share in the first three quarters of 2001 was 32.5%, 33.5% and 32.6%, respectively.

Net revenues of $106.7 million at Ameristar St. Charles for the first nine months of 2001 were positively impacted by strong overall market growth and market share increases driven by aggressive marketing and promotional programs and the introduction of new slot product. Ameristar St. Charles' market share in the first three quarters of 2001 was 17.6%, 18.5% and 19.0%, respectively.

Net revenues at Ameristar Council Bluffs for the nine months ended September 30, 2001 were $94.5 million, an increase of $1.0 million, or 1.1 percent, over the corresponding period in 2000. Net revenues during the beginning of the nine-month period were adversely affected by construction disruption associated with the property's renovation and enhancement project as well as adverse winter weather conditions. However, Ameristar Council Bluffs began to see improved results from the renovation project in the third quarter of 2001. Third quarter 2001 net revenues increased approximately 10 percent over the corresponding period in 2000. The property's market share also improved after completion of the renovation project, growing from 32.1% in the third quarter of 2000 to 34.4% for the third quarter of 2001, which culminated with a market-leading 34.9% market share in September 2001, marking the first time we have surpassed both the land-based property and the other riverboat property in this market.

Ameristar Vicksburg's net revenues for the nine months ended September 30, 2001 declined 4.2 percent to $58.3 million compared to the same period in 2000, primarily due to construction disruption associated with the renovation and enhancement project completed in the second quarter 2001 and a slight decline in the overall Vicksburg market. Like Ameristar Council Bluffs, net revenues at Ameristar Vicksburg began to improve once construction was completed, leading to a slight increase in net revenues in the third quarter of 2001 compared to the same period in 2000. Ameristar Vicksburg's third quarter 2001 market share improved to 34.6% from 33.4% during the same period in 2000.

During the nine months ended September 30, 2001, the Jackpot properties generated $43.9 million of net revenues, a decline of 4.8 percent compared to the same period in 2000, primarily as the result of slow economic conditions in the southern Idaho market. The Jackpot properties' net revenues began to rebound in the third quarter of 2001, posting a slight increase to $16.3 million from $16.2 million in the third quarter of 2000.

Income (Loss) from Operations

Our consolidated income from operations for the nine months ended September 30, 2001 was $88.2 million compared to $24.9 million (excluding a $57.2 million impairment loss associated with the sale of The Reserve) in the same period in 2000. This increase is primarily due to contributions made by the Missouri properties, which contributed $66.0 million to income from operations during the first nine months of 2001, partially offset by an increase in corporate and other expenses of $3.5 million resulting from our increased size and scope following the acquisitions of the Missouri properties.

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Income from operations at Ameristar Kansas City of $35.2 million for the nine-month period ended September 30, 2001 was adversely impacted by the factors that affected revenues described above. In addition, while various new marketing and promotional programs implemented by Ameristar Kansas City in the latter portion of the period contributed to stronger slot revenues, a larger increase in marketing expenses and promotional allowances adversely affected the property's income from operations.

Ameristar St. Charles generated $30.8 million of income from operations during the first nine months of 2001. Operating efficiencies resulting from the property's strong revenues during the period led to a 28.9% operating income margin for the nine months ended September 30, 2001.

Ameristar Council Bluffs' income from operations during the nine months ended September 30, 2001 was $19.5 million, an increase of $1.3 million, or 6.9 percent, over the first nine months of 2000. The increase was primarily due to increased revenues and improved operating efficiencies, particularly in the latter portion of the period after the completion of the property's renovation and enhancement project, as well as a continued emphasis on controlling costs.

Ameristar Vicksburg posted income from operations of $10.8 million, representing a 14.2 percent decline from the first nine months of 2000, primarily due to reduced revenues as described above. Once Ameristar Vicksburg's renovation project was completed in the second quarter of 2001 and revenues began to improve, income from operations also improved, with Ameristar Vicksburg posting a 4.6 percent increase from the third quarter of 2000 to $3.6 million in the third quarter of 2001.

The Jackpot properties' income from operations for the nine months ended September 30, 2001 was $8.0 million, down 6.2 percent from $8.6 million for the same period in 2000. This decline was also due to reduced revenues primarily during the early portion of the period.

