

STATION CASINOS INC
Form 10-K/A
September 10, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-K/A
Amendment No. 2

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the transition period from _____ to _____.

Commission file number 000-21640

STATION CASINOS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or
organization)

88-0136443
(I.R.S. Employer Identification No.)

1505 South Pavilion Center Drive, Las Vegas, Nevada 89135

(Address of principal executive offices, Zip Code)

Registrant's telephone number, including area code: **(702) 495-3000**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$0.01 par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting common stock held by non-affiliates (all other persons other than executive officers or directors) of the registrant as of June 30, 2009 was \$0. There is no established public trading market for the common stock of the registrant.

As of January 31, 2010, there were 41.7 shares outstanding of the registrant's voting common stock and 41,674,838 shares outstanding of the registrant's non-voting common stock. The issued and outstanding equity securities of the registrant are not publicly traded and are all owned by FCP Holding, Inc., Fertitta Partners LLC and FCP VoteCo LLC.

Documents Incorporated by Reference

None.

EXPLANATORY NOTE

The registrant filed with the Securities and Exchange Commission (the "SEC") (i) an Annual Report on Form 10-K for the year ended December 31, 2009 on March 31, 2010 (the "Initially Filed Form 10-K"), and (ii) an Amendment No. 1 on Form 10-K/A to the Initially Filed Form 10-K on April 30, 2010 ("Amendment No. 1"). The registrant is filing this Amendment No. 2 on Form 10-K/A to amend Item 8. Financial Statements and Supplemental Data in Part II of the Initially Filed Form 10-K ("Part II") solely to correct the inadvertent omission of the signature of Ernst & Young LLP on the "Report of Independent Registered Public Accounting Firm."

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), new certifications by our principal executive officer and principal financial officer are being filed or furnished as exhibits to this Amendment No. 2 on Form 10-K/A under Item 15 hereof.

No attempt has been made in this Amendment No. 2 on Form 10-K/A to modify or update the other disclosures presented in the Form 10-K. This Amendment No. 2 on Form 10-K/A does not reflect events occurring after the filing of the Form 10-K or modify or update those disclosures. Accordingly, this Amendment No. 2 on Form 10-K/A should be read in conjunction with the Initially Filed Form 10-K, Amendment No. 1, and our other filings with the SEC.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Station Casinos, Inc.:

We have audited the accompanying consolidated balance sheets of Station Casinos, Inc. and its subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2009 (Successor), the period from November 8, 2007 through December 31, 2007 (Successor), and the period from January 1, 2007 through November 7, 2007 (Predecessor). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2009 (Successor), the period from November 8, 2007 through December 31, 2007 (Successor), and the period from January 1, 2007 through November 7, 2007 (Predecessor), in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, on July 28, 2009, the Company and certain of its affiliates filed voluntary petitions in the United States Bankruptcy Court for the District of Nevada in Reno, Nevada under chapter 11 of title 11 of the United States Code. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 1. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Ernst & Young LLP
Las Vegas, Nevada
March 31, 2010

STATION CASINOS, INC.

(Debtor and Debtor-In Possession)

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except per share data)

	Successor December 31,	
	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 185,193	\$ 458,064
Restricted cash	174,361	14,961
Receivables, net	49,878	42,271
Inventories	9,794	11,509
Prepaid gaming tax	16,293	18,505
Prepaid expenses	13,903	16,818
Due from unconsolidated affiliate		5,011
Total current assets	449,422	567,139
Property and equipment, net	2,723,683	3,016,169
Goodwill	184,699	366,484
Intangible assets, net	293,235	602,218
Land held for development	305,617	912,966
Investments in joint ventures	10,489	43,550
Native American development costs	213,774	206,382
Other assets, net	95,913	116,728
Total assets	\$ 4,276,832	\$ 5,831,636
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current portion of long-term debt	\$ 242,347	\$ 2,977,364
Accounts payable	14,905	13,986
Construction contracts payable	741	9,428
Accrued interest payable	2,341	61,616
Accrued expenses and other current liabilities	91,676	116,027
Total current liabilities	352,010	3,178,421
Long-term debt, less current portion	9,341	2,804,789
Deferred income taxes, net	116,691	396,724
Investments in joint ventures, deficit	143,048	3,557
Other long-term liabilities, net	7,021	125,469
Total liabilities not subject to compromise	628,111	6,508,960
Liabilities subject to compromise	5,984,109	
Total liabilities	6,612,220	6,508,960
Commitments and contingencies		
Stockholders' deficit:		
Common stock, par value \$0.01; authorized 10,000 shares; 41.7 shares issued		
Non-voting common stock, par value \$0.01; authorized 100,000,000 shares; 41,674,838 shares	417	417

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issued		
Additional paid-in capital	2,951,031	2,936,949
Accumulated other comprehensive loss	(922)	(8,290)
Retained deficit	(5,285,914)	(3,606,400)
Total stockholders' deficit	(2,335,388)	(677,324)
Total liabilities and stockholders' deficit	\$ 4,276,832	\$ 5,831,636

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

STATION CASINOS, INC.

(Debtor and Debtor-In Possession)

CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands)

	Successor		Predecessor
	Year Ended	Year Ended	Period from
	December 31,	December 31,	November 8,
	2009	2008	2007
			Through
			December 31,
			2007
			Period from
			January 1, 2007
			Through
			November 7,
			2007
Operating revenues:			
Casino	\$ 764,639	\$ 918,120	\$ 151,867
Food and beverage	189,917	228,858	37,885
Room	82,282	105,718	14,926
Other	64,732	73,745	12,543
Management fees	52,447	72,405	9,708
Gross revenues	1,154,017	1,398,846	226,929
Promotional allowances	(91,868)	(100,695)	(17,218)
Net revenues	1,062,149	1,298,151	209,711
Operating costs and expenses:			
Casino	324,373	361,255	60,946
Food and beverage	116,932	153,018	27,236
Room	34,182	40,029	5,548
Other	20,121	27,774	4,363
Selling, general and administrative	229,200	250,614	37,363
Corporate	33,018	36,029	292,955
Development	6,261	3,398	375
Depreciation and amortization	207,180	226,816	32,292
Preopening	5,753	10,198	1,170
Impairment of goodwill	181,785	2,594,992	
Impairment of other intangible assets	255,263	327,326	
Impairment of other assets	839,813	420,929	
Write-downs and other charges, net	20,807	62,625	958
Merger transaction costs			
			156,500
	2,274,688	4,515,003	463,206
			1,123,649
Operating (loss) income	(1,212,539)	(3,216,852)	(253,495)
	(127,643)	17,020	5,875
			113,635
			34,247

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Earnings (losses) from joint ventures				
Operating (loss) income and earnings from joint ventures	(1,340,182)	(3,199,832)	(247,620)	147,882
Other expense:				
Interest expense, net (contractual interest for the year ended December 31, 2009 was \$403,673)	(276,591)	(379,313)	(61,276)	(197,370)
Interest and other expense from joint ventures	(40,802)	(47,643)	(4,743)	(23,503)
Change in fair value of derivative instruments	23,729	(23,057)	(30,686)	
Gain (loss) on early retirement of debt	40,348		(20,311)	
	(253,316)	(450,013)	(117,016)	(220,873)
Loss before income taxes and reorganization items	(1,593,498)	(3,649,845)	(364,636)	(72,991)
Reorganization items	(375,888)			
Loss before income taxes	(1,969,386)	(3,649,845)	(364,636)	(72,991)
Income tax benefit	289,872	381,345	26,736	15,335
Net loss	\$ (1,679,514)	\$ (3,268,500)	\$ (337,900)	\$ (57,656)

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

STATION CASINOS, INC.

(Debtor and Debtor-In-Possession)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY

(amounts in thousands)

	Common stock	Non-voting common stock	Treasury stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total stockholders' (deficit) equity
Predecessor:							
Balances, December 31, 2006		593	(1,039,804)	582,739	(10,782)	280,396	(186,858)
Adoption of FIN 48						(522)	(522)
Exercise of stock options				2,366			2,366
Share-based compensation expense				143,714			143,714
Purchase of treasury stock, at cost (1.3 million shares)			(110,164)				(110,164)
Interest rate swap market value adjustment, net of tax					(7,179)		(7,179)
Unrealized gain on available-for-sale securities, net of tax					607		607
Amortization of unrecognized pension and postretirement benefit plan liabilities, net of tax					513		513
Dividends paid						(49,050)	(49,050)
Net loss						(57,656)	(57,656)
Balances, November 7, 2007	\$ 593	\$	\$ (1,149,968)	\$ 728,819	\$ (16,841)	\$ 173,168	\$ (264,229)
Successor:							
Balances, November 8, 2007	\$	\$ 97	\$	\$ (68,993)	\$ (16,841)	\$	(85,737)
Cash investment by FCP		317		2,703,984			2,704,301
Cash investment by management		3		1,841			1,844
Interest rate swap acquired from FCP, net of tax				(27,739)			(27,739)
Share-based compensation expense				288,130			288,130
Excess tax benefit from exercise of stock options				23,303			23,303
Interest rate swap market value adjustment, net of tax					1,314		1,314
Unrealized loss on available-for-sale securities, net of tax					(119)		(119)
Amortization of unrecognized pension and postretirement benefit plan liabilities, net of tax					3,665		3,665
Net loss						(337,900)	(337,900)
Balances, December 31, 2007		417		2,920,526	(11,981)	(337,900)	2,571,062
Share-based compensation expense				14,445			14,445
Purchase price adjustment				1,978			1,978
Interest rate swap market value adjustment, net of tax					(1,937)		(1,937)
Unrealized loss on available-for-sale securities, net of tax					(695)		(695)
Amortization of unrecognized pension and postretirement benefit plan liabilities, net of tax					6,323		6,323
Net loss						(3,268,500)	(3,268,500)
Balances, December 31, 2008	\$	\$ 417	\$	\$ 2,936,949	\$ (8,290)	\$ (3,606,400)	\$ (677,324)
Share-based compensation expense				14,082			14,082
Interest rate swap market value adjustment, net of tax					6,429		6,429
Unrealized gain on available-for-sale securities, net of tax					123		123
					816		816

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Amortization of unrecognized pension and postretirement benefit plan liabilities, net of tax						(1,679,514)	(1,679,514)
Net loss							
Balances, December 31, 2009	\$	\$	417	\$	\$	2,951,031	\$ (922) \$ (5,285,914) \$ (2,335,388)

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

STATION CASINOS, INC.

(Debtor and Debtor-In-Possession)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	Year Ended December 31, 2009	Year Ended December 31, 2008	Successor Period from November 8, 2007 Through December 31, 2007	Predecessor Period from January 1, 2007 Through November 7, 2007
Cash flows from operating activities:				
Net loss	\$ (1,679,514)	\$ (3,268,500)	\$ (337,900)	\$ (57,656)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	207,180	226,816	32,292	136,498
Change in fair value of derivative instruments	(23,729)	23,057	30,686	
Impairment of goodwill	181,785	2,594,992		8,043
Impairment of other intangible assets	255,263	327,326		8,588
Impairment of other assets	839,813	420,929		
Write-downs and other charges, net	20,807	62,625	958	2,479
Excess tax benefit from exercise of stock options			(23,303)	
Share-based compensation	14,083	14,445	288,130	143,714
Loss (earnings) from joint ventures	168,445	30,623	(1,132)	(10,744)
Distributions of earnings from joint ventures				82,115
Amortization of debt discount and issuance costs	23,272	37,761	5,907	4,392
(Gain) loss on early retirement of debt	(40,348)		20,311	
Reorganization items	375,888			
Changes in assets and liabilities:				
Restricted cash	(159,400)	(13,995)	(966)	
Receivables, net	(5,776)	6,409	2,786	(10,704)
Inventories and prepaid expenses	6,793	1,677	1,439	(6,057)
Due from unconsolidated affiliate	(250)	(5,011)		
Deferred income taxes	(285,376)	(384,128)	(3,348)	(24,023)
Accounts payable	1,395	(2,968)	(10,422)	7,818
Accrued interest	83,955	(8,074)	29,301	3,223
Accrued expenses and other current liabilities	(31,369)	(11,368)	(10,847)	(16,565)
Other, net	(19,819)	(1,394)	(4,398)	6,991
Total adjustments	1,612,612	3,319,722	357,394	335,768
Net cash (used in) provided by operating activities before reorganization items	(66,902)	51,222	19,494	278,112
Net cash used for reorganization items	(59,775)			
Net cash (used in) provided by operating activities	(126,677)	51,222	19,494	278,112
Cash flows from investing activities:				
Acquisition of Station Casinos, Inc. including direct Merger costs			(4,217,469)	
Capital expenditures	(64,594)	(172,051)	(55,510)	(530,364)
Proceeds from sale of land, property and equipment	636	2,368	105	10,019
Investments in joint ventures, net	(24,343)	(57,752)	(27,983)	(81,552)
Distributions in excess of earnings from joint ventures	2,118	2,855	488	106,999
Construction contracts payable	(8,687)	(13,723)	(19,619)	(15,548)
Native American development costs	(19,337)	(14,876)	(2,454)	(17,060)
Other, net	(16,073)	(11,070)	(2,328)	(7,551)
Net cash used in investing activities	(130,280)	(264,249)	(4,324,770)	(535,057)

STATION CASINOS, INC.

(Debtor and Debtor-In-Possession)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(amounts in thousands)

	Successor		Predecessor	
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from November 8, 2007 Through December 31, 2007	
			Period from January 1, 2007 Through November 7, 2007	
Cash flows from financing activities:				
Cash equity contributions			2,706,145	
Proceeds from issuance of CMBS loans			2,475,000	
Borrowings under Credit Agreement with maturity dates less than three months, net		335,137	293,100	
Proceeds from the issuance of Land Loan		250,000		
Payments on land loan	(7,968)			
(Payments) borrowings under Term Loan with maturity dates greater than three months	(2,500)	(2,500)	250,000	
(Payments) borrowings under Revolving Facility with maturity dates less than three months, net			(1,383,300)	227,500
Proceeds from issuance of related party promissory note				100,000
Proceeds from financing transaction				70,000
Redemption of senior subordinated notes	(1,460)			
Purchase of treasury stock				(110,164)
Payment of dividends				(49,050)
Debt issuance costs	(460)	(7,638)	(60,086)	(8)
Exercise of stock options				560
Excess tax benefit from exercise of stock options			23,303	
Other, net	(3,526)	(300)	(1,229)	(56)
Net cash (used in) provided by financing activities	(15,914)	574,699	4,302,933	238,782
Cash and cash equivalents:				
(Decrease) increase in cash and cash equivalents	(272,871)	361,672	(2,343)	(18,163)
Balance, beginning of year	458,064	96,392	98,735	116,898
Balance, end of year	\$ 185,193	\$ 458,064	\$ 96,392	\$ 98,735
Supplemental cash flow disclosures:				
Cash paid for interest, net of \$15,989, \$27,087, \$3,083 and \$16,309 capitalized	\$ 166,211	\$ 345,920	\$ 21,446	\$ 219,129
Cash (received) paid for income taxes, net	\$	\$	\$	\$ (15,871)
Supplemental disclosure of non-cash items:				
Rollover equity	\$	\$	\$ 1,044,590	\$
Assets assumed in Merger	\$	\$	\$ 7,759	\$
Liabilities assumed in Merger	\$	\$	\$ (3,542)	\$
Capital expenditures financed by debt	\$	\$ 4,514	\$	\$ 3,453
Land contributed to joint ventures, net	\$	\$	\$	\$
Fair value interest rate swap acquired from FCP	\$	\$	\$ (42,675)	\$
Debt settlement in land sale	\$ 4,000	\$	\$	\$

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

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Basis of Presentation

Basis of Presentation and Organization

Station Casinos, Inc. (the "Company", "Station", "we", "our", "ours" or "us"), a Nevada corporation, is a gaming and entertainment company that currently owns and operates ten major hotel/casino properties (two of which are 50% owned) under the Station and Fiesta brand names and eight smaller casino properties (three of which are 50% owned), in the Las Vegas metropolitan area, as well as manages a casino for a Native American tribe. The accompanying consolidated financial statements include the accounts of Station and its wholly owned subsidiaries and MPM Enterprises, LLC (which is 50% owned by Station and required to be consolidated). Investments in all other 50% or less owned affiliated companies are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated.

Overview of Recent Developments

On July 28, 2009, the Company and its affiliates FCP Holding Inc., FCP VoteCo, LLC, Fertitta Partners, LLC, FCP MezzCo Parent, LLC, FCP MezzCo Parent Sub, LLC, FCP MezzCo Borrower VII, LLC, FCP MezzCo Borrower VI, LLC, FCP MezzCo Borrower V, LLC, FCP MezzCo Borrower IV, LLC, FCP MezzCo Borrower III, LLC, FCP MezzCo Borrower II, LLC, FCP MezzCo Borrower I, LLC, FCP PropCo, LLC, Northern NV Acquisitions, LLC, Tropicana Station, LLC, River Central, LLC and Reno Land Holdings, LLC (collectively, the "Debtors") filed voluntary petitions in the United States Bankruptcy Court for the District of Nevada in Reno, Nevada (the "Bankruptcy Court") under chapter 11 of title 11 of the United States Code. These chapter 11 cases are being jointly administered under the caption In re Station Casinos, Inc., et al Debtors Case No. 09-52470 (the "Chapter 11 Case"). On February 10, 2010, GV Ranch Station, Inc., a wholly-owned subsidiary of Station Casinos, Inc. that manages and owns 50% of Green Valley Ranch Resort Spa Casino, filed a voluntary petition in the Bankruptcy Court under chapter 11 of title 11 of the United States Code.

