AMERISTAR CASINOS INC
Form 10-Q
August 09, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2004

OR

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

For the transition period from __________ to __________

Commission file number: 0-22494

AMERISTAR CASINOS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada	**88-0304799**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

3773 Howard Hughes Parkway
Suite 490 South
Las Vegas, Nevada 89109

(Address of principal executive offices)

(702) 567-7000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x Noo

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes x No o

As of August 2, 2004, 27,106,182 shares of Common Stock of the registrant were issued and outstanding.

AMERISTAR CASINOS, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERISTAR CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Share Data)
(Unaudited)

	June 30, 2004	December 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 89,678	$ 78,220
Restricted cash	2,689	2,677
Accounts receivable, net	4,404	5,234
Tax refunds receivable	505	643
Inventories	6,435	6,113
Prepaid expenses	7,874	9,706
Deferred income taxes	26,239	26,239
Assets held for sale	600	235
Total current assets	138,424	129,067
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of $275,910 and $245,934, respectively	926,849	920,763
EXCESS OF PURCHASE PRICE OVER FAIR MARKET VALUE OF NET ASSETS ACQUIRED	80,214	80,816
DEPOSITS AND OTHER ASSETS	26,611	24,604
TOTAL ASSETS	$1,172,098	$1,155,250
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 13,633	$ 16,190
Construction contracts payable	4,095	10,599
Accrued liabilities	73,916	66,311
Current obligations under capitalized leases	4	4
Current maturities of long-term debt	3,389	3,885
Total current liabilities	95,037	96,989

OBLIGATIONS UNDER CAPITALIZED LEASES, net of current maturities	211	213
LONG-TERM DEBT, net of current maturities	681,780	712,831
DEFERRED INCOME TAXES AND OTHER LONG-TERM LIABILITIES	106,907	89,374
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Preferred stock, $.01 par value: Authorized 30,000,000 shares; issued None		
Common stock, $.01 par value: Authorized 60,000,000 shares; issued and outstanding 27,103,104 shares at June 30, 2004 and 26,611,214 shares at December 31, 2003	271	266
Additional paid-in capital	157,845	150,382
Accumulated other comprehensive loss		(688)
Retained earnings	130,047	105,883
Total stockholders equity	288,163	255,843
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$1,172,098	$1,155,250

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

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AMERISTAR CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
REVENUES:				
Casino	$211,904	$188,128	$427,214	$371,888
Food and beverage	28,198	24,734	57,246	49,500
Rooms	6,746	6,565	13,060	12,071
Other	5,756	5,787	11,415	10,437
	252,604	225,214	508,935	443,896
Less: Promotional allowances	42,599	30,388	84,567	60,550
Net revenues	210,005	194,826	424,368	383,346
OPERATING EXPENSES:				
Casino	94,830	86,142	190,948	170,661
Food and beverage	15,692	13,917	31,028	28,030
Rooms	1,581	1,460	3,206	3,061
Other	3,301	2,501	6,492	5,909
Selling, general and administrative	37,703	35,604	76,235	69,989
Depreciation and amortization	17,796	15,767	35,128	30,778
Impairment loss on assets held for sale		88	95	540
Total operating expenses	170,903	155,479	343,132	308,968
Income from operations	39,102	39,347	81,236	74,378
OTHER INCOME (EXPENSE):				
Interest income	78	104	88	211
Interest expense, net	(13,788)	(16,635)	(29,223)	(33,229)
Loss on early retirement of debt	(224)		(470)	
Other	(140)	147	(97)	34
INCOME BEFORE INCOME TAX PROVISION	25,028	22,963	51,534	41,394
Income tax provision	10,009	8,496	20,614	15,207

NET INCOME	$ 15,019	$ 14,467	$ 30,920	$ 26,187
EARNINGS PER SHARE:				
Basic	$ 0.56	$ 0.55	$ 1.15	$ 1.00
Diluted	$ 0.54	$ 0.54	$ 1.12	$ 0.97
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	27,044	26,377	26,924	26,318
Diluted	27,860	27,012	27,727	26,866

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

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AMERISTAR CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)
(Unaudited)