Interest Expense

Consolidated interest expense was $50.8 million for the nine months ended September 30, 2001 compared to $20.0 million for the same period in 2000. The increased interest expense reflects our additional debt incurred in connection with the acquisition of the Missouri properties. We recorded a $3.5 million non-recurring charge to interest expense for the write-off of unamortized interim credit facility costs in the first quarter of 2001. A charge to interest expense of $1.1 million was also incurred during the first nine months of 2001 due to changes in the fair value of our interest rate collar agreement covering $50 million principal amount of indebtedness under our senior credit facilities.

Net Income (Loss)

For the nine months ended September 30, 2001, net income was $24.0 million, or $1.16 basic earnings per share and $1.07 diluted earnings per share, compared to a loss of $34.6 million for the same period in 2000, or $1.70 basic and diluted loss per share. Net income for the nine months ended September 30, 2001 includes a one-time charge to interest expense of $2.3 million (net of tax) relating to the write-off of the unamortized loan fee on our interim credit facility that was refinanced with the proceeds of our senior subordinated notes and a prepayment premium on retired senior debt, which reduced basic earnings per share by $0.11 per share and diluted earnings per share by $0.10 per share. Net income for the nine months ended September 30, 2001 also includes $1.2 million in additional interest expense (net of tax) related to our interest rate collar agreement, which reduced basic and diluted earnings per share by $0.06 and $0.05 per share, respectively. Net loss for the nine months ended September 30, 2000 includes a $57.2 million impairment loss associated with the sale of The Reserve which reduced basic and diluted earnings per share for such period by $1.82.

YEAR ENDED DECEMBER 31, 2000 VERSUS YEAR ENDED DECEMBER 31, 1999

Significant Events

We experienced an overall growth in net revenues and operating cash flow for the twelve months ended December 31, 2000 compared to 1999. The results of operations for the year ended December 31, 2000 were significantly impacted by the following events:

- We completed acquisitions of the Kansas City and St. Charles properties in late December of 2000. The inclusion of 11 days of operations at the two new Missouri properties resulted in an increase to net revenues of $12.1 million for the year-ended December 31, 2000.

- We also completed significant casino and parking expansions at the Iowa and Mississippi properties in late 1999 and early 2000. In addition, a number of new generation multi-coin slot machines were installed throughout our properties and the strategic implementation of enhanced marketing programs were introduced, aimed at increasing revenues and profitability. Our philosophy of reinvesting in our properties continued with ongoing renovation and enhancement projects at Ameristar Council Bluffs and Ameristar Vicksburg.

- We agreed on October 17, 2000 to sell substantially all of the assets of The Reserve Hotel and Casino for approximately $71.8 million. The sale of The Reserve closed in late January 2001. The sale resulted in an impairment loss of $57.2 million, which reduced operating income for the year-ended December 31, 2000. As a result, we reported a $22.6 million loss from operations for the year-ended December 31, 2000, as compared to a $25.5 million income from operations for 1999, despite increases in revenue and cash flows from operations.

Consolidated Results

Net revenues for the year ended December 31, 2000 were $334.1 million compared to $293.3 million for 1999, an increase of $40.8 million, or 13.9 percent. This growth resulted from casino and parking expansions at our Iowa and Mississippi properties, the introduction of new generation multi-coin slot machines throughout our properties, the strategic implementation of enhanced marketing programs and the additional revenues provided by the two new Missouri properties. A significant amount of the increase in net revenues was due to the acquisition of the Kansas City and St. Charles properties on December 20, 2000, though each of our properties experienced an increase in revenues.

Loss from operations (including the impairment loss) for the twelve months ended December 31, 2000 was $22.6 million compared to income from operations of $25.5 million for 1999. Excluding the impairment loss, operations produced an increase in operating income of $9.0 million, or 35.3 percent for the twelve months ended December 31, 2000, as compared to the prior year. These increases in operating income prior to the impairment loss resulted primarily from increased revenues at all the properties, partially offset by operating expense increases at the properties (particularly marketing costs) and development costs related to our unsuccessful bid for a gaming license in South St. Louis County, Missouri.