On March 24, 2010, the Debtors filed a joint plan of reorganization under Chapter 11 of the Bankruptcy Code (the "Joint Plan of Reorganization"). As part of the Joint Plan of Reorganization, the mortgage lenders to FCP Propco, LLC ("Propco"), holding debt secured by Red Rock Casino Resort Spa, Palace Station, Boulder Station, and Sunset Station (the "Propco Properties"), will become the equity owners of a newly-formed company and will sell 46% of the equity in that new company to an affiliate of Fertitta Gaming LLC, a newly-formed entity owned by Frank Fertitta III and Lorenzo Fertitta, who will make a significant new investment to purchase their equity in the new company. The remaining equity will be owned primarily by the Propco lenders and Colony Capital, who will also be making a new investment in the company. Fertitta Gaming, an entity owned by the Fertittas, will also manage the Propco Properties under a long-term management agreement. The Joint Plan of Reorganization also calls for the Company to seek to conduct a sale process for the remaining assets of the Company, under the supervision of the Bankruptcy Court.

The Joint Plan of Reorganization and the disclosure statement have not yet been approved by the Bankruptcy Court and are subject to further negotiations with creditors of the Company and its subsidiaries. As a result, the Joint Plan of Reorganization and the disclosure statement may be materially modified before approval. In addition to customary Chapter 11 proceedings, the completion of the transaction is subject to Hart-Scott-Rodino and other antitrust reviews and customary closing conditions.

This report not intended to be, and should not in any way be construed as, a solicitation of votes on the Joint Plan of Reorganization. The Joint Plan of Reorganization and the related disclosure statement

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

have been filed with the Bankruptcy Court and were filed with the Securities and Exchange Commission by the Company on its Current Report on Form 8-K dated March 24, 2010, which is publicly available at <http://www.sec.gov>. The Joint Plan of Reorganization and the disclosure statement may not be relied on for any purpose until a determination by the Bankruptcy Court is made that the proposed disclosure statement contains adequate information, as required by the U.S. Bankruptcy Code. Following Bankruptcy Court approval of the disclosure statement and related voting solicitation procedures, the Company will solicit acceptances of the plan and seek its confirmation by the Bankruptcy Court. There can be no assurance that such plan acceptances or confirmation will be obtained.

The Company's direct and indirect subsidiaries that operate its hotel and casino properties have not filed for bankruptcy relief and continue to operate their businesses in the ordinary course. In connection with the filing of the Chapter 11 Case, on July 28, 2009, the Company entered into a forbearance agreement with the lenders holding a majority of the commitments under its senior secured credit facility (the "Credit Agreement") pursuant to which the lenders agreed, among other things, to forbear from exercising their default-related rights, remedies and powers or privileges against certain subsidiaries that guarantee the Company's obligations under the Credit Agreement. The Forbearance Agreement expired on January 31, 2010.

The Debtors continue to conduct their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court.

It is probable that a plan of reorganization would require the issuance of common stock or common stock equivalents.

Accounting for Reorganization

The accounting guidance for financial reporting by entities in reorganization under the bankruptcy code, which is applicable to companies in chapter 11, generally does not change the manner in which financial statements are prepared. The consolidated financial statements have been prepared on a going-concern basis, which assumes continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business. The Chapter 11 Case creates substantial doubt about Station's ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability of assets and the classification of liabilities that might result from the outcome of these uncertainties. In addition, a plan of reorganization could materially change the amounts and classifications reported in the consolidated financial statements which do not give effect to any adjustments to the carrying values of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a plan of reorganization.

Station's ability to continue as a going concern is contingent upon, among other things, its ability to (i) maintain compliance with the debtor in possession ("DIP") credit agreement, (ii) generate sufficient cash flow from operations; and (iii) obtain confirmation of a plan of reorganization under the Bankruptcy Code. In the event Station's restructuring activities are not successful and it is required to liquidate, the Company will be required to adopt the liquidation basis of accounting. Under the liquidation basis of accounting, assets are stated at their estimated net realizable values and liabilities are stated at their estimated settlement amounts.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

The accounting guidance for financial reporting by entities in reorganization under the bankruptcy code requires that the financial statements for periods subsequent to the filing of the Chapter 11 Case distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses, realized gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the business must be reported separately as reorganization items in the statements of operations beginning in the quarter ending September 30, 2009. The balance sheet must distinguish pre-petition liabilities subject to compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. Cash used for reorganization items must be disclosed separately in the statement of cash flows. Station adopted the accounting guidance for financial reporting by entities in reorganization under the bankruptcy code on July 28, 2009 and will segregate those items as outlined above for all reporting periods subsequent to such date.

Factors Affecting Comparability

As a result of the filing of the Chapter 11 Case, Station is now periodically required to file various documents with (and provide certain information to) the Bankruptcy Court, including statements of financial affairs, schedules of assets and liabilities, and monthly operating reports in forms prescribed by federal bankruptcy law, as well as certain financial information on an unconsolidated basis. Such materials will be prepared according to requirements of federal bankruptcy law. While they accurately provide then-current information required under federal bankruptcy law, they are nonetheless unconsolidated, unaudited, and prepared in a format different from that used in Station's financial statements filed under the securities laws. Accordingly, we believe that the substance and format do not allow meaningful comparison with our regular publicly disclosed financial statements. Moreover, the materials filed with the Bankruptcy Court are not prepared for the purpose of providing a basis for an investment decision relating to Station's securities, or for comparison with other financial information filed with the Securities and Exchange Commission.

DIP Financing

In connection with the filing of the Chapter 11 Case, on July 31, 2009, Station Casinos, Inc. entered into a \$150 million unsecured, subordinated administrative priority debtor in possession credit agreement (the "DIP Credit Agreement") among Station Casinos, Inc., as borrower, Vista Holdings, LLC (a non-debtor subsidiary of the Company) as administrative agent (the "Administrative Agent") and lender, and the lenders party thereto. The DIP Credit Agreement provides for a \$150 million revolving credit facility that will be funded on a committed basis for so long as Vista Holdings, LLC has cash and cash equivalents on hand in an amount in excess of \$100 million and on a discretionary basis thereafter. The proceeds of the loans incurred by the DIP Credit Agreement will be used for working capital and other general corporate purposes of the Company and will be available for intercompany loans to its subsidiaries during the pendency of the Chapter 11 Case. At December 31, 2009, advances under the DIP Credit Agreement totaled \$124.7 million, and availability was \$25.3 million. Vista Holdings, LLC had cash and cash equivalents on hand in of \$91.4 million at December 31, 2009. During the first quarter of 2010, the facility was increased to \$185 million.

Station Casinos, Inc.'s obligations under the DIP Credit Agreement will be an administrative expense claim in the Chapter 11 Case having *pari passu* priority with other administrative expense claims, provided

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

that repayment of the loan by Station Casinos, Inc. shall be subordinate to the full repayment of the lenders under the Company's prepetition Credit Agreement.

Station Casinos, Inc.'s obligations under the DIP Credit Agreement may be accelerated following certain events of default, including (without limitation) the conversion of any of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code or the appointment of a trustee pursuant to chapter 11 of the Bankruptcy Code.

The DIP Credit Agreement matures on the earlier of (i) August 10, 2010, (ii) ten business days after the effective date of a chapter 11 plan of reorganization is confirmed in the Chapter 11 Case by the Bankruptcy Court, and (iii) the date of acceleration, if any, of the advances under the DIP Credit Agreement following an event of default thereunder.

Also, in connection with the filing of the Chapter 11 Case, on July 31, 2009, Station Casinos, Inc. entered into an Unsecured Revolving Loan Promissory Note in favor of Past Enterprises, Inc. (a non-debtor subsidiary of the Company) pursuant to which Past Enterprises provides to Station Casinos, Inc. an unlimited revolving credit facility (the "Past Revolving Loan") at an interest rate of 2.78% per annum, the proceeds of which will be used for working capital and other general corporate purposes of the Company and will be available for intercompany loans to its subsidiaries.

The Past Revolving Loan matures on the earlier of (i) demand, or (ii) July 31, 2011, and provides for a default rate of interest of 4.78% if principal or interest due thereunder is not paid when due. At December 31, 2009, the outstanding balance due under the Past Revolving Loan totaled \$68.5 million.

Station Casinos, Inc.'s obligations under the Past Revolving Loan will be an administrative expense claim in the Chapter 11 Case having *pari passu* priority with other administrative expense claims, provided that repayment of the loan by Station Casinos, Inc. shall be subordinate to the full repayment of the lenders under the Company's prepetition Credit Agreement.

Merger

On November 7, 2007, the Company completed its merger (the "Merger") with FCP Acquisition Sub, a Nevada corporation ("Merger Sub"), pursuant to which Merger Sub merged with and into the Company with the Company continuing as the surviving corporation. The Merger was completed pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated as of February 23, 2007 and amended as of May 4, 2007, among the Company, Fertitta Colony Partners LLC, a Nevada limited liability company ("FCP"), and Merger Sub.

As a result of the Merger, 24.1% of the issued and outstanding shares of non-voting common stock of the Company are owned by Fertitta Partners LLC, a Nevada limited liability company ("Fertitta Partners"), which is owned by affiliates of Frank J. Fertitta III, Chairman, Chief Executive Officer and President of Station, affiliates of Lorenzo J. Fertitta, Vice Chairman of Station, affiliates of Blake L. Sartini and Delise F. Sartini, and certain officers and other members of management of the Company. The remaining 75.9% of the issued and outstanding shares of non-voting common stock of the Company are owned by FCP Holding, Inc., a Nevada corporation ("FCP HoldCo") and a wholly-owned subsidiary of FCP. FCP is owned by an affiliate of Colony Capital, LLC ("Colony"), affiliates of Frank J. Fertitta III and Lorenzo J. Fertitta and certain officers and other members of management. Substantially simultaneously with the consummation of the Merger, shares of voting common stock of Station were issued for nominal consideration to FCP VoteCo LLC, a Nevada limited liability company ("FCP VoteCo"), which is owned

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

equally by Frank J. Fertitta III, Lorenzo J. Fertitta and Thomas J. Barrack, Jr., the Chairman and Chief Executive Officer of Colony.

At the effective time of the Merger, each outstanding share of our common stock, including any rights associated therewith (other than shares of our common stock owned by FCP, Merger Sub, FCP HoldCo, Fertitta Partners or any wholly-owned subsidiary of the Company or shares of our common stock held in treasury by us) was cancelled and converted into the right to receive \$90 in cash, without interest. Following the consummation of the Merger, the Company is privately owned through FCP HoldCo, Fertitta Partners and FCP VoteCo. Station common stock ceased trading on the New York Stock Exchange at market close on November 7, 2007, and is no longer listed on any exchange or quotation system. The Company's voting common stock is registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended.

The Merger resulted in a greater than 50% control of the Company and was a "business combination" for accounting purposes, requiring FCP, Fertitta Partners, FCP VoteCo and their respective owners (the "Investors"), pursuant to the accounting guidance for business combinations, to record the acquired assets and assumed liabilities at their fair market values as of the acquisition date, resulting in a new basis of accounting. As a result of the Securities and Exchange Commission's rules and guidance regarding "push-down" accounting, the Investors' new accounting basis in our assets and liabilities is reflected in our consolidated financial statements to the extent that the Investors paid cash for the non-voting common stock of the Company as of the consummation of the Merger. Management has deemed it impracticable to determine the individual investors' carryover basis in the shares and has accordingly computed the carryover basis based on the pro rata portion of book value of Station prior to the Merger. The accompanying consolidated statements of operations, stockholders' (deficit) equity and cash flows for 2007 are presented for two periods: January 1, 2007 through November 7, 2007 (the "Predecessor Period") and November 8, 2007 through December 31, 2007 (the "Successor Period"). The Predecessor Period reflects the historical accounting basis in our assets and liabilities, while the Successor Period reflects the push down of the Investors' new basis to our consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions for items such as slot club program liability, self-insurance reserves, bad debt reserves, estimated useful lives assigned to our assets, asset impairment, derivative instruments, purchase price allocations made in connection with acquisitions and the calculation of the income tax liabilities, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand at our properties, as well as investments purchased with an original maturity of 90 days or less. As a result of the Chapter 11 Case, the Bankruptcy Court has imposed certain limitations on the use of the Debtors' cash and cash equivalents.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

Restricted Cash

Restricted cash includes cash reserves required in connection with the Company's financing transactions, treasury management activities, the CMBS Loans, letter of credit collateralization and regulatory reserves for race and sports book operations, and restrictions placed on our cash by the Bankruptcy Court.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a weighted-average basis.

Fair Value of Financial Instruments

The carrying value of our cash and cash equivalents, restricted cash, receivables and accounts payable approximates fair value primarily because of the short maturities of these instruments. For debt with short-term maturities, the fair value approximates the carrying amount. The fair value of our publicly traded debt securities is based on quoted market prices on or about December 31, 2009, however since all of these debt securities are classified as liabilities subject to compromise as a result of the Chapter 11 Case, they are carried at the expected amount of the allowed claims, which approximates the face value of the securities.

Property and Equipment and Other Long-Lived Assets

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the terms of the capitalized lease, whichever is less. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred.

We must make estimates and assumptions when accounting for capital expenditures. Whether an expenditure is considered a maintenance expense or a capital asset is a matter of judgment. We classify items as maintenance capital to differentiate replacement type capital expenditures such as a new slot machine from investment type capital expenditures to drive future growth such as an expansion of an existing property. In contrast to normal repair and maintenance costs that are expensed when incurred, items we classify as maintenance capital are expenditures necessary to keep our existing properties at their current levels and are typically replacement items due to the normal wear and tear of our properties and equipment as a result of use and age. Our depreciation expense is highly dependent on the assumptions we make about our assets' estimated useful lives. We determine the estimated useful lives based on our experience with similar assets, engineering studies and our estimate of the usage of the asset. Whenever events or circumstances occur which change the estimated useful life of an asset, we account for the change prospectively.

We evaluate our property and equipment and other long-lived assets for impairment in accordance with the guidance for accounting for the impairment or disposal of long-lived assets. For assets to be disposed of, we recognize the asset to be sold at the lower of carrying value or fair value less costs of disposal. Fair value for assets to be disposed of is generally estimated based on comparable asset sales, solicited offers or a discounted cash flow model. For assets to be held and used, we review fixed assets for impairment whenever indicators of impairment exist. If an indicator of impairment exists, we compare the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment is measured based on fair value compared to carrying value, with fair value typically based on a discounted cash flow model or market comparables, when available. As of December 31, 2009 and 2008, our consolidated financial statements reflect all adjustments required under the guidance for accounting for the impairment or disposal of long-lived assets.

See Note 5 for a discussion of impairment charges recorded in the year ended December 31, 2009 for property and equipment, and Note 15 for a discussion of impairment charges recorded in the year ended December 31, 2009 related to other long-lived assets.

Capitalization of Interest

We capitalize interest costs associated with debt incurred in connection with major construction projects. Interest capitalization ceases once the project is substantially complete or no longer undergoing construction activities to prepare it for its intended use. When no debt is specifically identified as being incurred in connection with such construction projects, we capitalize interest on amounts expended on the project at our weighted average cost of borrowings. Interest capitalized was approximately \$16.0 million, \$27.1 million, \$3.1 million and \$16.3 million for the years ended December 31, 2009 and 2008, the Successor Period, and the Predecessor Period, respectively.

Goodwill and Other Intangible Assets

In accordance with the accounting guidance for goodwill and other intangible assets, we test for impairment of goodwill and indefinite-lived intangible assets annually and in certain situations between those annual dates. For the years ended December 31, 2009, 2008, the Successor Period and the Predecessor Period, management established the fair values used in the annual impairment review process utilizing a variety of generally accepted asset valuation approaches.

Inherent in the calculation of fair values are various estimates. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from our estimates. If our ongoing estimates of future cash flows are not met, we may have to record additional impairment charges in future accounting periods. Our estimates of cash flows are based on the current regulatory, political and economic climates, recent operating information and budgets of the various properties where we conduct operations. These estimates could be negatively impacted by changes in federal, state or local regulations, economic downturns, or other events affecting various forms of travel and access to our properties. Once an impairment of goodwill or other intangible assets has been recorded, it cannot be reversed.

Goodwill

Our annual impairment testing for goodwill is performed at the reporting unit level, and each of our 100% owned casino properties is considered to be a reporting unit. Our annual goodwill impairment testing utilizes a two step process. In the first step, we compare the fair value of each reporting unit with its carrying amount, including goodwill. The fair value of each reporting unit is estimated using the expected present value of future cash flows along with indications provided by the current valuation multiples of comparable publicly traded companies. If the fair value of the reporting unit exceeds its carrying amount, then goodwill of the reporting unit is not considered impaired. If the carrying value of the reporting unit exceeds its fair value, then the goodwill of the reporting unit is considered to be impaired, and we proceed

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

to the second step of the goodwill impairment test. In the second step, we determine the implied value of the reporting unit's goodwill by allocating the fair value of the reporting unit determined in step one to the assets and liabilities of the reporting unit, as if the reporting unit had been acquired in a business combination. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. See Note 6 for a discussion of goodwill impairment charges recognized during the years ended December 31, 2009, 2008 and the Predecessor Period.