	Six Months Ended June 30, 2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 30,920	$ 26,187
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,128	30,778
Amortization of debt issuance costs and debt discounts	2,262	2,498
Loss on early retirement of debt	470	
Change in value of interest rate collar agreement		(1,013)
Net increase in deferred compensation liability	129	281
Impairment loss on assets held for sale	95	540
Net gain on disposition of assets	(161)	(34)
Change in deferred income taxes	19,621	14,088
Increase in restricted cash	(12)	
Decrease in accounts receivable, net	830	964
Decrease in tax refunds receivable	138	10,399
(Increase) decrease in inventories	(322)	219
Decrease in prepaid expenses	1,832	1,900
Decrease in assets held for sale	227	30
Decrease in accounts payable	(2,557)	(6,633)
Increase in accrued liabilities	7,605	5,812
Total adjustments	65,285	59,829
Net cash provided by operating activities	96,205	86,016
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(42,208)	(29,221)
Decrease in construction contracts payable	(6,504)	(14,421)
Proceeds from sale of assets	468	476
(Increase) decrease in deposits and other non-current assets	(1,917)	145
Net cash used in investing activities	(50,161)	(43,021)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(6,757)	
Principal payments of long-term debt and capitalized leases	(31,859)	(32,346)
Debt issuance costs and amendment fees		(160)
Proceeds from stock option exercises	4,030	1,179
Net cash used in financing activities	(34,586)	(31,327)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,458	11,668
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	78,220	90,573
CASH AND CASH EQUIVALENTS END OF PERIOD	$ 89,678	$ 102,241
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest, net of amounts capitalized	$ 27,177	$ 30,852
Cash paid for federal and state income taxes (net of refunds received)	$ 2,003	$ (9,746)

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

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AMERISTAR CASINOS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Principles of consolidation and basis of presentation

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

The accompanying condensed consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, the condensed consolidated financial statements do not include all of the disclosures required by generally accepted accounting principles. However, they do contain all adjustments (consisting of normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the Company s financial position, results of operations and cash flows for the interim periods included therein. The interim results reflected in these financial statements are not necessarily indicative of results to be expected for the full fiscal year.

Certain of the Company s accounting policies require that the Company apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. The Company s judgments are based in part on its historical experience, terms of existing contracts, observance of trends in the gaming industry and information available from other outside sources. There is no assurance, however, that actual results will conform to estimates. To provide an understanding of the methodology the Company applies, significant accounting policies and basis of presentation are discussed where appropriate in Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report. In addition, critical accounting policies and estimates are discussed in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the notes to the Company s audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2003.

The accompanying condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2003.

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Note 2 Long-term debt

In February 2004, the Company amended its senior credit facilities. The primary elements of the amendment include: (1) the consolidation of the former revolving term loan facility, term loan A and term loan B into a new term loan B-1, which matures on December 20, 2006; (2) a 0.5% reduction in the applicable interest rate margin on term loan B-1 compared to the former term loan B; (3) a revised repayment schedule; and (4) the ability to pay cash dividends on the Company s common stock in a total amount of up to $25 million.

At June 30, 2004, the Company s principal long-term debt outstanding was composed of $302.4 million on term loan B-1 and $380.0 million in aggregate principal amount of 10.75% senior subordinated notes due 2009. At June 30, 2004, the amount of the $75 million revolving credit facility available for borrowing was $68.9 million, after giving effect to $6.1 million of outstanding letters of credit. The term loan B-1 and the revolving credit facility bear interest at a variable rate equal, at the Company s option, to LIBOR (in the case of Eurodollar loans) or the prime rate (in the case of base rate loans), plus an applicable margin. In accordance with the terms of the senior credit facilities (as amended), the Company is required to make remaining quarterly principal payments of $0.8 million in 2004 and 2005 and $74.5 million in 2006.

The senior credit facilities and the indenture governing the senior subordinated notes require the Company to comply with various financial and other covenants. At June 30, 2004, the Company was in compliance with all covenants.