We incurred an extraordinary loss of $10.0 million ($6.6 million net of tax) for the retirement of our $100 million subordinated notes in December 2000. These notes were retired in connection with the refinancing for the purchase of the Missouri properties.

We incurred a net loss of $40.3 million for the year-ended December 31, 2000, compared to net income of $0.2 million in 1999. The net loss was a result of the $57.2 million impairment of assets ($37.1 million net of tax) and the $10.0 million ($6.6 million net of tax) extraordinary loss on the retirement of debt. Net income in 2000, prior to these unusual and non-recurring transactions, was $3.4 million, compared to net income of $0.2 million in 1999. Earnings per share, prior to these unusual and non-recurring transactions, was $0.17 for 2000, compared to $0.01 for 1999.

Property Revenues

Ameristar Council Bluffs had total net revenues of $120.9 million for the year ended December 31, 2000, compared to $109.7 million in 1999, an increase of

$11.2 million, or 10.2 percent. The increase was primarily driven by increased slot revenues, offset slightly by lower table games revenues. The slot increase of $13.9 million was attributable to the addition of the third deck of the boat in late 1999 (which increased the number of gaming positions by approximately 349), the largest number of new generation multi-coin slot machines in the market, an aggressive new cash-back program and overall continued growth in the Iowa gaming market. The decrease in table win of $1.4 million from 1999 to 2000 was the result of a 1.6 percentage point decline in table games hold percentage, which more than offset the increase in table drop of $0.9 million.

Net revenues at Ameristar Vicksburg for the year ended December 31, 2000 were $79.6 million compared to $74.4 million in 1999, an increase of $5.2 million, or 7.0 percent. The property experienced an increase in slot revenue of $5.5 million or 9.8 percent. The increase in net revenues was largely due to the casino expansion in the fall of 1999, the installation of new generation multi-coin slot machines, an increase in slot machine count and improved marketing strategies.

The Jackpot properties produced net revenues of $59.3 million for the year ended December 31, 2000 compared to $57.1 million in 1999, an increase of $2.2 million, or 3.9 percent. The increased revenues were primarily attributable to slot machine upgrades and improved marketing programs. Increased slot revenues of $1.9 million over the prior year were attributable to enhanced slot product, timely slot conversions and effective marketing programs.

The Reserve had net revenues for the year ended December 31, 2000 of $62.1 million, an improvement of $10.1 million, or 19.4 percent over the 1999 net revenues of $52.0 million. Slot revenue was the primary component of net revenues, comprising nearly 70 percent of the net revenues for the year. Slot revenue of $43.1 million exceeded the prior year by $7.2 million, or 20.0 percent. This improvement was primarily attributable to the implementation of various strategies to drive revenues and gain market share.

Operating Expenses

The company-wide operating expense ratio for 2000 improved to 89.7 percent of net revenues (before the asset impairment loss of $57.2 million in connection with the sale of The Reserve), compared to 91.3 percent of net revenues in 1999. The improvement in this ratio was primarily the result of increased revenues, partially offset by operating expense increases at the properties and corporate office and $1.9 million in development costs related to our unsuccessful bid for a gaming license in South St. Louis County, Missouri.

Casino costs and expenses for the year ended December 31, 2000 increased $19.7 million, or 18.3 percent, from $107.4 million in 1999 to $127.1 million in 2000. As a percentage of casino revenues, casino expenses increased to 45.6 percent in 2000, compared to 44.7 percent in 1999. The increase in casino expenses as a percentage of casino revenues was due to an increase in cash back to players and an aggressive marketing strategy implemented in the second quarter of 2000. This cost increase was partially offset by other efficiencies in casino operations.

Food and beverage costs and expenses increased by $1.9 million to $35.1 million in 2000, from $33.2 million in 1999. The food and beverage expense-to-revenue ratio decreased to 65.5 percent in 2000, compared to 67.6 percent in 1999. This improvement was primarily related to improved operational efficiencies experienced during 2000.

Rooms expenses increased $0.5 million to $6.9 million in 2000, from $6.4 million in 1999. The room expense-to-revenue ratio increased to 38.3 percent in 2000, compared to 37.0 percent in 1999. The increase was primarily related to increases in payroll and benefits and the addition of the Kansas City property with a 184-room hotel for part of December.