Indefinite-lived Intangible Assets

Our indefinite-lived intangible assets include brands and certain license rights. The fair value of brands is estimated using a derivation of the income approach to valuation, based on estimated royalties saved through ownership of the assets. The fair value of license rights is estimated using market indications of fair value. For indefinite-lived intangible assets, our annual impairment test consists of a comparison of the fair value of the intangible asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Indefinite-lived intangible assets are not amortized unless it is determined that their useful life is no longer indefinite. We periodically review our indefinite-lived assets to determine whether events and circumstances continue to support an indefinite useful life. If it is determined that an indefinite-lived intangible asset has a finite useful life, then the asset is tested for impairment and is subsequently accounted for as a finite-lived intangible asset. For the years ended December 31, 2009, 2008, the Successor Period, and the Predecessor Period, none of our indefinite-lived intangible assets were deemed to no longer have an indefinite useful life. See Note 6 for a discussion of impairment charges for indefinite-lived intangible assets recognized during the years ended December 31, 2009 and 2008, respectively.

Finite-lived Intangible Assets

Our finite-lived intangible assets include customer relationship and management contract intangibles. Finite-lived intangible assets are amortized over their estimated useful lives, and we periodically evaluate the remaining useful lives of these intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization.

The customer relationship intangible asset refers to the value associated with our rated casino guests. The initial fair value of the customer relationship intangible asset was based on the projected net cash flows associated with these casino guests. Prior to the annual impairment test for the year ended December 31, 2008, we had utilized the income forecast approach as our basis for amortization of the customer relationships intangible assets. The percentage of annual amortization applied each year utilizing the income forecast approach was based on expected future net cash flows associated with our rated casino guests and an expected attrition rate. We believed this approach better reflected the pattern in which the economic benefits of the intangible asset were consumed. The attrition rate was determined in part quantitatively using historical customer data and qualitatively based on the consistency of our rated casino guests which is predominantly Las Vegas local residents as opposed to out of town customers. Subsequent to our annual impairment testing for the year ended December 31, 2008, these intangible assets are being amortized ratably over their estimated useful lives as the expected pattern of consumption no longer accommodates the income forecast approach.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

The customer relationship intangible asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Increased competition within the gaming industry or a downturn in the economy could have an impact on our customer relationship intangible asset. Declines in customer spending which would impact the expected future cash flows associated with our rated casino guests, declines in the number of visitations which could impact the expected attrition rate of our rated casino guests or an erosion of our operating margins associated with our rated casino guest could cause the carrying value of the customer relationship asset to exceed the fair value. In this event an impairment based on the difference between the calculated fair value and the carrying value would be recognized.

Management contract intangible assets refer to the value associated with management agreements under which we provide management services to various casino properties, including casinos operated by joint ventures in which we hold a 50% equity interest, and certain Native American casinos that we have developed or are currently under development. The fair values of these management contract intangibles are established using discounted cash flow techniques based on estimated future cash flows expected to be received in exchange for providing management services. Management contract intangible assets are amortized ratably over their expected useful lives. We begin amortizing management contract intangible assets when the property begins operations and management fees are being earned.

See Note 6 for a discussion of impairment charges recorded in the years ended December 31, 2009 and 2008 for finite-lived intangible assets.

Native American Development Costs

We incur certain costs associated with development and management agreements entered into with Native American Tribes (the "Tribe"). In accordance with the guidance for accounting for costs and initial rental operations of real estate projects, costs for the acquisition and related development of the land and the casino facilities are capitalized as long-term assets until such time as the assets are transferred to the Tribe at which time a long term receivable is recognized.

In accordance with the accounting guidance for capitalization of interest costs, we capitalize interest to the project once a "Notice of Intent" (or the equivalent) to transfer the land into trust, signifying that activities are in progress to prepare the asset for its intended use, has been issued by the United States Department of the Interior ("DOI").

We earn a return on the costs incurred for the acquisition and development of the projects based upon the costs incurred over the development period of the project. In accordance with the guidance for accounting for sales of real estate, we recognize the return when the facility is complete and collectability of the receivable is assured. Due to the uncertainty surrounding the estimated cost to complete and the collectability of the stated return, we defer the return until the gaming facility is complete and transferred to the Tribe and the resulting receivable has been repaid. Repayment of the resulting advances would be from a refinancing by the Tribe, from the cash flow from the gaming facility or both.

On a quarterly basis, we evaluate the Native American Development Costs for impairment in accordance with the accounting guidance for the impairment or disposal of long-lived assets. If an indicator of impairment exists, we compare the estimated future cash flows of the asset, on an undiscounted basis, to the carrying amount of the asset. If the undiscounted expected future cash flows exceed the carrying value, no impairment is indicated. If the undiscounted expected future cash flows do

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

not exceed the carrying value, then impairment is measured based on the difference between fair value and the carrying value. Fair value is typically based on a discounted cash flow model. See Note 15 for a discussion of impairment charges recorded during the year ended December 31, 2009 related to Native American projects. The consolidated financial statements as of December 31, 2009 and 2008 reflect all adjustments required by the accounting guidance for the impairment or disposal of long-lived assets.

Debt Issuance Costs

Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the expected terms of the related debt agreements and are included in other assets, net on our consolidated balance sheets.

Advertising

We expense advertising costs the first time the advertising takes place. Advertising expense, which is generally included in selling, general and administrative expenses on the accompanying consolidated statement of operations, was approximately \$13.7 million, \$18.3 million, \$3.6 million and \$17.7 million for the years ended December 31, 2009 and 2008, the Successor Period, and the Predecessor Period, respectively.

Preopening

Preopening expenses have been expensed as incurred. The construction phase of a project typically covers a period of 12 to 24 months. The majority of preopening costs are incurred in the three months prior to opening. We incurred preopening expenses of approximately \$5.8 million, \$10.2 million, \$1.2 million and \$5.9 million during the years ended December 31, 2009 and 2008, the Successor Period and the Predecessor Period, respectively.

Derivative Instruments

From time to time we enter into derivative instruments, typically in the form of interest rate swaps, in order to manage interest rate risks associated with our current and future borrowings. We have adopted the authoritative guidance for accounting for derivative instruments and hedging activities, as amended, to account for our interest rate swaps. The accounting guidance requires us to recognize our derivative instruments as either assets or liabilities in our consolidated balance sheet at fair value. The accounting for changes in fair value (i.e. gains or losses) of the derivative instrument agreements depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. Additionally, the difference between amounts received and paid under such agreements as well as any costs or fees, is recorded as a reduction of, or an addition to, interest expense as incurred over the life of the agreement.

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and the ineffective portion is recorded in the consolidated statement of operations. Derivative instruments that are designated as a fair value hedge and qualify for the "shortcut" method under the accounting for derivative instruments and hedging activities, as amended, are allowed an assumption of no ineffectiveness. As such, there is no impact on the consolidated statement of operations from the changes in the fair value of the hedging instrument. Instead, the fair value of the instrument is recorded as an asset

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

or liability on our consolidated balance sheet with an offsetting adjustment to the carrying value of the related debt. For those derivative instruments that are not designated as hedges for accounting purposes, the change in fair value is recorded in the consolidated statement of operations in the period of change (See Note 12).

Fluctuations in interest rates can cause the fair value of our derivative instruments to change each reporting period. While we attempt to predict such movements in interest rates and the impact on derivative instruments, such estimates are subject to a large degree of variability which could have a significant impact on our consolidated financial statements.

Revenues and Promotional Allowances

We recognize as casino revenues the net win from gaming activities, which is the difference between gaming wins and losses. All other revenues are recognized as the service is provided. Additionally, our Boarding Pass and Amigo Club player rewards programs (the "Programs") allow customers to redeem points earned from their gaming activity at all Station and Fiesta properties for complimentary slot play, food, beverage, rooms, entertainment and merchandise. At the time redeemed, the retail value of complimentary under the Programs is recorded as revenue with a corresponding offsetting amount included in promotional allowances. The cost associated with complimentary food, beverage, rooms, entertainment and merchandise redeemed under the Programs is recorded in casino costs and expenses on our consolidated statements of operations. The estimated departmental costs of providing such promotional allowances are included in casino costs and expenses and consist of the following (amounts in thousands):

	Year Ended December 31, 2009	Successor Year Ended December 31, 2008	Period from November 8, 2007 Through December 31, 2007	Predecessor Period from January 1, 2007 Through November 7, 2007
Food and beverage	\$ 77,194	\$ 84,843	\$ 15,524	\$ 82,591
Room	8,142	7,548	1,126	5,588
Other	2,873	3,596	816	3,948
Total	\$ 88,209	\$ 95,987	\$ 17,466	\$ 92,127

We also record a liability for the estimated cost of the outstanding points under the Programs that we believe will ultimately be redeemed. At December 31, 2009 and 2008, \$6.1 million and \$6.7 million, respectively, were accrued for the cost of anticipated Program redemptions. The estimated cost of the outstanding points under the Programs is calculated based on the total number of points earned but not yet achieving necessary redemption levels, converted to a redemption value times the average cost. The redemption value is estimated based on the average number of points needed to convert to rewards. The average cost is the incremental direct departmental cost for which the points are anticipated to be redeemed. When calculating the average cost we use historical point redemption patterns to determine the redemption distribution between gaming, food, beverage, rooms, entertainment and merchandise as well as potential breakage.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

Management fee revenues earned under our management agreements are recognized when the services have been performed, the amount of the fee is determinable, and collectability is reasonably assured.

Related Party Transactions

We have entered into various related party transactions, which consist primarily of lease payments related to ground leases at Boulder Station and Texas Station. We paid approximately \$6.7 million, \$6.5 million, \$0.9 million and \$5.3 million for the years ended December 31, 2009 and 2008, the Successor Period and the Predecessor Period, respectively, in connection with these related party ground lease transactions.

Additionally, we have purchased tickets to events held by Zuffa, LLC ("Zuffa") which is the parent company of the Ultimate Fighting Championship and is owned by Frank J. Fertitta III and Lorenzo J. Fertitta. For the years ended December 31, 2009 and 2008, we made payments to Zuffa for approximately \$0.7 million and \$0.7 million, respectively, for ticket purchases to, and closed circuit viewing fees of, Ultimate Fighting Championship events. In the Successor Period and the Predecessor Period, we made payments to Zuffa for approximately \$0.1 million and \$0.2 million, respectively, primarily for the purchase of tickets. In addition, in September 2008 Zuffa and a wholly-owned subsidiary of the Company entered into a month-to-month license agreement whereby Zuffa has the rights to a previously unused portion at Palace Station for general office and administrative use. Payments received by the Company related to this license agreement totaled approximately \$22,000 and \$21,000 for the years ended December 31, 2009 and 2008, respectively.

Share-Based Compensation

Effective January 1, 2006, we adopted the accounting guidance for share-based payments, utilizing the modified prospective application. Under the modified prospective application, the accounting guidance applies to new awards and awards that were outstanding on December 31, 2005 that are subsequently modified, repurchased or cancelled. Under the modified prospective application, compensation cost recognized in the year ended December 31, 2006 and subsequent periods includes compensation cost of all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of the accounting guidance, and compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of the accounting guidance for share-based payments, as revised.

Successor Period

Equity Awards. Upon consummation of the Merger, FCP and Fertitta Partners issued Class B Units to an affiliate of Frank J. Fertitta III, Lorenzo J. Fertitta and certain officers of the Company. During the year ended December 31, 2008, Class B units that were previously issued upon consummation of the Merger were transferred to certain officers and management of the Company. Pursuant to the accounting guidance for share-based payments, the unearned share-based compensation related to the Class B Units is amortized to compensation expense over the requisite service period (immediate to five years). The share-based expense for these awards was based on the estimated fair market value of the Class B Units at

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

the date of grant applied to the total number of Class B Units that were anticipated to fully vest and then amortized over the vesting period.

Also upon consummation of the Merger, FCP and Fertitta Partners issued Class C Units to certain officers and management of the Company. During the year ended December 31, 2008, additional Class C units were issued to certain management of the Company. Pursuant to the accounting guidance for share-based payments, the unearned share-based compensation related to the Class C Units is amortized to compensation expense over the requisite service period (five years). The share-based expense for these awards was based on the estimated fair market value of the Class C Units at the date of grant, applied to the total number of Class C Units that were anticipated to fully vest and then amortized over the vesting period.

Predecessor Period

As a result of the consummation of the Merger described above, all outstanding stock options and unvested restricted stock awards vested and \$124.9 million in previously unrecognized compensation expense was recognized during the Predecessor Period and is included in merger transaction costs on the consolidated statement of operations.

Stock Options. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model and expensed using the straight-line approach. Option valuation models require the input of highly subjective assumptions and changes in the assumptions used can materially affect the fair value estimate. Expected volatility and dividends were based on implied and historical factors related to our common stock. The expected term represented the weighted-average time between grant date and exercise date and the risk-free interest rate was based on U.S. Treasury rates appropriate for the expected term. We used historical data and projections to estimate expected employee behaviors related to option exercises and forfeitures. The accounting guidance for share-based payments requires that forfeitures be included as part of the grant date estimate. The effect of forfeitures related to previous pro forma expense was not material.

Restricted Stock. The unearned share-based compensation related to restricted stock was amortized to compensation expense over the period the restrictions lapse (generally five to ten years). The share-based expense for these awards was determined based on the market price of our stock at the date of grant applied to the total number of shares that were anticipated to fully vest and then amortized over the vesting period. Subsequent to our adoption of the accounting guidance for share-based payments, we recognize compensation expense based on our expectation of which restricted stock awards will vest over the requisite service period for such awards. Prior to implementing the accounting guidance for share-based payments, we recognized deferred compensation as a contra-equity account representing the amount of unrecognized restricted stock expense that was reduced as the expense was recognized. Under the provisions of the accounting guidance for share-based payments, the previously recorded deferred compensation was recorded against additional paid-in capital.

Operating Segments

The accounting guidance for disclosures about segments of an enterprise and related information requires separate financial information be disclosed for all operating segments of a business. We believe we meet the "economic similarity" criteria established by the accounting guidance and as a result, we

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

aggregate all of our properties into one operating segment. All of our properties offer the same products, cater to the same customer base, are all located in the greater Las Vegas, Nevada area, have the same regulatory and tax structure, share the same marketing techniques and are all directed by a centralized management structure.

Recently Issued Accounting Standards

In January 2010, updated accounting guidance was issued for improving disclosures about fair value measurement. This guidance clarifies and extends the disclosure requirements about recurring and nonrecurring fair value measurements. The guidance is effective for reporting periods beginning after December 15, 2009. Accordingly, we will adopt the new guidance in the first fiscal quarter of 2010. The adoption of this new guidance is not expected to have a material impact on our consolidated financial statements.

In August 2009, updated accounting guidance was issued for fair value measurements and disclosures related to the fair value of liabilities that are traded as assets in the marketplace. This update provides clarification on measuring liabilities at fair value when a quoted price in an active market is not available. The provisions of this guidance are effective for the Company beginning October 1, 2009. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

In June 2009, new accounting guidance was issued that establishes the FASB Accounting Standards Codification (the "Codification") as the source of authoritative GAAP for nongovernmental entities. The Codification supersedes all existing non-SEC accounting and reporting standards. Rules and interpretive releases of the SEC under authority of federal security laws will remain authoritative GAAP for SEC registrants. This guidance and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009. As the Codification did not change existing GAAP, the adoption did not have an impact on our financial condition or results of operations.

In June 2009, new accounting guidance was issued for accounting for transfers of financial assets. The new guidance removes the concept of a qualifying special-purpose entity (QSPE) from the accounting guidance for accounting for transfers and servicing of financial assets and extinguishment of liabilities and removes the exception from applying the accounting guidance related to consolidation of variable interest entities. The new guidance also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. The new guidance is effective for fiscal years beginning after November 15, 2009. Accordingly, we will adopt the new guidance in fiscal year 2010. The adoption of this new guidance is not expected to have a material impact on our consolidated financial statements.

In June 2009, new accounting guidance was issued amending the accounting guidance related to consolidation of variable interest entities ("VIE"). Among other things, the new guidance requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE; requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE; enhances disclosures about an enterprise's involvement with a VIE including disclosure of significant judgments and assumptions as to whether a VIE must be consolidated and how involvement with a VIE affects the company's financial statements; and amends certain guidance for determining whether an entity is a VIE. Under the new guidance, a VIE must be consolidated if the enterprise has both (a) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. This new guidance is effective for fiscal years beginning after November 15, 2009.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

Accordingly, we will adopt this new guidance on January 1, 2010. We are currently evaluating the impact on our consolidated financial statements of adopting this new guidance.

In May 2009, new accounting guidance, as amended, was issued for recognized and non-recognized subsequent events. The new guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The new guidance is effective for interim and annual periods ending after June 15, 2009. Accordingly, we adopted the new guidance for the interim period ending June 30, 2009. The adoption of this new accounting guidance did not have a material effect on our consolidated financial statements.

In April 2009, new accounting guidance was issued for interim disclosures about fair value of financial instruments. This new guidance requires that additional disclosures about fair values of financial instruments be included for interim reporting periods. We adopted this new guidance effective April 1, 2009. The adoption of this new accounting guidance did not have a material impact on our consolidated financial statements.