In April 2001, the Company entered into an interest rate swap agreement to fix the interest rate on $100 million of LIBOR-based borrowings under the senior credit facilities at 5.07% plus the applicable margin. As a result of the interest rate swap agreement, the Company paid $0 and $1.0 million of additional interest expense for the quarters ended June 30, 2004 and 2003, respectively and $1.0 million and $1.9 million for the six months ended June 30, 2004 and 2003, respectively. At March 31, 2004, the swap agreement terminated, resulting in a reduction of both the swap liability and accumulated other comprehensive loss to $0.

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Note 3 Earnings per share

Basic earnings per share is computed on the basis of the weighted average number of common shares outstanding over the period presented. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding during such period plus the effect of dilutive stock options outstanding using the treasury stock method. The components of basic and diluted earnings per share are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(Amounts in Thousands)			
Weighted average number of shares outstanding basic earnings per share	27,044	26,377	26,924	26,318
Dilutive effect of stock options	816	635	803	548
Weighted average number of shares outstanding diluted earnings per share	27,860	27,012	27,727	26,866

The potentially dilutive stock options excluded from the earnings per share computation, as their effect would be anti-dilutive, totaled 51,879 and 638,312 for the three months ended June 30, 2004 and 2003, respectively, and 26,224 and 1,250,898 for the six months ended June 30, 2004 and 2003, respectively.

Note 4 Commitments and contingencies

The Company s employee health care benefits program is self-funded up to a maximum amount per claim. Claims in excess of this maximum amount are fully insured through a stop-loss insurance policy. Accruals are based on claims filed and estimates of claims incurred but not reported. At June 30, 2004 and December 31, 2003, the Company s liabilities for unpaid and incurred but not reported claims totaled $4.0 million and $4.1 million, respectively, and are included in accrued liabilities in the accompanying condensed consolidated balance sheets. While the total cost of claims incurred depends on future developments, in management s opinion, recorded reserves are adequate to cover the payment of future claims.

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Note 5 Comprehensive income

Comprehensive income represents all changes in stockholders equity from non-owner sources during each period presented. The following table reflects the calculation of comprehensive income, which includes changes in the fair value of the interest rate swap agreement described in Note 2 above.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(Amounts in Thousands)			
Net income	$15,019	$14,467	$30,920	$26,187
Adjustment to fair value of the interest rate swap agreement (net of tax effect)		538	688	955
Comprehensive income	$15,019	$15,005	$31,608	$27,142

Note 6 Accounting for Stock-Based Compensation

In March 2004, the Financial Accounting Standards Board (FASB) issued an exposure draft, Share-Based Payment, an Amendment of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, and APB Opinion No. 95, *Accounting for Stock Issued to Employees.* If adopted as a final standard, it would replace existing requirements under Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, and Accounting Principles Board Opinion No. 25 (APB No. 25), Accounting for Stock Issued to Employees. The exposure draft covers a wide range of equity-based compensation arrangements. Under the FASB s proposal, all forms of share-based payments to employees, including employee stock options, would be treated the same as other forms of compensation by recognizing the related cost in the income statement. The expense of the award would generally be measured at fair value at the grant date.

Under SFAS No. 123, all employee stock option grants are considered compensatory. SFAS No. 123 provides, among other things, that companies may elect to account for employee stock options using APB No. 25. The Company currently accounts for its stock incentive plans in accordance with APB No. 25. Had compensation cost for these plans been determined consistent with SFAS No. 123, the Company s net income and earnings per share would have been adjusted to the pro forma amounts in the following table.

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	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(Amounts in Thousands, Except Per Share Data)			
Net income:				
As reported	$15,019	$14,467	$30,920	$26,187
Deduct: compensation expense under fair value-based method (net of tax)	(717)	(899)	(1,017)	(1,103)
Pro forma	$14,302	$13,568	$29,903	$25,084
Basic earnings per share:				
As reported	$ 0.56	$ 0.55	$ 1.15	$ 1.00
Pro forma (net of tax)	$ 0.53	$ 0.51	$ 1.11	$ 0.95
Diluted earnings per share:				
As reported	$ 0.54	$ 0.54	$ 1.12	$ 0.97
Pro forma (net of tax)	$ 0.51	$ 0.50	$ 1.08	$ 0.93