Selling, general and administrative costs and expenses (including utilities and maintenance and business development costs) increased $4.3 million, or 5.0 percent, from the prior year. The increase was due primarily to $1.9 million in development costs related to our unsuccessful bid for a gaming license in South St. Louis County, Missouri, increases in marketing costs associated with the implementation of an aggressive marketing strategy in the second quarter of 2000, increases in corporate overhead related to increased corporate staffing levels and increases in employee compensation at Ameristar Council Bluffs, Ameristar Vicksburg and the Jackpot properties, partially offset by a decrease in such costs at The Reserve.

Depreciation expense of $27.8 million for 2000 represented an increase of $3.3 million over 1999. The increase was due to the addition of the Missouri properties along with the new third deck and parking garage at Council Bluffs and improvements at the Vicksburg facilities.

Interest Expense

Interest expense, net of capitalized interest of $1.4 million in 2000 and $0.6 million in 1999, was $28.3 million for the year ended December 31, 2000, compared to $24.4 million in 1999, an increase of $3.9 million, or 15.8 percent. The increased interest expense related primarily to increased debt incurred to finance construction of the third deck and parking garage at Ameristar Council Bluffs, the casino expansion at Ameristar Vicksburg and the purchase of the Kansas City and St. Charles properties in December. In addition, our average borrowing rate was 10.6% in 2000, compared to 9.8% in 1999, reflective of higher interest rates in the general economy throughout much of 2000. Interest was capitalized on borrowings for construction related to Ameristar Vicksburg, Ameristar Council Bluffs and Ameristar St. Charles after the December 20, 2000 acquisition.

Income Tax Expense

Our effective tax benefit on losses was 34.8% in 2000 and the effective tax rate on income was 62.4% in 1999 (versus the federal statutory rate of 35%). The differences from the statutory rates were due to the effects of certain expenses incurred by us, which were not deductible for federal income tax purposes.

YEAR ENDED DECEMBER 31, 1999 VERSUS YEAR ENDED DECEMBER 31, 1998

Property Revenues

Ameristar Council Bluffs had total net revenues of $109.7 million for the year ended December 31, 1999, compared to $95.7 million in 1998, an increase of 14.6 percent. The increase was due to the popularity of, and the resulting increased revenues from, the enhanced slot product placed in service during the fourth quarter of 1998 and the first quarter of 1999, the completion of the third level casino expansion in the fourth quarter of 1999, which increased the number of gaming positions by approximately 400, as well as continued growth in the gaming market.

Net revenues for Ameristar Vicksburg were $74.4 million for the year ended December 31, 1999, compared with $66.4 million for the prior year, an increase of 12.0 percent. This increase in revenues in 1999 compared to 1998 was due primarily to an increase in slot revenue and an increase in hotel revenue from a full year of operating the new hotel facility. The hotel contributed $2.8 million in net revenues for 1999 compared to $1.3 million for 1998 when it was opened for a partial year beginning in June 1998.

The Jackpot properties produced net revenues of $57.1 million for the year ended December 31, 1999, compared to $53.7 million in the prior year, an increase of 6.3 percent. The improvement was due primarily to an increase in casino revenues resulting from a higher hold percentage on table games and upgrades to the slot product.

The Reserve produced net revenues of $52.0 million for the year ended December 31, 1999, compared to revenues of $43.4 million in the 325 days in 1998 following its opening, an increase of 19.8 percent. In addition to the additional days open in 1999, the increase in revenue was attributable to increased direct-

mail marketing and other marketing programs. As a result of these programs, The Reserve generated improved play from both slot machines and table games and increased its hotel occupancy rate.

Operating Expenses

The company-wide operating expense ratio for 1999 improved to 91.3 percent of net revenues, compared to 98.7 percent of net revenues in 1998 (94.6 percent before The Reserve preopening costs). The improvement in this ratio was primarily the result of the improved operating performance at The Reserve, partially offset by an increase in corporate overhead related to increased corporate staffing levels and development costs, and the greater centralization of certain management functions.