In April 2009, new accounting guidance was issued on recognition and presentation of other-than-temporary impairments. This new guidance amends the impairment guidance relating to certain debt securities and requires a company to assess the likelihood of selling the security prior to recovering its cost basis. Additionally, when a company meets the criteria for impairment, the impairment charges related to credit losses would be recognized in earnings, while non-credit losses would be reflected in other comprehensive income. We adopted this new accounting guidance effective April 1, 2009. The adoption of this new accounting guidance did not have a material impact on our consolidated financial statements.

In April 2009, new accounting guidance was issued on determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly, which provides guidance on determining when the trading volume and activity for an asset or liability has significantly decreased, which may indicate an inactive market, and on measuring the fair value of an asset or liability in inactive markets. We adopted this new accounting guidance effective April 1, 2009. The adoption of this new accounting guidance did not have a material impact on our consolidated financial statements.

In April 2008, new accounting guidance was issued on accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies. This new guidance requires that an acquirer recognize at fair value, at the acquisition date, an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of the asset or liability can be determined during the measurement period. We adopted this new accounting guidance on January 1, 2009. The adoption of this new accounting guidance did not have a material impact on our consolidated financial statements.

In April 2008, new accounting guidance was issued on determination of the useful life of intangible assets. This new accounting guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The intent of the new guidance is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset under business combinations accounting guidance and other applicable accounting guidance. We adopted this new accounting guidance on January 1, 2009 and it must be applied prospectively to intangible assets acquired after the effective

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies and Basis of Presentation (Continued)

date. The adoption of this new accounting guidance did not have a material impact on our consolidated financial statements.

In March 2008, new accounting guidance was issued on disclosures about derivative instruments and hedging activities. The new guidance changes the disclosure requirements for derivative instruments and hedging activities, and requires entities to provide enhanced disclosures about how and why they use derivative instruments, how derivative instruments and related hedged items are accounted for and the effect of derivative instruments on the entity's financial position, financial performance and cash flows. We adopted this new accounting guidance during the first quarter of 2009. See Note 12 Derivative Instruments for additional information.

In December 2007, new accounting guidance was issued on business combinations and noncontrolling interests in consolidated financial statements. The new guidance requires the acquiring entity in a business combination to recognize the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value, with limited exceptions, replacing the cost-allocation process that was included in the previous accounting guidance. Further, the new guidance also changes the accounting for acquired in-process research and development assets, contingent consideration, partial acquisitions and transaction costs. Under the new guidance, all entities are required to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. In addition, transactions between an entity and noncontrolling interests will be treated as equity transactions. We adopted this new accounting guidance on January 1, 2009, and the adoption did not have a material impact on our consolidated financial statements.

A variety of proposed or otherwise potential accounting guidance is currently under study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed accounting guidance, we have not yet determined the effect, if any, that the implementation of such proposed accounting guidance would have on our consolidated financial statements.

Reclassifications

Certain amounts in the consolidated financial statements for the year ended December 31, 2008, the Successor Period and the Predecessor Period have been reclassified to conform to the 2009 presentation. These reclassifications had no effect on the previously reported net losses.

2. Acquisition of Station Casinos, Inc.

On November 7, 2007, pursuant to the Merger Agreement described in Note 1, approximately 72.2% of the outstanding shares of the Company were acquired for \$4.17 billion. In addition, we incurred approximately \$52.0 million of direct Merger costs and approximately \$60.1 million in capitalized debt issuance costs related to new financings under a new senior secured credit agreement and a mortgage loan and related mezzanine financings.

We valued the identifiable assets acquired and liabilities assumed at the date of the Merger at fair value. In accordance with the provisions of the accounting guidance for business combinations, to the extent that the purchase price exceeded the fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill. We believe that the goodwill arose from our dominance in the local Las Vegas gaming market, the value of the existing workforce and existing management and

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Acquisition of Station Casinos, Inc. (Continued)

operating infrastructure. See Note 6 a discussion of impairment charges related to our goodwill and intangible assets during the years ended December 31, 2009 and 2008.

Pro Forma Financial Information

The following unaudited pro forma results of operations assume that the Merger occurred at the beginning of the 2007. This unaudited pro forma information should not be relied upon as necessarily being indicative of the results that would have been obtained if the Merger had actually occurred on those dates, nor of the results that may be reported in the future. The pro forma financial information for contains an adjustment of \$286.3 million for the immediate vesting of Class B Units.

	For the Year Ended December 31, 2007 (amounts in thousands)	
Net revenue	\$	1,446,995
Operating loss		(32,102)
Interest expense, net		366,995
Net loss		(539,949)

Merger Transaction Costs

During the Predecessor Period, the Company recorded approximately \$156.5 million in costs related to the Merger. These costs presented as merger transaction costs on our consolidated statement of operations, include approximately \$31.6 million of accounting, investment banking, legal and other costs associated with the Merger and \$124.9 million of expense related to the accelerated vesting and buyout of employee stock options and restricted stock awards upon consummation of the Merger.

3. Receivables, net

Components of receivables are as follows (amounts in thousands):

	Successor December 31,	
	2009	2008
Casino	\$ 15,946	\$ 13,067
Hotel	4,068	5,951
Management fees	7,313	5,341
Income tax	18,655	15,614
Due from unconsolidated joint ventures	5,420	3,664
Other	8,714	4,468
	60,116	48,105
Allowance for doubtful accounts	(10,238)	(5,834)
Receivables, net	\$ 49,878	\$ 42,271

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Due from/to Unconsolidated Affiliate

On October 24, 2008 and December 26, 2008, promissory notes for \$0.7 million and \$4.3 million (collectively, the "2008 GVR Promissory Notes"), respectively were executed between GV Ranch Station, Inc. (the consolidated entity that owns our 50% portion of Green Valley Ranch) and Green Valley Ranch. The 2008 GVR Promissory Notes accrued interest at an annual rate of 5.0% and were payable either on demand or on the six-month anniversary of the execution date. Effective January 1, 2009, the 2008 GVR Promissory Notes were replaced with a new promissory note (the "2009 GVR Promissory Note") in the amount of \$5.0 million, which accrues interest at an annual rate of 5.0% and matures on January 1, 2011. The 2009 GVR Promissory Note is subordinate to Green Valley Ranch's senior secured debt and interest rate swaps. Subsequent to December 31, 2009, events of default occurred related to Green Valley Ranch's senior secured debt and interest rate swaps and as a result, the Company believes the GVR Promissory Note and the related accrued interest may not be recoverable. The Company believes Green Valley Ranch's default on its debt represents the culmination of conditions that existed prior to December 31, 2009 and accordingly, the Company recognized a \$5.3 million expense in write-downs and other charges, net in our consolidated statements of operations during the three months ended December 31, 2009 to fully reserve this receivable. The 2008 GVR Promissory Notes and related interest receivable were recorded in due from unconsolidated affiliate on our consolidated balance sheet at December 31, 2008.

On February 16, 2007, Green Valley Ranch entered into a new \$830 million credit facility (the "Green Valley Facility"). Proceeds from the Green Valley Facility were used to repay outstanding borrowings under the previous revolving facility and term loan, as well as fund an equal distribution to the members which was comprised of approximately \$185 million in cash distributions to each member and a \$100 million loan to each member or a wholly-owned subsidiary of such member, in each case evidenced by a promissory note from each member for total distributions of approximately \$570 million. Effective January 1, 2008, Green Valley Ranch distributed to its members, or cancelled, as applicable, the \$200 million in notes receivable, and the related accrued interest thereon. As a result, the \$100 million due to unconsolidated affiliate and related accrued interest recorded on our consolidated balance sheet at December 31, 2007 was eliminated during the year ended December 31, 2008 with a corresponding reduction in our investments in joint ventures.

5. Property and Equipment

Property and equipment consists of the following (amounts in thousands):

	Estimated life (years)	Successor	
		December 31,	
		2009	2008
Land		\$ 426,918	\$ 440,923
Buildings and improvements	10-45	2,200,182	2,316,836
Furniture, fixtures and equipment	3-7	548,816	523,187
Construction in progress		82,062	119,678
		3,257,978	3,400,624
Accumulated depreciation and amortization		(534,295)	(384,455)
Property and equipment, net		\$ 2,723,683	\$ 3,016,169

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Property and Equipment (Continued)

Depreciation expense was \$153.3 million, \$152.1 million, \$21.0 million and \$139.7 million, respectively, for the years ended December 31, 2009, 2008, the Successor Period, and the Predecessor Period.

During the year ended December 31, 2009, we reviewed the carrying values of our property and equipment for impairment because we determined that indicators of impairment existed. We compared the estimated future cash flows of the assets for each reporting unit, on an undiscounted basis, to the carrying values of the assets as required by the accounting guidance for impairment or disposal of long-lived assets. For those assets where the undiscounted cash flows did not exceed the carrying values, we measured an impairment based on the excess of carrying value over fair value. As a result, we recorded impairment charges totaling \$179.4 million related to property and equipment at certain operating subsidiaries in impairment of other assets in our consolidated statements of operations.

As a result of the Merger discussed in Note 1 and pursuant to the provisions of the accounting guidance for the impairment or disposal of long-lived assets, property and equipment balances reflect the push down of the Investors' new basis on our consolidated financial statements. At December 31, 2009 and 2008, substantially all of our property and equipment is pledged as collateral for our long-term debt.

6. Goodwill and Other Intangible Assets

As discussed in Note 2, our Merger was completed on November 7, 2007. In connection with the Merger, we recorded significant amounts of intangible assets and goodwill that are included in the tables below.

Intangible assets, net as of December 31, 2009 and 2008 consist of the following:

	Estimated life (years)	December 31, 2009			
		Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Losses	Net Carrying Amount
Brands	Indefinite	\$ 214,791	\$	\$ (115,237)	\$ 99,554
License rights	Indefinite	4,531			4,531
Customer relationships	15	268,961	(18,297)	(240,849)	9,815
Management contracts	3-20	521,464	(112,595)	(229,534)	179,335
Other	1	8,654	(8,654)		
		\$ 1,018,401	\$ (139,546)	\$ (585,620)	\$ 293,235

	Estimated life (years)	December 31, 2008			
		Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Losses	Net Carrying Amount
Brands	Indefinite	\$ 214,791	\$	\$ (85,548)	\$ 129,243
License rights	Indefinite	4,490			4,490
Customer relationships	15	268,961	(16,844)	(228,216)	23,901
Management contracts	3-20	521,464	(60,286)	(16,594)	444,584
Other	1	8,654	(8,654)		
		\$ 1,018,360	\$ (85,784)	\$ (330,358)	\$ 602,218

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Goodwill and Other Intangible Assets (Continued)

The intangible asset for customer relationships represents the value associated with our rated casino guests. Prior to our annual impairment test for the year ended December 31, 2008, we had utilized the income forecast approach as our basis for amortization of the customer relationships intangible assets since the cash flow related to these assets was expected to be higher in the earlier years of the relationship and then decline materially over time. Subsequent to our annual impairment testing for the year ended December 31, 2008, these intangible assets are being amortized ratably over their estimated useful lives as the expected pattern of consumption no longer accommodates the income forecast approach. The remaining definite-lived intangible assets are being amortized ratably over their estimated useful lives. The aggregate amortization expense for the years ended December 31, 2009 and 2008 and the Successor Period for those assets that are amortized under the provisions of the accounting guidance for goodwill and intangible assets was approximately \$53.8 million, \$74.5 million and \$11.3 million, respectively. There was no such amortization expense related to intangible assets recorded in the Predecessor Period. Estimated annual amortization expense for intangible assets for the years ended December 31, 2010, 2011, 2012, 2013 and 2014 is anticipated to be approximately \$21.9 million, \$0.8 million, \$4.3 million, \$23.8 million and \$23.8 million, respectively.

During the years ended December 31, 2009 and 2008, we recorded impairment losses in impairment of other intangible assets on our consolidated statement of operations of \$12.6 million and \$228.2 million, respectively, related to our customer relationships and \$29.7 and \$85.5 million, respectively, related to our brands. The impairment of our brands and customers relationships is the result of the ongoing recession which has resulted in decreased projected cash flow estimates, decreased valuation multiples for gaming assets due to the current market conditions and higher discount rates resulting from turmoil in the credit markets. The concentration of our customer base in the Las Vegas valley, where the impact of the recession has been particularly significant, has negatively impacted our projected cash flow estimates. In addition, during the year ended December 31, 2009, we recorded impairment losses totaling \$212.9 million in impairments of other intangible assets on our consolidated statements of operations related to certain management contract intangible assets as a result of decreases in the projected revenue streams for these contracts. During the year ended December 31, 2008 we recorded an impairment loss of \$16.6 million in impairment of other intangible assets on the consolidated statements of operations related to the management contract intangible asset for the Mechoopda Indian Tribe of Chico Rancheria, California (the "MITCR"), a federally recognized Native American tribe, as a result of a decrease in the projected revenue stream from this contract due to the high costs of financing resulting from the turmoil in the credit markets.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Goodwill and Other Intangible Assets (Continued)

Goodwill primarily represents the excess of total acquisition costs over the fair market value of net assets acquired in the Merger. The changes in the carrying amount of goodwill for the year ended December 31, 2009 are as follows (amounts in thousands):

	Year ended December 31, 2009
Balance at the beginning of the year:	
Goodwill	\$ 2,986,993
Accumulated impairment losses	(2,620,509)
	\$ 366,484
Impairment losses	(181,785)
Balance at the end of the year:	
Goodwill	\$ 2,986,993
Accumulated impairment losses	(2,802,294)
	\$ 184,699

In conjunction with our annual impairment testing for the year ended December 31, 2009, we determined that goodwill impairment totaling approximately \$181.8 million existed at certain operating subsidiaries. In conjunction with our annual impairment testing for the year ended December 31, 2008, we determined that an impairment of the goodwill recorded in conjunction with the Merger of approximately \$2.6 billion existed company-wide. These impairments were recorded in impairment of goodwill on our consolidated statements of operations. For the Predecessor Period, we recorded an impairment of goodwill at Wildfire Boulder and Gold Rush totaling approximately \$8.0 million. We determined that there was no goodwill impairment during the Successor Period.

7. Land Held for Development*Land Held for Development*

As of December 31, 2009, we had \$305.6 million of land held for development consisting primarily of eleven sites that are owned or leased, which includes 368 acres in the Las Vegas valley, 1,321 acres in northern California and 200 acres in Reno, Nevada. The primary gaming-entitled land that we own in the Las Vegas valley consists of 77 acres of land (106 acres including those leased or under contract) on which the Wild Wild West is located and the surrounding area, 71 acres located at the intersection of Durango Road and the Southern Beltway/Interstate 215 in the southwest area of Las Vegas, 58 acres also located in southwest Las Vegas at the intersection of Town Center and Interstate 215, 45 acres in the master-planned community of Inspirada located in Henderson, Nevada, 61 acres located on the southern end of Las Vegas Boulevard at Cactus Avenue of which we lease and have an option to purchase 2.5 acres, and 30 acres on Boulder Highway at the site formerly known as the Castaways Hotel Casino and Bowling Center.

In December 2008, we amended the lease and purchase agreement for the 19-acre parcel of land on which the Wild Wild West is located. Under the amended agreement, we have an option to purchase the land for a purchase price of \$36 million. The amended lease also includes options to purchase the land in July 2023, 2044 and 2065 for a purchase price equal to fair market value as of July 2022, 2043 and 2064,

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Land Held for Development (Continued)

respectively. No amounts related to these purchase options have been recorded on our consolidated balance sheets at December 31, 2009 and December 31, 2008.

Our decision whether to proceed with any new gaming or development opportunity is dependent upon future economic and regulatory factors, the availability of acceptable financing and competitive and strategic considerations. As many of these considerations are beyond our control, no assurances can be made that we will be able to proceed with any particular project.

Impairment Loss

As a result of the continuing recession and its significant impact on real estate values, we reviewed our land held for development for impairment during the year ended December 31, 2009 and determined that impairments existed for a number of sites. As a result, we recorded impairments totaling \$617.4 million in impairment of other assets in our consolidated statements of operations related to impairments of our land held for development in the Las Vegas valley, Reno, Nevada, and northern California.

During the three months ended December 31, 2008, it was determined that a triggering event, as described under the accounting guidance for impairment or disposal of long-lived assets, had occurred related to much of our land held for development due to changes in the anticipated use of certain land parcels and the current economic condition of the Company and its ability to secure adequate financing for capital projects going forward. As a result, we compared the estimated future cash flows for certain land parcels, on an undiscounted basis, to the carrying value. In certain instances, the carrying value was higher and as such, we recorded an impairment loss of \$148.0 million to write down the book value of the land to the fair values. The fair values were calculated by management utilizing traditional real estate valuation techniques, primarily the sales comparison approach.

Loss on Land Disposition

During the year ended December 31, 2009, we recorded a loss on land disposition of \$5.1 million related to a parcel of land in Reno, Nevada that had previously been held for development.