For purposes of computing the pro forma compensation expense, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: risk-free interest rates of 4.2% as of June 30, 2004 and 2.9% as of June 30, 2003; expected lives of 6 years as of June 30, 2004 and 2003; and expected volatility of 51% as of June 30, 2004 and 52% as of June 30, 2003. The model assumes no expected future dividend payments on the Company s common stock for the options granted in 2003; however, beginning in 2004, the model assumes an expected future dividend payment of $0.50 per year. The estimated weighted-average fair value per share of options granted was $5.43 as of June 30, 2004 and $4.66 as of June 30, 2003.

Note 7 Acquisition of Mountain High Casino

On May 28, 2004, the Company signed an Asset Purchase Agreement with Windsor Woodmont Black Hawk Resort Corp., a Colorado corporation (Windsor Woodmont), which was amended on August 3, 2004. Pursuant to the amended Agreement, the Company will acquire the Mountain High Casino in Black Hawk, Colorado for approximately $117.0 million in cash and $2.5 million of Company common stock, plus the assumption of approximately $2.4 million of outstanding debt, in a reorganization under Section 368(a)(1)(G) of the Internal Revenue Code. Windsor Woodmont is currently operating as a debtor-in-possession in a pending Chapter 11 case before the United States Bankruptcy Court for the District of Colorado. The Company s acquisition of Mountain High Casino will form the basis of Windsor Woodmont s amended plan of reorganization. The Ad Hoc Committee of certain holders of Windsor Woodmont s first mortgage notes has agreed to support the amended plan of reorganization.

Closing of the acquisition is subject to the confirmation of the amended plan of reorganization by the Bankruptcy Court, the receipt of gaming regulatory approvals and other customary closing conditions. Subject to the satisfaction of these conditions, closing is expected to occur in December 2004. The Company plans to finance the purchase from a combination of available cash and an increase in the borrowing capacity under its senior credit facilities.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

We develop, own and operate casinos and related hotel, food and beverage, entertainment and other facilities, with six properties in operation in Missouri, Iowa, Mississippi and Nevada. Our portfolio of casinos consists of: Ameristar St. Charles (serving greater St. Louis, Missouri); Ameristar Kansas City (serving the Kansas City, Missouri metropolitan area); Ameristar Council Bluffs (serving Omaha, Nebraska and southwestern Iowa); Ameristar Vicksburg (serving Jackson, Mississippi and Monroe, Louisiana); and Cactus Petes and The Horseshu in Jackpot, Nevada (serving Idaho and the Pacific Northwest).

Our financial results are dependent upon the number of patrons that we attract to our properties and the amounts that patrons spend per visit. Management uses various metrics to evaluate these factors. Key metrics include: market share, representing our share of gross gaming revenues in each of our markets other than Jackpot and our share of gaming devices in the Jackpot market (Nevada does not publish separate gaming revenue statistics for this market); admissions, representing the number of patrons admitted to our riverboat casinos; and win per admission, representing the amount of gaming revenues we generate per admission.

Our operating results may be affected by, among other things, competitive factors, gaming tax increases, the commencement of new gaming operations, charges associated with debt refinancing or property acquisition and disposition transactions, construction at existing facilities and weather conditions affecting our properties. Consequently, our operating results for any quarter or year are not necessarily comparable and may not be indicative of future periods results.

Through the second quarter of 2004, the most significant factors and trends contributing to our operating performance were:

Renovations and enhancements at Ameristar Kansas City. In September 2003, we completed a substantial renovation and enhancement project at Ameristar Kansas City, including a comprehensive renovation of the casino, the widespread implementation of ticket-in, ticket-out slot machines, a 330-seat Amerisports Brew Pub with state-of-the-art video and audio technology and six other new dining and entertainment venues. We believe we are now seeing the positive effects of this project, as evidenced by increases in both admissions and market share.