Casino costs and expenses for the year ended December 31, 1999 increased by $9.4 million, or 9.6 percent, to $107.4 million from $98.0 million in 1998. As a percentage of casino revenues, casino expenses decreased to 44.7 percent in 1999, compared to 46.5 percent in 1998. The decrease was due primarily to the improved performance of The Reserve casino operations compared to the startup operational inefficiencies experienced in the prior year, partially offset by a slight increase in casino expenses at Ameristar Council Bluffs relating to increases in employee compensation and benefits.

Food and beverage costs and expenses increased $1.5 million to $33.2 million in 1999, compared to $31.7 million in 1998 primarily due to increased revenue. The food and beverage expense-to-revenue ratio decreased to 67.5 percent in 1999, compared to 69.1 percent in 1998. This improvement was primarily related to the improved operational efficiencies experienced during 1999 at The Reserve.

Rooms expenses increased by $0.6 million to $6.4 million in 1999 from $5.8 million in 1998. The increase was primarily due to increases in costs resulting from a full year of operations of the hotels in Vicksburg and at The Reserve, compared to a partial year of operations at both properties in 1998.

Selling, general and administrative costs and expenses (including utilities and maintenance and business development costs) increased $10.5 million, or 13.9 percent, from 1998 to 1999. The increase was due primarily to an increase in corporate overhead related to increased corporate staffing levels and future business development costs and increases in marketing costs and employee compensation at Ameristar Council Bluffs, Ameristar Vicksburg and the Jackpot properties, partially offset by a decrease in such costs at The Reserve.

Depreciation expense increased $0.3 million, or 1.1 percent, from 1998 to 1999, as our depreciable base increased by including The Reserve and the

Ameristar Vicksburg hotel for the entire year, partially offset by certain five-year assets in Vicksburg that are now fully depreciated and were no longer included in depreciation expense in 1999.

Interest Expense

Interest expense, net of capitalized interest of $1.4 million in 1998 and $0.6 million in 1999, increased $1.8 million, or 7.7 percent, from 1998 to 1999. This increase primarily reflected the additional debt incurred to finance our various expansion projects (such as adding a third level to the casino at Ameristar Council Bluffs, completing restaurant and meeting room enhancements at The Reserve, and the completion of an expansion to the casino, the remodeling of restaurants and the completion of other site improvements at Ameristar Vicksburg) and higher interest rates on those borrowings. With the opening of The Reserve in February 1998 and the Ameristar Vicksburg Hotel in June 1998, the capitalization of interest on funds borrowed to construct these projects was discontinued. Interest was capitalized on borrowings for construction related to Ameristar Vicksburg and Ameristar Council Bluffs improvements during 1999. Our average borrowing rate was 9.8% in 1999 compared to 10.3% in 1998. The borrowing rate decreased due to the favorable effect of lower interest rates during the first half of 1999.

Income Tax Expense

Our effective tax rate on income was 62.4% in 1999 and the tax benefit on losses was 33.4% in 1998 versus the federal statutory rate of 34% and 35%, respectively. The differences from the statutory rates

were due to the effects of certain expenses incurred by us that are not deductible for federal income tax purposes. The total of these expenses did not vary significantly between periods, however the lower absolute level of income before taxes in 1999 caused a greater impact to the effective tax rate for 1999.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by operating activities were $77.0 million for the nine months ended September 30, 2001 compared to $21.8 million for the same period in 2000. This increase is primarily due to the contribution of operating income by the recently acquired Missouri properties as discussed in "Results of Operations" above. Cash flows provided by operating activities were $38.8 million, $34.3 million and $23.1 million for the years ended December 31, 2000, 1999 and 1998, respectively. The increases in 2000 and 1999 were due primarily to the increase in operating income from improved operations at all of our properties.

Cash flows provided by investing activities were $10.0 million during the first nine months of 2001, largely resulting from the sale of The Reserve in January 2001 for a total consideration of approximately $71.6 million. This was partially offset by payments on construction contracts payable and an increase in capital expenditures primarily relating to our construction projects described in "Overview" above. Cash flows used in investing activities were $521.2 million, $50.0 million and $53.9 million for the years ended December 31, 2000, 1999 and 1998, respectively. The acquisitions of Ameristar