8. Investments in Joint Ventures

We have various investments in 50% owned joint ventures, and a 6.7% investment in a joint venture that owns the Palms Casino Resort in Las Vegas, Nevada, which are accounted for under the equity method. Under the equity method, original investments are recorded at cost and adjusted by our share of earnings, losses and distributions of the joint ventures, and the carrying value of investments may be reduced below zero, resulting in a deficit investment balance, when the investor is committed to provide further financial support for the investee. As of December 31, 2009, we have received distributions in excess of our equity earnings. The investment balance also includes any fair value adjustments recorded in

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Investments in Joint Ventures (Continued)

conjunction with the Merger described in Note 1 and impairment charges discussed below. Investments in joint ventures consist of the following (amounts in thousands):

	Successor	
	December 31,	
	2009	2008
Green Valley Ranch (50.0%) (a)	\$ 4,310	\$ 26,162
Rancho Road (50.0%) (b)		366
Palms Casino Resort (6.7%)		4,080
Barley's (50.0%)	4,852	10,764
Wildfire Lanes (50.0%)	1,257	1,668
The Greens (50.0%)	70	510
Investments in joint ventures	\$ 10,489	\$ 43,550
Aliante Station (50.0%) (c)	\$ (38,389)	\$ (3,557)
Rancho Road (50.0%) (b)	(104,659)	
Deficit investments in joint ventures	\$ (143,048)	\$ (3,557)

(a) Effective January 1, 2008, Green Valley Ranch distributed to its Members, or cancelled, as applicable, \$200 million in notes receivable and the related accrued interest thereon. As a result, the \$100 million due to unconsolidated affiliate and related accrued interest recorded on our consolidated balance sheet at December 31, 2007 was eliminated during the year ended December 31, 2008 with a corresponding reduction in our investment in Green Valley Ranch.

(b) As a result of the significant decline in real estate values in the Las Vegas valley, Rancho Road recorded an impairment charge related to its land held for development. Our investment in Rancho Road at December 31, 2009 reflects a deficit of approximately \$104.7 million which is recorded as a long-term liability on our consolidated balance sheets.

(c) As a result of ongoing operating losses of Aliante Station and an impairment of our joint venture investment recognized during the year ended December 31, 2008, our investment in Aliante Station at December 31, 2009 and 2008 reflect deficits of approximately \$38.4 million and \$3.6 million, respectively, which is recorded as a long-term liability on our consolidated balance sheets.

As a result of the Merger, our investments in joint ventures balance as of December 31, 2007 differed from our ownership equity in these investments by \$217.3 million due to the allocation of the purchase price to these investment accounts. Differences between our investments in joint ventures balance and the Company's underlying equity in the joint ventures attributable to land, goodwill and indefinite-lived intangible assets are not amortized. Differences attributable to depreciable assets and definite-lived intangible assets are amortized based on the estimated useful lives of the related assets and recorded in earnings from joint ventures on our consolidated statement of operations. During the years ended December 31, 2009 and 2008, we recorded approximately \$0.1 million and \$2.8 million, respectively, of depreciation and amortization related to these assets. As a result of amortization expense recorded during the years ended December 31, 2009, 2008 and the Successor Period, and impairment losses recorded during the three months ended December 31, 2009 discussed below, these differences have been fully written off as of December 31, 2009.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Investments in Joint Ventures (Continued)

Impairment Loss

During the year ended December 31, 2009, it was determined that due to the ongoing recession and its impact on our estimated future cash flows from our investments in joint ventures, a triggering event, as described under the accounting guidance for the impairment or disposal of long-lived assets, had occurred related to certain of our investments in joint ventures. As a result, we compared the estimated future cash flows of each of our investments in joint ventures, on an undiscounted basis, to the carrying value. The carrying values for our investments in certain joint ventures were higher and as such, we recorded impairment losses totaling approximately \$30.0 million to reduce the carrying values of our investments in these joint ventures to their fair values.

During the three months ended December 31, 2008, it was determined that a triggering event, as described under the accounting guidance for the impairment or disposal of long-lived assets, had occurred related to a majority of our investments in joint ventures due to the ongoing recession which has caused us to decrease our estimates for projected cash flows from our investments in joint ventures. As a result, we compared the estimated future cash flows of each of our investments in joint ventures, on an undiscounted basis, to the carrying value. The carrying value for all of our investments in joint ventures, with the exception of Green Valley Ranch, was higher and as such, we recorded an impairment loss of approximately \$273.0 million to reduce the carrying values of our investments in joint ventures to their fair values.

Summarized balance sheet information for the joint ventures is as follows (amounts in thousands):

	Successor December 31,	
	2009	2008
Current assets	\$ 78,715	\$ 119,417
Property and equipment and other assets, net	1,775,436	2,109,933
Current liabilities	492,344	152,528
Long-term debt and other liabilities	1,356,243	1,711,428
Shareholders' equity	5,564	365,394

Summarized results of operations for the joint ventures are as follows (amounts in thousands):

	Successor		Period from November 8, 2007	Predecessor Period from January 1, 2007
	Year Ended December 31, 2009	Year Ended December 31, 2008	Through December 31, 2007	Through November 7, 2007
Net revenues	\$ 459,688	\$ 520,203	\$ 81,609	\$ 479,017
Operating costs and expenses	736,647	469,973	69,613	386,920
Operating income	(276,959)	50,230	11,996	92,097
Interest and other expense, net	114,141	128,298	15,744	66,191
Net (loss) income	\$ (391,100)	\$ (78,068)	\$ (3,748)	\$ 25,906

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Investments in Joint Ventures (Continued)

Our share of the operating (losses) earnings from these joint ventures is shown as a separate line item after operating income on our consolidated statements of operations. For the year ended December 31, 2009, operating losses from joint ventures includes a total of \$124.9 million in impairment charges related primarily to impairment charges recorded by Rancho Road, LLC and Aliante Holding, LLC in connection with land held for development. In addition, our share of interest and other expense from these joint ventures is shown as a separate component under other expense on our consolidated statements of operations, which also includes our 50% interest in the mark-to-market valuation of the interest rate swaps that are not designated as hedging instruments. The following table identifies the total equity (losses) earnings from joint ventures (amounts in thousands):

		Successor		Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from November 8, 2007 Through December 31, 2007	Period from January 1, 2007 Through November 7, 2007
Operating (losses) earnings from joint ventures	\$ (127,643)	\$ 17,020	\$ 5,875	\$ 34,247
Interest and other expense from joint ventures	(40,802)	(47,643)	(4,743)	(23,503)
Net (losses) earnings from joint ventures	\$ (168,445)	\$ (30,623)	\$ 1,132	\$ 10,744

9. Management Fees

We have entered into a Development Services Agreement and a Management Agreement with the United Auburn Indian Community ("UAIC"). Our seven-year Management Agreement was approved by the National Indian Gaming Commission (the "NIGC") and expires in June 2010. Pursuant to those agreements, and in compliance with a Memorandum of Understanding entered into by the UAIC and Placer County, California, we developed, with the UAIC, Thunder Valley, a gaming and entertainment facility on approximately 49 acres located approximately seven miles north of Interstate 80 on Highway 65, in Placer County, California, near Sacramento, which opened on June 9, 2003.

We manage Thunder Valley on behalf of the UAIC and receive a management fee equal to 24% of net income (as defined in the management agreement). In addition, we are the managing partner for Green Valley Ranch, Aliante Station, Barley's, The Greens and Wildfire Lanes and receive a management fee equal to 2% of revenues and approximately 5% of Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") from Green Valley Ranch and Aliante Station and 10% of EBITDA from Barley's, The Greens, and Wildfire Lanes. Our management fees are included in net revenues on our consolidated statements of operations. Management fees earned under our management agreements are recognized in revenue when the services have been performed, the amount of the fee is determinable, and collectability is reasonably assured.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (amounts in thousands):

	Successor	
	December 31,	
	2009	2008
Accrued payroll and related	\$ 20,973	\$ 55,673
Accrued gaming and related	25,705	30,612
Other accrued expenses and current liabilities	44,998	29,742
Total accrued expenses and other current liabilities	\$ 91,676	\$ 116,027

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term Debt and Liabilities Subject to Compromise

Long-term debt consists of the following (amounts in thousands):

	Successor December 31,	
	2009	2008
CMBS mortgage loan and related mezzanine financings, due November 12, 2010, interest at a margin above LIBOR (5.7% and 6.0% at December 31, 2009 and 2008, respectively) (a)(b)	\$ 2,475,000	\$ 2,475,000
Land Loan, due February 7, 2011, interest at a margin above LIBOR or Alternate Base Rate (6.5% and 7.6% at December 31, 2009 and 2008, respectively)	242,032	250,000
Revolver, due August 7, 2012, interest at a margin above the Alternate Base Rate or the Eurodollar Rate (5.2% and 3.9% at December 31, 2009 and 2008, respectively) (b)	628,237	628,237
Term Loan, due August 7, 2012, interest at a margin above the Alternate Base Rate or the Eurodollar Rate (4.7% and 3.8% at December 31, 2009 and 2008, respectively) (b)	245,000	247,500
6% senior notes, interest payable semi-annually, principal due April 1, 2012, callable April 1, 2009, net of unamortized discount of \$20.1 million at December 31, 2008 (b)	450,000	429,914
7 ³ / ₄ % senior notes, interest payable semi-annually, principal due August 15, 2016, callable August 15, 2011, net of unamortized discount of \$7.8 million at December 31, 2008 (b)	400,000	392,164
6 ¹ / ₂ % senior subordinated notes, interest payable semi-annually, principal due February 1, 2014, callable February 1, 2009, net of unamortized discount of \$47.9 million at December 31, 2008 (b)	442,000	402,051
6 ⁷ / ₈ % senior subordinated notes, interest payable semi-annually, principal due March 1, 2016, callable March 1, 2009, net of unamortized discount of \$84.9 million at December 31, 2008 (b)	660,000	615,105

6 ⁵ / ₈ % senior subordinated notes, interest payable semi-annually, principal due March 15, 2018, callable March 15, 2011, net of unamortized discount of \$45.1 million at December 31, 2008 (b)	300,000	254,942
Other long-term debt, weighted-average interest of 7.9% and 7.8% at December 31, 2009 and 2008, respectively, maturity dates ranging from 2010 to 2020	79,789	87,240
Total long-term debt	5,922,058	5,782,153
Current portion of long-term debt	(242,347)	(2,977,364)
Long-term debt subject to compromise (b)	(5,670,370)	
 Total long-term debt, net	 \$ 9,341	 \$ 2,804,789

- (a) Prior to the maturity date, the CMBS Borrower exercised a one-year extension to extend the maturity date to November 2010 subject to two additional one-year extensions. The lenders have disputed the effectiveness of the extension.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term Debt and Liabilities Subject to Compromise (Continued)

- (b) Certain long-term debts are subject to compromise as a result of the Chapter 11 Case and are classified as liabilities subject to compromise in our consolidated balance sheet at December 31, 2009 as described below.

Liabilities Subject to Compromise

Under bankruptcy law, actions by creditors to collect upon liabilities of the Debtors incurred prior to the Petition Date are stayed and certain other pre-petition contractual obligations may not be enforced against the Debtors without approval of the Court. In accordance with the accounting guidance for financial reporting by entities in reorganization under the bankruptcy code, these liabilities are classified as liabilities subject to compromise in our consolidated balance sheet as of December 31, 2009, and are adjusted to the expected amount of the allowed claims, even if they may be settled for lesser amounts. The expected amount of the allowed claims for certain liabilities subject to compromise differ from their prepetition carrying amounts mainly as a result of the write-off of approximately \$185.7 million in debt discounts during the year ended December 31, 2009 and the reversal of approximately \$88.6 million in nonperformance risk adjustments that had previously been included in the pre-petition fair values of the interest rate swap liabilities in accordance with the accounting guidance for fair value measurements. Adjustments to the claims may result from negotiations, payments authorized by the Court, or other events. It is anticipated that such adjustments, if any, could be material. As of December 31, 2009, pre-petition liabilities included in liabilities subject to compromise have been reduced as a result of the payment of certain accounts payable and notes payable as allowed by the court, and non-cash adjustments of the expected amount of the allowed claims related to interest rate swap liabilities. Any payment terms established for the liabilities subject to compromise will be established in connection with actual confirmation of the plan of reorganization. Liabilities subject to compromise are classified separately from long-term obligations and current liabilities.

The following table summarizes the components of liabilities subject to compromise as of December 31, 2009 (in thousands):

	December 31, 2009
CMBS mortgage loan and related mezzanine financings	\$ 2,475,000
Revolver and term loan	873,237
6% senior notes	450,000
7 ³ / ₄ % senior notes	400,000
6 ¹ / ₂ % senior subordinated notes	442,000
6 ⁷ / ₈ % senior subordinated notes	660,000
6 ⁵ / ₈ % senior subordinated notes	300,000
Other long-term debt	70,133
Interest rate swaps	141,793
Accrued interest	142,562
Payroll and related liabilities	25,330
Accounts payable and other liabilities	4,054
Total liabilities subject to compromise	\$ 5,984,109

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term Debt and Liabilities Subject to Compromise (Continued)

Interest Expense

In accordance with the accounting guidance for financial reporting by entities in reorganization under the bankruptcy code, interest expense is recognized only to the extent that it will be paid during the bankruptcy proceeding or that it is probable that it will be an allowed claim. Currently the Company is not accruing interest for the senior notes, the senior subordinated notes or the mezzanine financings. As a result, post-petition interest expense is lower than pre-petition interest expense. The write-off of debt discounts and deferred debt issue costs related to liabilities subject to compromise also reduces post-petition interest expense as there are no longer any non-cash amortization charges related to these items.

CMBS Loans

In connection with the Merger, on November 7, 2007, a number of wholly-owned unrestricted direct and indirect subsidiaries of Station (collectively, the "CMBS Borrower") entered into a mortgage loan and related mezzanine financings in the aggregate principal amount of \$2.475 billion (the "CMBS Loans"), for the purpose of financing the Merger consideration payable to the Company's stockholders upon consummation of the Merger and paying fees and expenses incurred in connection with the Merger.

The CMBS Loans are secured by substantially all fee and leasehold real property comprising Palace Station, Boulder Station, Sunset Station and Red Rock (collectively, the "CMBS Property") and will mature in November 2010. Prior to the 2009 maturity date, the CMBS Borrower exercised a one-year extension to extend the maturity date to November 2010 subject to two additional one-year extensions. The lenders have disputed the effectiveness of the extension. Interest on the CMBS Loans is equal to one-month LIBOR plus 5.3% per annum, which includes an additional 3.0% default rate. As a result of the Chapter 11 Case, interest due on the mezzanine financings is not being remitted to the mezzanine lenders. The CMBS Borrower is required to hedge the LIBOR interest rate such that it will not exceed 5.5% on a blended basis. As a result, the CMBS Borrower purchased interest rate caps with a combined notional amount of \$1.11 billion and a cap rate of 5.8% for an initial premium of \$3.6 million. The initial premium was recorded in other assets and, in accordance with the authoritative guidance for accounting for derivative Instruments and hedging activities, is marked to market at each reporting period. In addition, the CMBS Borrower entered into an interest rate swap with a notional amount of \$1.36 billion in which the borrower paid a fixed rate of approximately 5.3% and received one-month LIBOR, terminating in November 2012. This interest rate swap was early terminated during the three months ended December 31, 2009 (see Note 12 Derivative Instruments).

The loan documents for the CMBS Loans (the "CMBS Loan Documents") contain a number of covenants that, among other things, restrict, subject to certain exceptions, each wholly-owned unrestricted direct and indirect subsidiary's ability to incur additional indebtedness; create liens on assets; engage in mergers or consolidations; sell assets; pay dividends or make distributions; make investments, loans or advances; make certain acquisitions; engage in certain transactions with affiliates; and fundamentally change its business. The CMBS Loan Documents also require the CMBS Borrower to fund specific reserves as defined. In addition, the CMBS Loan Documents contain a requirement that if the CMBS Borrower fails to maintain a minimum lease coverage ratio of 1.15 to 1.00 during two consecutive fiscal quarters, 80% of the funds available following the payment of all amounts and reserves required to be made pursuant to the CMBS Loan Documents be deposited into an account for the benefit of the lenders instead of permitting distribution of such funds to the Company. As of December 31, 2009, we were not in

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term Debt and Liabilities Subject to Compromise (Continued)

compliance with the lease coverage ratio. In a letter dated April 6, 2009 to the CMBS Borrower, certain lenders under the CMBS Loans alleged that the CMBS Borrower had not calculated the lease coverage ratio in accordance with the CMBS Loan Documents for the quarters ended September 30, 2008 and December 31, 2008 and further alleged that the CMBS Borrower would not have been in compliance with the minimum lease coverage ratio if the lease coverage ratio had been properly calculated. As a result, those lenders instituted a block against the release of 80% of the funds available following the payment of all amounts and reserves due under the CMBS Loans and instructed our depository bank to hold such funds in a collateral account for the benefit of the lenders. As a result of the Chapter 11 Case, the block against the release of funds increased to 100% of the funds available following the payment of all amounts and reserves due under the CMBS Loans. During year ended December 31, 2009, \$78.7 million was deposited in the collateral account in relation to this block.