Renovations and enhancements at Ameristar Vicksburg. In December 2003, we completed a total renovation of the buffet and kitchen at Ameristar Vicksburg, rebranding the venue as the Heritage Buffet. During the first quarter of 2004, we added meeting room facilities and enhanced certain common areas of the casino vessel. We believe the improvements have contributed to Ameristar Vicksburg s 11.2% and 16.2% increases in net revenues over the prior year for the quarter and year-to-date ended June 30, 2004, respectively.

Implementation of coinless slot technology. We are in the process of implementing coinless slot technology across all properties. As of June 30, 2004, nearly 100% of the slot machines at our Ameristar-branded properties were coinless.

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Expanded development activities. Expanded development activities contributed to our increased corporate expense. We expect this trend to continue through the remainder of 2004 as we pursue growth through development opportunities, including the United Kingdom and Pennsylvania, and through acquisition opportunities.

Continued reduction in our debt balances and debt interest rates. During the second quarter of 2004, we repaid approximately $15.8 million of long-term debt, including a $15.0 million prepayment of our senior credit facilities. In 2004, we have made debt payments totaling approximately $31.9 million, including $30.0 million in prepayments of our senior credit facilities. In February 2004, we amended our senior credit facilities, which effectively reduced our interest rate margin by 0.5%. The weighted-average interest rate on all of our debt for the quarter ended June 30, 2004 declined to 7.9%, from 8.9% for the quarter ended June 30, 2003.

Results of Operations

The following table highlights our consolidated results of operations and certain other financial information for our properties:

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net revenues				
Ameristar St. Charles	$ 69,009	$ 64,170	$140,449	$125,837
Ameristar Kansas City	57,038	52,540	114,640	104,350
Ameristar Council Bluffs	42,473	38,850	84,827	76,465
Ameristar Vicksburg	26,010	23,392	54,925	47,281
Jackpot Properties	15,475	15,744	29,527	29,375
Corporate and other		130		38
Consolidated net revenues	$210,005	$194,826	$424,368	$383,346
Operating income (loss)				
Ameristar St. Charles	$ 16,346	$ 16,177	$ 35,767	$ 30,657
Ameristar Kansas City	10,794	10,924	21,376	21,865
Ameristar Council Bluffs	12,854	11,457	25,071	21,379
Ameristar Vicksburg	6,021	5,254	14,731	11,192
Jackpot Properties	2,209	3,399	3,554	5,055
Corporate and other	(9,122)	(7,864)	(19,263)	(15,770)
Consolidated operating income	$ 39,102	$ 39,347	$ 81,236	$ 74,378

Operating income margins (1)				
Ameristar St. Charles	23.7%	25.2%	25.5%	24.4%
Ameristar Kansas City	18.9%	20.8%	18.6%	21.0%
Ameristar Council Bluffs	30.3%	29.5%	29.6%	28.0%
Ameristar Vicksburg	23.1%	22.5%	26.8%	23.7%
Jackpot Properties	14.3%	21.6%	12.0%	17.2%
Consolidated operating income margins	18.6%	20.2%	19.1%	19.4%

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

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Net Revenues

Consolidated net revenues for the second quarter of 2004 were $210.0 million, an increase of $15.2 million, or 7.8%, from the second quarter of 2003. During the second quarter of 2004, all of our Ameristar-branded properties improved their net revenues over the second quarter of 2003, with increases of 11.2% at Ameristar Vicksburg, 9.3% at Ameristar Council Bluffs, 8.6% at Ameristar Kansas City and 7.5% at Ameristar St. Charles. For the second quarter of 2004, each of our Ameristar-branded properties improved its market share over the 2003 second quarter. Ameristar Vicksburg and Ameristar Council Bluffs further improved their long-time market leadership positions to 45.7% and 40.9%, respectively, increases of 6.5 and 2.1 percentage points, respectively, over the prior-year second quarter. Ameristar St. Charles and Ameristar Kansas City increased reported market shares to 32.7% and 34.8%, respectively, up 1.7 and 0.9 percentage points, respectively, over the 2003 second quarter.

Driven by a $23.2 million (14.3%) increase in slot revenues, casino revenues for the second quarter of 2004 increased $23.8 million, or 12.6%, from the second quarter of 2003. We believe casino revenues increased in part as a result of our continued successful implementation of ou