Land Loan

On February 7, 2008, CV Propco, LLC, a wholly-owned, indirect unrestricted subsidiary of Station, as borrower, entered into a \$250 million delay-draw term loan which is collateralized by land located on the southern end of Las Vegas Boulevard at Cactus Avenue and land surrounding Wild Wild West in Las Vegas, Nevada (the "Land Loan"). The Land Loan contains no principal amortization and matures on February 7, 2011. At closing, \$200 million was drawn with the remaining \$50 million drawn in June 2008. The proceeds were used to fund a distribution to Station, establish an interest reserve and pay transaction expenses. Borrowings under the Land Loan bear interest at LIBOR plus 5.5% per annum or at the Alternate Base Rate (as defined in the Land Loan) plus 3.5% per annum, which includes an additional 2% default rate, at the borrower's election. The borrower is required to hedge the interest rate such that LIBOR will not exceed 6.5%. As a result, the borrower entered into two interest rate swap agreements with notional amounts of \$200 million and \$50 million in which the borrower pays a fixed LIBOR rate of 3.0% and 3.7%, respectively, and receives one-month LIBOR. These interest rate swaps were early terminated in November 2009 (see Note 12 Derivative Instruments).

The Land Loan contains a number of covenants that, among other things, restrict, subject to certain exceptions, the borrower's ability to incur additional indebtedness; create liens on assets; engage in mergers or consolidations; sell assets; pay dividends or make distributions; make investments, loans or advances; make certain acquisitions; engage in certain transactions with affiliates; and fundamentally change its business. In addition, the Land Loan requires the borrower to maintain a loan-to-value ratio of no more than 40% and also contains customary affirmative covenants and certain events of default.

During the first quarter of 2009, the lenders under the land loan, based on appraisals, indicated their opinion that the value of the collateral had likely decreased to the point that the loan-to-value ratio was no longer less than 40%, as required under the credit agreement, and thus an event of default had occurred under the credit agreement. As a result of such event of default, lenders have become entitled to exercise remedies, including, among other things, the ability to declare the land loan and related accrued interest due and payable and to foreclose on the underlying collateral of the borrower which at December 31, 2009 and 2008 included land with a book value of \$133.2 million and \$501.1 million, respectively. In December 2009, the balance of the interest reserve account of \$8.2 million was liquidated, and \$8.0 million was applied as a principal reduction to the loan with the remainder applied to the swap termination settlement amount. In addition, the borrower did not make the November 2009 payments or any subsequent payments due on account of interest or the interest rate swap agreements. There is no recourse to the Company for any portion of the land loan that is not satisfied by the Borrower or the collateral. The

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term Debt and Liabilities Subject to Compromise (Continued)

Company is in discussions with the lenders regarding solutions to the event of default however the Company can provide no assurance that it will be able to reach a solution with the lenders. As a result the outstanding indebtedness related to the land loan and the market value of the associated interest rate swap have been classified as current in the accompanying consolidated balance sheets at December 31, 2009. See Note 7 for a discussion of impairment charges recognized during the years ended December 31, 2009 and 2008 related to land held for development.

Credit Agreement

In connection with the Merger, Station, as borrower, entered into a new \$900 million senior secured credit agreement (the "Credit Agreement") consisting of a \$650 million revolving facility (the "Revolver") and a \$250 million term loan (the "Term Loan"). The maturity date for both the Term Loan and the Revolver is August 7, 2012 subject to a single 15-month extension (as further defined in the Credit Agreement). The Term Loan requires quarterly principal payments of \$625,000. The Revolver contains no principal amortization. Borrowings under the Credit Agreement bear interest at a margin above the Alternate Base Rate or the Eurodollar Rate (each as defined in the Credit Agreement), as selected by us. The margin above such rates, and the fee on the unfunded portions of the Revolver, will vary quarterly based on our total debt to Adjusted EBITDA (as defined in the Credit Agreement). As of December 31, 2009, the borrower's margin above the Eurodollar Rate on borrowings under the Credit Agreement was 4.50%. As of December 31, 2009, the maximum margin for Eurodollar Rate borrowings was 4.50% and the maximum margin for Alternate Base Rate borrowings was 3.50%. As of December 31, 2009, the fee for any unfunded portion of the Revolver was 0.375%.

The Credit Agreement contains certain financial and other covenants. These include a minimum interest coverage, a maximum total debt to Adjusted EBITDA (as defined in the Credit Agreement) ratio and a total senior secured debt to Adjusted EBITDA (as defined in the Credit Agreement) ratio.

For the quarters ended December 31, 2008, March 31, 2009, June 30, 2009, September 30, 2009 and December 31, 2009, we were not in compliance with the financial covenants in the Credit Agreement. In addition, the filing of the Chapter 11 Case constitutes an event of default under the terms of the Credit Agreement. Notwithstanding such events of default, in connection with the filing of the Chapter 11 Case, on July 28, 2009, the Company entered into a Second Forbearance Agreement and Second Amendment to the Credit Agreement (the "Forbearance Agreement") with the lenders holding a majority of the commitments under its Credit Agreement pursuant to which the lenders agreed, among other things, to forbear from exercising their default-related rights, remedies and powers or privileges against certain subsidiaries that guarantee the Company's obligations under the Credit Agreement. The Forbearance Agreement terminated on January 31, 2010.

Senior and Senior Subordinated Notes

The indentures (the "Indentures") governing our \$2.3 billion in aggregate principal amount of senior and senior subordinated notes (the "Notes") contain certain customary financial and other covenants, which limit our and our subsidiaries' ability to incur additional debt. As a result of the filing of the Chapter 11 Case, all amounts outstanding under the Notes have been accelerated and are due and payable.

We did not make scheduled interest payments on the Company's \$450 million 6¹/₂% Senior Subordinated Notes due February 1, 2014 (the "2014 Subordinated Notes"), \$400 million 7³/₄% Senior Notes due August 15, 2016 (the "2016 Senior Notes"), \$700 million 6⁷/₈% Senior Subordinated Notes due

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term Debt and Liabilities Subject to Compromise (Continued)

2016 (the "2016 Subordinated Notes"), \$300 million 6⁵/₈% Senior Subordinated Notes due 2018 (the "2018 Subordinated Notes") or \$450 million 6% Senior Notes due 2012 (the "2012 Senior Notes") since February 1, 2009. The grace periods with respect to the payment of interest on the 2014 Subordinated Notes, 2016 Senior Notes, 2016 Subordinated Notes, 2018 Subordinated Notes and 2012 Senior Notes have expired, resulting in an event of default under the indentures governing such indebtedness. In addition as a result of the filing of the Chapter 11 Case, the 2014 Subordinated Notes, 2016 Senior Notes, 2016 Subordinated Notes, 2018 Subordinated Notes and 2012 Senior Notes have been accelerated and are due and payable, subject to the bankruptcy stay.

Gain on Early Retirement of Debt

In January 2009, a wholly-owned subsidiary of the Company purchased \$40.0 million in aggregate principal amount of our outstanding \$700 million 6⁷/₈% Senior Subordinated Notes and \$8.0 million in aggregate principal amount of our outstanding \$450 million 6¹/₂% Senior Subordinated Notes for approximately \$1.5 million plus approximately \$1.4 million in accrued interest. As a result, during the three months ended March 31, 2009, we recorded a gain on early retirement of debt of approximately \$40.3 million, which is the difference between the reacquisition price and the net carrying amount of the extinguished debt including the face amount of the associated debt adjusted for the related unamortized discount and debt issuance costs.

Corporate Office Lease

In November 2007, we entered into a sale-leaseback agreement related to our corporate office building with a third-party real estate investment firm. We sold the corporate office building for approximately \$70 million and subsequently entered into a lease with the purchaser for an initial period of 20 years with four options to extend the lease, each option for an extension of five years. An event of default under the sale leaseback agreement for the corporate office building occurred on October 26, 2009 as a result of the Chapter 11 Case not being dismissed within 90 days following the filing thereof, entitling the landlord to exercise its remedies thereunder, including, among other things, termination of the lease and acceleration of contractual rents. Annual lease payments increase approximately 1.2% annually to approximately \$6.7 million in the final year of the original term. The lease also contains two options for us to repurchase the corporate office building, one option at the end of the fifth year of the lease term and a second option at the end of the tenth year of the lease term, which is considered continuing involvement under the authoritative guidance for accounting for sale-leaseback transactions involving real estate. Because of this continuing involvement, the sale-leaseback transaction is being accounted for as a financing transaction, with the sales proceeds recorded as a liability and the lease payments recorded as interest expense. In addition, we continue to include the corporate office building within property and equipment, net on our consolidated balance sheets and depreciate it according to our policy. During the twelve months ended December 31, 2009 and 2008, we recorded interest expense related to this lease of approximately \$5.3 million and \$5.3 million, respectively. Future minimum lease payments related to this lease for the next five years are approximately \$5.4 million, \$5.5 million, \$5.5 million, \$5.6 million and \$5.7 million for the years ended December 31, 2010, 2011, 2012, 2013 and 2014, respectively.

Revolving Facility

In conjunction with the Merger on November 7, 2007, we terminated our previous \$2.0 billion revolving credit facility (the "Revolving Facility") due December 2010. As a result, we recorded a loss on

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term Debt and Liabilities Subject to Compromise (Continued)

early retirement of debt of approximately \$8.1 million during the Successor Period to reflect the write off of the unamortized loan costs. In addition, we terminated two interest rate swaps with a combined notional amount of \$500 million, which were due to terminate in December 2010 and tied directly to the Revolving Facility. These interest rate swaps were terminated at market value, and as a result, we paid approximately \$12.2 million which is included in loss on early retirement of debt in the Successor Period.

At December 31, 2009, the estimated fair value of our long-term debt was approximately \$3.8 billion, compared to the book value of \$5.9 billion. The estimated fair value of our long-term debt at December 31, 2008 was approximately \$3.9 billion, compared to the book value of approximately \$5.8 billion. The estimated fair value amounts were based on quoted market prices on or about December 31, for our debt securities that are publicly traded. For the Revolver, Term Loan, CMBS Loans and Land Loan, the fair value approximates the carrying amount of the debt due to short-term maturities of the individual components of the debt.

Scheduled maturities of long-term debt, excluding liabilities subject to compromise, are as follows (amounts in thousands):

Years ending December 31,	
2010	\$ 242,347
2011	5,670
2012	356
2013	621
2014	352
Thereafter	2,342
Total	\$ 251,688

Long-term debt included in liabilities subject to compromise is not included in the above table since the scheduled maturities are uncertain as a result of the Chapter 11 Case.

12. Derivative Instruments

Our objective in using derivatives is to add stability to interest expense and to manage our exposure to interest rate movements or other identified risks. To accomplish this objective, we primarily use interest rate swaps and interest rate caps as part of our cash flow hedging strategy. Interest rate swaps utilized as cash flow hedges involve the receipt of variable-rate payments in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amount. We do not use derivative financial instruments for trading or speculative purposes.

At December 31, 2009, we have a floating-to-fixed interest rate swap with a notional amount of \$250 million, terminating in January 2011, which effectively converts a portion of our floating-rate debt to a fixed rate. This interest rate swap is not designated as a hedging instrument and as a result, gains or losses resulting from the change in fair value of this swap are recognized in earnings in the period of the change. Fluctuations in interest rates can cause the fair value of our derivative instruments to change each reporting period. While we attempt to predict such movements in interest rates and impact on derivative instruments, such estimates are subject to a large degree of variability which could have a significant impact on our consolidated financial statements. As of December 31, 2009, we paid a weighted-average fixed rate of approximately 3.0% and received one-month LIBOR which approximated 0.2% on this

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Derivative Instruments (Continued)

interest rate swap. As a result of the Chapter 11 Case, this interest rate swap is classified in liabilities subject to compromise at December 31, 2009.

During the three months ended December 31, 2009, we early terminated a floating-to-fixed interest rate swap with a notional amount of \$1.36 billion. Prior to termination, this cash flow hedges effectively converted a portion of our floating-rate debt to a fixed rate. This interest rate swap was not designated as a hedging instrument and as a result, gains or losses resulting from the change in fair value of this swap were recognized in earnings in the period of the change. The estimated expected amount of the allowed claim related to this interest rate swap is classified in liabilities subject to compromise at December 31, 2009.

Also during the three months ended December 31, 2009, we early terminated two floating-to-fixed interest rate swaps with a combined notional amount of \$250 million and it became probable that the original forecasted transactions would not occur. Prior to termination, these cash flow hedges effectively converted a portion of our floating-rate debt to a fixed rate. These interest rate swaps previously qualified and were designated as cash flow hedges, resulting in the effective portion of the gain or loss from the change in fair value being reported as a component of other comprehensive income (loss). The variable cash flow method was used to measure the ineffectiveness of the hedging relationship. Accordingly, the calculation of ineffectiveness involved a comparison of the present value of the cumulative change in the expected future cash flows of the variable portion of the interest rate swaps and the present value of the cumulative change in the expected future variable interest payments designated in the hedging relationship. During the first quarter of 2009, these interest rate swaps were de-designated as cash flow hedges for accounting purposes. As a result of the termination of these swaps, we reclassified \$1.7 million in deferred losses, net of tax, from accumulated other comprehensive income into earnings. The total termination settlement amount of these swaps is recorded in accrued expenses and other current liabilities at December 31, 2009.

During the second quarter of 2009, two interest rate swaps of one of our 50% owned joint ventures with notional amounts of \$297.8 million were terminated and it became probable that the original forecasted transactions would not occur. As a result, we reclassified \$0.3 million in deferred losses, net of tax, from accumulated other comprehensive income into earnings. As of December 31, 2009, the remaining interest rate swaps of our 50% owned joint ventures have a total notional amount of \$420.0 million. Subsequent to December 31, 2009, these remaining interest rate swaps were early terminated, and as a result, the remaining balance of \$2.0 million of deferred losses, net of tax, will be reclassified from accumulated other comprehensive income into earnings during the first quarter of 2010.

Accumulated other comprehensive loss on our consolidated balance sheets includes deferred gains and losses related to our interest rate swaps that were previously designated as hedging instruments under the authoritative guidance for accounting for derivative instruments and hedging activities, as well as our proportionate share of our 50% owned joint ventures' deferred gains and losses on interest rate swaps that were previously designated as hedging instruments. We expect a total of approximately \$2.0 million of deferred net losses related to these interest rate swaps, included in accumulated other comprehensive loss at December 31, 2009, to be reclassified into earnings during the next twelve months.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Derivative Instruments (Continued)

The activity in deferred gains (losses) on derivatives included in accumulated other comprehensive loss is as follows (amounts in thousands):

	Successor		Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from November 8, 2007 Through December 31, 2007
Deferred losses on derivatives included in accumulated other comprehensive loss, beginning balance	\$ (8,414)	\$ (6,477)	\$ (7,791)
Gains (losses) recognized in other comprehensive loss on derivatives (effective portion), net of tax	1,286	(1,937)	1,314
Losses reclassified from other comprehensive income into income (effective portion) in change of fair value of derivative instruments	3,152		
Losses reclassified from other comprehensive income into income as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur	1,991		
Deferred losses on derivatives included in accumulated other comprehensive loss, ending balance	\$ (1,985)	\$ (8,414)	\$ (6,477)

In accordance with the accounting guidance for financial reporting by entities in reorganization under the bankruptcy code, the Debtors' interest rate swap liabilities are classified as liabilities subject to compromise in our consolidated balance sheet as of December 31, 2009, and are adjusted to the expected amounts of the allowed claims, which are different than the prepetition amounts originally recorded on the financial statements. The losses resulting from these adjustments are recorded in reorganization items in the accompanying consolidated statements of operations for the year ended December 31, 2009.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Derivative Instruments (Continued)

Presented below are the effects of derivative instruments on our consolidated statements of operations (amounts in thousands):

	Successor		Predecessor
	Year Ended	Year Ended	Period from
	December 31,	December 31,	November 8,
	2009	2008	Through
			December 31,
			2007
			Through
			November 7,
			2007
Amounts included in change in fair value of derivative instruments:			
Gains (losses) from interest rate swaps	\$ 28,019	\$ (19,762)	\$ (30,686) \$
Losses from interest rate cap	(121)	(3,295)	
Net gains (losses) for derivatives not designated as hedging instruments	27,898	(23,057)	(30,686)
Losses reclassified from other comprehensive income into income (effective portion)	(1,501)		
Losses reclassified from accumulated other comprehensive income into income as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur	(2,668)		
Total derivative gains (losses) included in change in fair value of derivative instruments	23,729	(23,057)	(30,686)
Amounts included in reorganization items:			
Losses from interest rate swaps	(80,790)		
Amounts included in interest and other expense from joint ventures:			
Gains (losses) for derivatives not designated as hedging instruments	7,936	(12,328)	(265)
Losses reclassified from other comprehensive income into income (effective portion)	(3,348)		
Losses reclassified from accumulated other comprehensive income into income as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur	(394)		
Total derivative gains (losses) included in interest and other expense from joint ventures	4,194	(12,328)	(265)
Total derivative losses` included in consolidated statements of operations	\$ (52,867) \$	(35,385) \$	(30,951) \$

The difference between amounts received and paid under our interest rate swap agreements, as well as any costs or fees, is recorded as a reduction of, or an addition to, interest expense as incurred over the

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Derivative Instruments (Continued)

life of the interest rate swaps. The net effect of the interest rate swaps and interest rate cap resulted in an increase in interest expense of approximately \$77.5 million, \$35.1 million and \$0.4 million for the years ended December 31, 2009 and 2008 and the Successor Period, respectively. In addition, our proportionate share of the net effect of interest rate swaps of our 50% owned joint ventures is reflected as an increase (decrease) in interest and other expense from joint ventures in our consolidated statements of operations, and totaled approximately \$10.6 million, \$17.3 million and \$(0.7) million for the years ended December 31, 2009 and 2008 and the Successor Period, respectively.

The fair values of our outstanding derivative instruments are recorded in our consolidated balance sheet as follows (amounts in thousands):

Balance Sheet Classification	Fair Value at	
	December 31, 2009	December 31, 2008
Derivatives designated as hedging instruments:		
Interest rate swaps:		
Other long-term liabilities	\$	\$ 6,148
Derivatives not designated as hedging instruments:		
Interest rate swaps:		
Liabilities subject to compromise	141,793	
Accrued expenses and other current liabilities	8,937	5,960
Other long-term liabilities		87,163
Total interest rate swaps not designated as hedging instruments	150,730	93,123
Total liability derivatives	\$ 150,730	\$ 99,271
Interest rate cap:		
Other assets, net	\$ 42	\$ 163
Total asset derivatives	\$ 42	\$ 163

13. Commitments and Contingencies

*Leases**Boulder Station Lease*

We entered into a ground lease for 27 acres of land on which Boulder Station is located. We lease this land from KB Enterprises, a company owned by the Frank J. Fertitta and Victoria K. Fertitta Revocable Family Trust (the "Related Lessor"). Frank J. Fertitta, Jr. and Victoria K. Fertitta are the parents of Frank J. Fertitta III, Chairman, Chief Executive Officer and President of Station and Lorenzo J. Fertitta, Vice Chairman of Station. The lease has a maximum term of 65 years, ending in June 2058. The lease provides for monthly payments of \$222,933 through May 2018. In June 2013, and every ten years thereafter, the rent will be adjusted to the product of the fair market value of the land and the greater of (i) the then prevailing annual rate of return for comparably situated property or (ii) 8% per year. In no event will the rent for any period be less than the immediately preceding period. In June 2018, and every ten years thereafter, the rent will be adjusted by a cost of living factor. Pursuant to the ground lease, we

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

have an option, exercisable at five-year intervals with the next option in June 2013, to purchase the land at fair market value. Our leasehold interest in the property is subject to a lien to secure borrowings under the CMBS Loan Documents.

Texas Station Lease

We entered into a ground lease for 47 acres of land on which Texas Station is located. We lease this land from Texas Gambling Hall & Hotel, Inc., a company owned by the Related Lessor. The lease has a maximum term of 65 years, ending in July 2060. The lease provides for monthly rental payments of \$337,417 through June 2010. In July 2010, and every ten years thereafter, the rent will be adjusted to the product of the fair market value of the land and the greater of (i) the then prevailing annual rate of return being realized for owners of comparable land in Clark County or (ii) 8% per year. In July 2015, and every ten years thereafter, the rent will be adjusted by a cost of living factor. In no event will the rent for any period be less than the immediately preceding period. Pursuant to the ground lease, we have an option, exercisable at five-year intervals with the next option in May 2010, to purchase the land at fair market value. Our leasehold interest in the property is subject to a lien to secure borrowings under the Credit Agreement.

Wild Wild West Lease

We amended the lease and purchase agreement for the 19-acre parcel of land on which the Wild Wild West is located in December 2008. Under the amended agreement, we have an option to purchase the land on or before December 28, 2011 for a purchase price of \$36 million. The amended lease also includes options to purchase the land in July 2023, 2044 and 2065 for a purchase price equal to fair market value as of July 2022, 2043 and 2064, respectively. No amounts related to these purchase options have been recorded on our consolidated balance sheets at December 31, 2009 and 2008. Additionally, the annual lease expense was increased from \$1.6 million for the year ended December 31, 2008 to \$2.1 million and \$2.4 million for the years ended December 31, 2009 and 2010, respectively. In July 2013, and every three years thereafter, the rent will be adjusted by changes in the consumer price index, not to exceed 12% and shall at no time be decreased.

CMBS Lease

In connection with the financing of the CMBS Loans, certain Station subsidiaries (the "Operating Subsidiaries") entered into an amended and restated purchase and sale agreement with a wholly-owned subsidiary of Station, which immediately prior to the closing of the CMBS Loans, assigned its rights and obligations under the amended and restated purchase and sale agreement to a newly created subsidiary of the Company, the CMBS Borrower. Pursuant this purchase and sale agreement, the CMBS Property was sold to the CMBS Borrower. Immediately following the sale, such CMBS Property was leased back to the Company pursuant to a master lease with an initial term of fifteen years and extension terms for an aggregate of ten additional years. The Company in turn subleased each parcel of the CMBS Property back to the Operating Subsidiaries, with each such sublease having the same term as the master lease. All transactions related to this lease are intercompany in nature and as such eliminate upon consolidation.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

Operating Leases

We lease several parcels of land, buildings and equipment used in our operations. Leases on various parcels ranging from 2.5 acres to 47 acres have terms expiring between September 2010 and August 2103. Future minimum lease payments required under these operating leases and other non-cancelable operating leases are as follows (amounts in thousands):

Years ending December 31,	
2010	\$ 9,491
2011	9,460
2012	9,461
2013	9,372
2014	9,354
Thereafter	430,532
Total	\$ 477,670

Rent expense totaled approximately \$9.7 million, \$9.9 million, \$1.2 million and \$8.5 million for the years ended December 31, 2009 and 2008, the Successor Period and the Predecessor Period, respectively.

During the year ended December 31, 2009, the Debtors rejected two operating leases related to unoccupied office space. Under Section 365 of the Bankruptcy Code, the Debtors may assume, assume and assign, or reject executory contracts and unexpired leases, including real property and equipment leases with the approval of the Bankruptcy Court and under certain other conditions. Rejection constitutes a court-authorized termination of the lease or contract in question and, subject to certain exceptions, relieves the Debtors of future obligations under such lease or contract, but creates a pre-petition claim for damages caused by such termination, subject to the Debtors' right to review and contest such claim. Parties whose contracts or leases are rejected may file claims against the Debtors for damages. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure all prior defaults under such executory contract or unexpired lease, including all pre-petition arrearages, and to provide adequate assurance of future performance. In this regard, the Debtors' financial statements include amounts classified as "liabilities subject to compromise" that the Debtors believe that the Bankruptcy Court will allow as claim amounts as a result of the Debtors' rejection of various executory contracts and unexpired leases. Additional amounts may be included in "liabilities subject to compromise" in future periods if additional executory contracts and unexpired leases are rejected. Conversely, the Debtors would expect that the assumption of certain executory contracts and unexpired leases may convert certain liabilities shown in future financial statements as subject to compromise to post-petition liabilities. Due to the uncertain nature of many of the potential claims, the Debtors are unable to project the magnitude of such claims with any degree of certainty.

Regulation and Taxes

On March 27, 2008, in the matter captioned Sparks Nugget, Inc. vs. State ex rel. Department of Taxation, the Nevada Supreme Court ruled that complimentary meals provided to employees and patrons are not subject to Nevada use tax. We have filed refunds for the periods from April 2000 through February 2008. The amount subject to these refunds is approximately \$15.3 million plus interest. Any amount refunded to us would be reduced by a contingent fee owed to a third party advisory firm. On

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

April 15, 2008, the Department of Taxation filed a motion for rehearing of the Supreme Court's decision. On July 16, 2008, the Nevada Supreme Court denied the Department of Taxation's motion for rehearing. The Company is currently evaluating the impact of the Nevada Supreme Court's decision not to rehear the case. Accordingly, we have not recorded a receivable related to a refund for previously paid use tax on complimentary employee and patron meals in the accompanying consolidated balance sheets as of December 31, 2009 and 2008, respectively. However, we began claiming this exemption on sales and use tax returns for periods subsequent to February 2008 given the Nevada Supreme Court decision.

Las Vegas Development

Rancho Road

In December 2006, we entered into an amended and restated operating agreement with FBLV Holding Company LLC ("FBLV"). Pursuant to the amended and restated operating agreement, the parties contributed approximately 52 acres (with approximately 20 acres contributed by us for our 50% ownership and approximately 32 acres contributed by FBLV for their 50% ownership) of improved and unimproved real property located along Rancho Road south of Palace Station in Las Vegas, Nevada into a joint venture. It is anticipated that the joint venture will develop, construct and manage, pursuant to a master development plan, a mixed-use residential, retail and entertainment project on all or a portion of such property. The timing, cost and scope of the project have yet to be determined. Through December 31, 2009, we have contributed an additional \$43.7 million to fund the acquisition of additional property as well as design and development costs.

Native American Development

The Federated Indians of Graton Rancheria

We have entered into Development and Management Agreements with the Federated Indians of Graton Rancheria (the "FIGR"), a federally recognized Native American tribe. Pursuant to those agreements, we will assist the FIGR in developing and operating a gaming and entertainment project to be located in Sonoma County, California. The FIGR selected us to assist them in designing, developing and financing their project and, upon opening, we will manage the facility on behalf of the FIGR. The Management Agreement has a term of seven years from the opening of the facility and we will receive a management fee equal to 24% of the facility's net income in years 1 through 4 and 27% of the facility's net income in years 5 through 7. We will also receive a development fee equal to 2% of the cost of the project upon the opening of the facility.

In October 2003, the FIGR entered into a Memorandum of Understanding with the City of Rohnert Park. In August 2005, we purchased 270 acres of land just west of the Rohnert Park city limits in Sonoma County, California. In March 2006, we purchased an additional 4.7 acres adjacent to the previously acquired property. The property purchased is approximately one-quarter mile from Highway 101 and approximately 43 miles from downtown San Francisco. In March 2008, it was determined that approximately 247 acres of the 270-acre site purchased in August 2005 would be taken into trust, with the remaining 23 acres retained by Station. As a result, the estimated cost of the remaining 23 acres was reclassified from Native American development costs to land held for development during the year ended December 31, 2008. Over the period of May 2007 through June 2008, we purchased an additional 11 acres of land adjacent to the 23 acres, bringing the total land held for development to 34 acres. Development of the gaming and entertainment project is subject to certain governmental and regulatory approvals,

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

including, but not limited to, negotiating a gaming compact with the State of California, the United States Department of the Interior (the "DOI") accepting a portion of the land into trust on behalf of the FIGR and approval of the Management Agreement by the National Indian Gaming Commission (the "NIGC"). Prior to obtaining third-party financing, we will contribute significant financial support to the project. Through December 31, 2009, we have advanced approximately \$144.5 million toward the development of this project, primarily to complete the environmental impact study and secure real estate for the project, which is included on our consolidated balance sheets. Funds advanced by us are expected to be repaid from the proceeds of the project financing or from the FIGR's gaming revenues. In addition, we have agreed to pay approximately \$11.3 million upon achieving certain milestones, which will not be reimbursed. Through December 31, 2009, approximately \$2.0 million of these payments had been made and were expensed as incurred. The timing and feasibility of the project are dependent upon the receipt of the necessary governmental and regulatory approvals. The Company plans to continue contributing significant financial support to the project, even though there can be no assurances as to when or if the necessary approvals will be obtained.

On May 7, 2008, the DOI published in the Federal Register a Notice of Final Agency Determination (the "Determination") to take certain land into trust for the benefit of the FIGR. The publication commenced a thirty-day period in which interested parties could seek judicial review of the Determination. On June 6, 2008, the Stop The Casino 101 Coalition and certain individuals filed a complaint (the "Complaint") in the United States District Court for the Northern District of California seeking declaratory and injunctive relief against the DOI and officials of the DOI. The Complaint sought judicial review of the Determination. On September 10, 2008, the U.S. Attorney representing the DOI exercised her right to have the case reassigned from a magistrate to an Article III judge, and the FIGR subsequently intervened in the lawsuit. On November 17, 2008, the federal defendants and the FIGR filed their respective motions to dismiss the complaint for lack of jurisdiction and failure to state a claim. In response, the plaintiffs filed a motion for leave to amend their complaint which was granted on January 26, 2009. The Company believes that the allegations contained in the Complaint are without merit. The DOI and the FIGR filed motions to dismiss the amended complaint on February 20, 2009, and on March 27, 2009, a hearing was held to argue such motions. On April 21, 2009, the DOI and FIGR's motions to dismiss were granted. On June 8, 2009, the plaintiffs filed an appeal (the "Appeal") in the United States Court of Appeals for the Ninth Circuit Appeals, and the DOI agreed to voluntary stay the taking of the site into trust pending resolution of the appeal. The plaintiffs, including several who are now represented separately by a second attorney, filed their opening briefs on October 26, 2009. On November 4, 2009, DOI filed an unopposed motion to expedite the oral argument. DOI and FIGR then filed their answering briefs on November 25, 2009. The plaintiffs responded by filing reply briefs on December 28, 2009. The court clerk initially rejected the motion to expedite oral argument, but following FIGR's motion for reconsideration, the court has scheduled oral argument for April 15, 2010. As with all litigation, no assurances can be provided as to the outcome of this lawsuit.

On February 19, 2009, a Notice of Availability of a Final Environmental Impact Statement (the "EIS") was filed in the Federal Register, leaving only the issuance of the Record of Decision (the "ROD") to complete the environmental process for the FIGR project. Issuance of the ROD will initiate a 30-day period in which opponents of the project will have the right to seek judicial review of the ROD.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

Gun Lake Tribe

On November 13, 2003, we agreed to purchase a 50% interest in MPM Enterprises, LLC, a Michigan limited liability company ("MPM"). Concurrently with our agreement to purchase that interest, MPM and the Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians of Michigan, a federally recognized Native American tribe commonly referred to as the Gun Lake Tribe ("Gun Lake"), entered into amended Development and Management Agreements, pursuant to which MPM agreed to assist Gun Lake in developing and operating a gaming and entertainment project to be located in Allegan County, Michigan. On July 29, 2005, MPM and Gun Lake entered into amended and restated Development and Management Agreements. We have agreed to pay \$6.0 million for our 50% interest in MPM, which is payable upon achieving certain milestones and is not reimbursable. As of December 31, 2009, payments totaling \$6.0 million had been made and were expensed as incurred. An additional \$12.0 million in total may be paid by us in years six and seven of the Third Amended and Restated Management Agreement, subject to certain contingencies. Under the terms of the Third Amended and Restated Development Agreement, we have agreed to arrange financing for the ongoing development costs and construction of the project. Through December 31, 2009, we have advanced approximately \$53.6 million toward the development of this project, primarily to complete the environmental assessment and secure real estate for the project, which is included on our consolidated balance sheets. Funds advanced by us are expected to be repaid from the proceeds of the project financing or from Gun Lake's gaming revenues. The Third Amended and Restated Management Agreement has a term of seven years from the opening of the facility and provides for a management fee of 30% of the project's net income to be paid to MPM. Pursuant to the terms of the MPM Operating Agreement, our portion of the management fee is 50% of the first \$24 million of management fees earned, 83% of the next \$24 million of management fees and 93% of any management fees in excess of \$48 million.

The project will be located on approximately 147 acres on U.S. Highway 131 and 129th Avenue, approximately 25 miles north of Kalamazoo, Michigan. As currently contemplated, the project will include slot machines, table games and various dining options. Construction of the project includes the conversion of a portion of an existing 192,000 square-foot building into the casino and entertainment facility. Development of the gaming and entertainment project and operation of Class III gaming is subject to certain governmental and regulatory approvals, including, but not limited to, approval of the Management Agreement by the NIGC.

On February 27, 2004, the DOI issued a Finding of No Significant Impact with respect to the proposed project. On May 13, 2005, the DOI published in the Federal Register a Notice of Final Agency Determination (the "Determination") to take certain land into trust for the benefit of Gun Lake. On June 13, 2005, Michigan Gambling Opposition (the "MGO Plaintiffs") filed a complaint (the "MGO Complaint") in the United States District Court, District of Columbia (the "District Court"), seeking declaratory and injunctive relief against the DOI and officials of the DOI. The MGO Complaint sought judicial review of the Determination. On January 6, 2006, Gun Lake filed a motion for judgment on the pleadings or, in the alternative, for summary judgment. Also on January 6, 2006, the DOI filed a motion to dismiss or, in the alternative, for summary judgment.

On February 23, 2007, the District Court issued its decision in favor of the DOI and Gun Lake, finding that there were no facts which would entitle the MGO Plaintiffs to any relief on the four issues raised in the MGO Complaint, and granted the parties' motion to dismiss or, in the alternative for summary judgment (the "Dispositive Motions"). On March 1, 2007, the MGO Plaintiffs filed a motion for

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

stay pending appeal with the District Court. On March 5, 2007, the District Court granted the MGO Plaintiffs' motion for stay pending appeal, thereby precluding the DOI from taking the site into trust for the benefit of Gun Lake until the District Court's decision granting the Dispositive Motions had been reviewed on appeal. On May 21, 2007, the MGO Plaintiffs filed their appellate brief in the United States Court of Appeal for the District of Columbia (the "Court of Appeals") appealing the District Court's decision. On July 6, 2007, the DOI and Gun Lake filed their responsive briefs. On July 30, 2007, the MGO Plaintiffs filed their reply brief. Oral arguments were heard on October 19, 2007. On April 29, 2008, the Court of Appeals affirmed the District Court's dismissal of the lawsuit filed by the MGO Plaintiffs.

On May 13, 2008, the MGO Plaintiffs filed a petition for rehearing en banc with the Court of Appeals. On July 25, 2008, the Court of Appeals denied the MGO Plaintiffs' petition for rehearing en banc. On July 29, 2008, the MGO Plaintiffs filed an emergency motion for stay of mandate pending petition for certiorari. On August 1, 2008, the DOI and Gun Lake filed their responses to the emergency motion for stay of mandate. On August 15, 2008, the Court of Appeals granted the emergency motion for stay of mandate. On October 23, 2008, the MGO Plaintiffs filed a petition for certiorari seeking review of the Court of Appeals' decision by the United States Supreme Court. On January 21, 2009, the United States Supreme Court denied the petition for certiorari and on January 27, 2009, the appellate court issued a mandate that dissolved the stay. On January 30, 2009, the DOI accepted approximately 147 acres of real property into trust in Allegan County, Michigan, for the benefit of Gun Lake. On August 18, 2009, the Secretary of Interior issued an Initial Reservation Proclamation proclaiming that the 147-acre parcel is Gun Lake's reservation.

On August 1, 2008, David Patchak filed a complaint (the "Patchak Complaint") seeking declaratory and injunctive relief against the DOI and officials of the DOI. On October 6, 2008, Gun Lake filed a motion for judgment on the pleadings. The Patchak Complaint also seeks judicial review of the Determination. On October 7, 2008, the DOI filed a motion to dismiss. On October 17, 2008, the plaintiff filed a motion to stop the DOI from taking land into trust for Gun Lake, which was denied by the District Court on January 26, 2009. The District Court filed an order that gave the plaintiff 21 days to submit a memorandum addressing whether the District Court still has jurisdiction in this case in light of the DOI accepting the land in trust for the benefit of Gun Lake. The DOI and Gun Lake filed their memoranda addressing this issue on April 6, 2009. On August 19, 2009, the DOI's motion to dismiss and motion for judgment on the pleadings was granted and the plaintiff's motions for preliminary injunctive relief were denied. On September 15, 2009, plaintiff filed a notice of appeal with the United States Court of Appeals for the District of Columbia Circuit. On November 6, 2009, Gun Lake filed a Motion to Dismiss the appeal in part. The Motion has been referred to the panel of judges to whom the case will be assigned for decision. On January 8, 2010, the Court ordered the Court Clerk to enter a briefing schedule. To date, no briefing schedule has been issued. The Company believes that the appeal is without merit. As with all litigation, no assurances can be provided as to the outcome of this lawsuit.

On March 9, 2007, Gun Lake and the State of Michigan entered into a tribal-state Class III gaming compact. The compact was subject to approval by the Michigan Legislature and, if approved, would regulate gaming at Gun Lake's proposed gaming and entertainment project to be developed on the site. On August 8, 2007, the Michigan House of Representatives ratified the compact. On February 11, 2009, the Michigan Senate passed a resolution approving the compact. On February 19, 2009, the Michigan House of Representatives passed a similar resolution approving the Compact and the Compact was submitted to the Secretary of Interior for his approval. On April 22, 2009, the Compact became effective

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

by publication in the Federal Register. Prior to obtaining third-party financing, we will contribute significant financial support to the project. Construction on the project began in September 2009.

Mechoopda Indian Tribe

We have entered into Development and Management Agreements with the Mechoopda Indian Tribe of Chico Rancheria, California (the "MITCR"), a federally recognized Native American tribe. Pursuant to those agreements, we will assist the MITCR in developing and operating a gaming and entertainment facility to be located on a portion of an approximately 650-acre site in Butte County, California, at the intersection of State Route 149 and Highway 99, approximately 10 miles southeast of Chico, California and 80 miles north of Sacramento, California. Under the terms of the Development Agreement, we have agreed to arrange the financing for the ongoing development costs and construction of the facility. Funds advanced by us are expected to be repaid from the proceeds of the project financing or from the MITCR's gaming revenues. Through December 31, 2009, we have advanced approximately \$11.9 million toward the development of this project, primarily to complete the environmental assessment and secure real estate for the project. In addition, we have agreed to pay approximately \$2.2 million of payments upon achieving certain milestones, which will not be reimbursed. Through December 31, 2009, \$50,000 of these payments had been made and were expensed as incurred. Although the Company continues to fund advances to MITCR, given the recent recession and thus the revised expected potential of the project, as of December 31, 2009 the Company has fully impaired the associated long-term asset. The Management Agreement has a term of seven years from the opening of the facility and provides for a management fee of 24% of the facility's net income. As currently contemplated, the facility will include slot machines, table games and dining and entertainment amenities. Development of the facility is subject to certain governmental and regulatory approvals, including, but not limited to, negotiating a gaming compact with the State of California, the DOI accepting land into trust on behalf of the MITCR and approval of the Management Agreement by the NIGC. Prior to obtaining third-party financing, we will contribute significant financial support to the project. The timing of this type of project is difficult to predict and is dependent upon the receipt of the necessary governmental and regulatory approvals. There can be no assurances when or if these approvals will be obtained.

On January 17, 2008, the Bureau of Indian Affairs (the "BIA") issued a Finding of No Significant Impact with respect to the proposed project. On May 8, 2008, the DOI published in the Federal Register a Notice of Final Agency Determination (the "Determination") to take certain land into trust for the benefit of MITCR. On March 26, 2008, Butte County, California (the "Plaintiff") filed a complaint in the United States District Court for the District of Columbia (the "District Court") seeking declaratory and injunctive relief against the NIGC. On May 19, 2008, the Plaintiff filed a first amended complaint (the "Amended Complaint") in the District Court seeking declaratory and injunctive relief against the NIGC, the DOI and officials of the DOI. The Amended Complaint sought judicial review of the Determination and the NIGC's approval of the tribal-gaming ordinance. On May 13, 2008, MITCR filed a motion to intervene in that lawsuit which was granted by the District Court on June 16, 2008. On June 30, 2008, MITCR filed an answer to the Amended Complaint. On September 12, 2008, the U.S. Department of Justice on behalf of the NIGC and DOI, and MITCR each filed a motion to dismiss the Plaintiff's Amended Complaint. The Plaintiff's opposition to MITCR's motion to dismiss and the Plaintiff's dispositive motion were filed on October 24, 2008, and the NIGC, DOI and MITCR briefs concerning the dispositive motions were filed on December 8, 2008. Oral arguments were heard by the District Court on February 13, 2009. On April 13, 2009, the District Court granted the DOI and MITCR's motion to dismiss. On May 13, 2009, the Plaintiff

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

filed an appeal in the U.S. Court of Appeals for the District of Columbia in Washington DC. The Plaintiff's brief was filed on September 14, 2009, and the MITCR and DOI's briefs were filed October 14, 2009. The Plaintiff's reply brief was filed October 28, 2009, and oral arguments were held on December 10, 2009. The Company believes that the appeal is without merit. As with all litigation, no assurances can be provided as to the outcome of this lawsuit.

North Fork Rancheria of Mono Indian Tribe

We have entered into Development and Management Agreements with the North Fork Rancheria of Mono Indians (the "Mono"), a federally recognized Native American tribe located near Fresno, California. Pursuant to those agreements, we will assist the Mono in developing and operating a gaming and entertainment facility to be located in Madera County, California. We have purchased, for the benefit of the Mono, a 305-acre parcel of land located on Highway 99 north of the city of Madera. Under the terms of the Development Agreement, we have agreed to arrange the financing for the ongoing development costs and construction of the facility. Funds advanced by us are expected to be repaid from the proceeds of the project financing or from the Mono's gaming revenues. Through December 31, 2009, we have advanced approximately \$15.7 million toward the development of this project, primarily to complete the environmental impact study and secure real estate for the project, which is included on our consolidated balance sheets. In addition, we have agreed to pay approximately \$1.3 million of payments upon achieving certain milestones, which will not be reimbursed and will be expensed as incurred. Through December 31, 2009, none of these payments had been made. The Management Agreement has a term of seven years from the opening of the facility and provides for a management fee of 24% of the facility's net income. As currently contemplated, the facility will include slot machines, table games, restaurants, a hotel and entertainment amenities. Development of the gaming and entertainment project is subject to certain governmental and regulatory approvals, including, but not limited to, approval by the California Legislature of the gaming compact with the State of California, the DOI accepting the land into trust on behalf of the Mono and approval of the Management Agreement by the NIGC.

On April 28, 2008, the Mono and the State of California entered into a tribal-state Class III gaming compact. The compact is subject to approval by the California Legislature and, if approved, will regulate gaming at the Mono's proposed gaming and entertainment project to be developed on the site. No assurances can be provided as to whether the California Legislature will approve the compact. Prior to obtaining third-party financing, we will contribute significant financial support to the project. The timing of this type of project is difficult to predict, and is dependent upon the receipt of the necessary governmental and regulatory approvals. There can be no assurances when, or if, these approvals will be obtained.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Stockholders' Equity

Successor Period

Common Stock

We are authorized to issue up to 10,000 shares of voting common stock, \$0.01 par value per share. At December 31, 2009, there were 41.7 shares of voting common stock issued and outstanding. Each holder of issued and outstanding shares of voting common stock is entitled to one vote for each share held of record on each matter submitted to a vote of stockholders. Holders of our voting common stock have no cumulative voting, conversion or redemption rights. Under the Equityholders Agreement of Station, FCP and Fertitta Partners, as amended, in certain circumstances, FCP VoteCo, as the holder of Station's voting common stock, shall have the preemptive right to purchase or subscribe to any voting stock to be sold or issued by Station on the terms and conditions as such voting stock is being offered and sold or issued. Certain actions defined as Major Actions in the Equityholders Agreement of Station, FCP and Fertitta Partners, as amended, require the approval of Thomas J. Barrack, Jr. and at least one of Frank J. Fertitta III or Lorenzo J. Fertitta. Subject to any preferences that may be granted to the holders of our preferred stock, each holder of voting common stock is entitled to receive ratably, such dividends as may be declared by our Board of Directors out of funds legally available therefore, as well as any distributions to the stockholders and, in the event of our liquidation, dissolution or winding up is entitled to share ratably in all our assets remaining after payment of liabilities.

Non-Voting Common Stock

We are authorized to issue up to 100,000,000 shares of non-voting common stock, \$0.01 par value per share. At December 31, 2009, there were 41,674,838 shares of non-voting common stock issued and outstanding. Holders of issued and outstanding shares of non-voting common stock are not entitled to vote on any matters to be voted on by the stockholders of the Company and are not to be included in determining the number of shares voting or entitled to vote. Holders of our non-voting common stock have no cumulative voting, conversion or redemption rights. Under the Equityholders Agreement of Station, FCP and Fertitta Partners, as amended, in certain circumstances, holders of non-voting common stock shall have the preemptive right to purchase or subscribe to any equity interests (other than voting stock) to be sold or issued by Station on the same terms and conditions as such equity interests are being offered and sold or issued. Subject to any preferences that may be granted to the holders of our preferred stock, each holder of non-voting common stock is entitled to receive ratably, such dividends as may be declared by our Board of Directors out of funds legally available therefore, as well as any distributions to the stockholders and, in the event of our liquidation, dissolution or winding up is entitled to share ratably in all our assets remaining after payment of liabilities.

Preferred Stock

We are authorized to issue up to 10,000 shares of preferred stock, \$0.01 par value per share of which none are issued. The Board of Directors, without further action by the holders of our common stock, may issue shares of preferred stock in one or more series and may fix or alter the rights, preferences, privileges and restrictions, including the voting rights, redemption provisions (including sinking fund provisions), dividend rights, dividend rates, liquidation rates, liquidation preferences, conversion rights and the description and number of shares constituting any wholly unissued series of preferred stock. Except as described above, our Board of Directors, without further stockholder approval, may issue shares of preferred stock with rights that could adversely affect the rights of the holders of our common stock. The

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Stockholders' Equity (Continued)

issuance of shares of preferred stock under certain circumstances could have the effect of delaying or preventing a change of control of Station or other corporate action.

*Predecessor Period**Common Stock*

During the Predecessor Period, we paid a quarterly cash dividend of \$0.2875 per share to stockholders of record on February 26, 2007, May 21, 2007 and October 5, 2007 for approximately \$49.1 million.

Treasury Stock

During the Predecessor Period, we repurchased approximately 1.3 million shares of our common stock for approximately \$110.2 million, primarily through open market purchases. As of November 7, 2007, upon consummation of the Merger, all of our treasury stock was cancelled and retired.

Other Comprehensive Loss

The accounting guidance for reporting comprehensive income (loss) requires companies to disclose other comprehensive income (loss) and the components of such income (loss). Comprehensive income (loss) is the total of net income (loss) and all other non stockholder changes in equity. We have recorded the mark-to-market valuation of our interest rate swaps designated as hedging instruments and our 50% interest in the mark-to-market valuation of the interest rate swaps designated as hedging instruments at Green Valley Ranch and Aliante Station, as well as the unrealized gain (loss) on available-for-sale securities and the amortization of the unrecognized pension and postretirement benefit plan liabilities as other comprehensive (loss) income. Comprehensive loss was computed as follows (amounts in thousands):

	Successor		Predecessor	
	Year Ended	Year Ended	Period from	
	December 31,	December 31,	November 8,	
	2009	2008	2007	
			Through	
			December 31,	
			2007	
			Period from	
			January 1,	
			2007	
			Through	
			November 7,	
			2007	
Net loss	\$ (1,679,514)	\$ (3,268,500)	\$ (337,900)	\$ (57,656)
Mark-to-market valuation of interest rate swaps, net of tax	(1,286)	(1,937)	1,314	(7,179)
Unrealized gain (loss) on available-for-sale securities, net of tax	123	(695)	(119)	607
Amortization of unrecognized pension and postretirement benefit plan liabilities, net of tax	816	6,323	3,665	513
Comprehensive loss	\$ (1,679,861)	\$ (3,264,809)	\$ (333,040)	\$ (63,715)

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Stockholders' Equity (Continued)

The components of accumulated other comprehensive loss are as follows (amounts in thousands):

	Successor	
	December 31,	
	2009	2008
Mark-to-market valuation of interest rate swaps, net of tax	\$ (1,985)	\$ (8,414)
Unrealized loss on available-for-sale securities, net of tax	(85)	(207)
Amortization of unrecognized pension and postretirement benefit plan liabilities, net of tax	1,148	331
Accumulated other comprehensive loss	\$ (922)	\$ (8,290)

The mark-to-market valuation of interest rate swaps, net of tax included in accumulated other comprehensive loss at December 31, 2009 relates to our 50% interest in the mark-to-market valuation of the interest rate swap at Green Valley Ranch that has been de-designated as a cash flow hedge during the year ended December 31, 2009. The deferred net loss of \$2.0 million related to this interest rate swap included in accumulated other comprehensive loss at December 31, 2009 is expected to be accreted as an increase in interest expense from joint ventures on our consolidated statement of operations during the first quarter of 2010 as a result of the termination of the swap.

15. Asset Impairments and Write-downs and Other Charges, Net

Included in our statements of operations for the years ended December 31, 2009, 2008, the Successor Period and the Predecessor period are various pretax charges related to impairments of goodwill, intangible assets and other assets, as well as write-downs and other charges, net. Write-downs and other

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Asset Impairments and Write-downs and Other Charges, Net (Continued)

charges, net includes gains or losses on asset disposals, severance expense and other non-routine transactions. Components of asset impairments and write-downs and other charges, net were as follows:

	Year Ended December 31, 2009	Successor Year Ended December 31, 2008	Period from November 8, 2007 Through December 31, 2007	Predecessor Period from January 1, 2007 Through November 7, 2007
Impairment of goodwill (Note 6)	\$ 181,785	\$ 2,594,992	\$	\$ 8,043
Impairment of other intangible assets (Note 6)	\$ 255,263	\$ 327,326	\$	\$ 8,588
Impairments of other assets:				
Impairment of land held for development (Note 7)	\$ 617,383	\$ 147,968	\$	\$
Impairment of investments in joint ventures (Note 8)	30,003	272,961		
Impairment of property and equipment (Note 5)	179,430			
Impairment of Native American project costs and related capitalized interest	12,997			
	\$ 839,813	\$ 420,929	\$	\$
Write-downs and other charges, net:				
Write-off of abandoned projects	\$ 2,362	\$ 44,576	\$	\$
Loss (gain) on disposal of assets, net	478	4,546	754	(1,586)
Loss on land disposition (Note 7)	5,091			
Severance expense	2,966	4,972	204	240
Management agreement/lease terminations	4,130	4,825		3,825
Reserve for note receivable from unconsolidated affiliate	5,261			
Write-off of debt offering and restructuring fees	519	3,706		
Write-downs and other charges, net	\$ 20,807	\$ 62,625	\$ 958	\$ 2,479

Impairment of Native American Project Costs and Related Capitalized Interest

During the year ended December 31, 2009, we determined that a total of \$13.0 million in advances and capitalized interest related to one of our Native American development agreements was not recoverable, and the carrying value of the project was written down to fair value, which approximates the fair value of the land. The fair value of the land is included in land held for development in our consolidated balance sheet at December 31, 2009.

Write-off of Abandoned Projects

During the years ended December 31, 2009 and 2008, due to the current economic conditions, we decided to abandon several projects at our properties that were in the developmental stage. In conjunction

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Asset Impairments and Write-downs and Other Charges, Net (Continued)

with these decisions, the costs incurred to date on such projects were expensed during the years ended December 31, 2009 and 2008. In addition, during the year ended December 31, 2008, we had various options to purchase land in northern Nevada that we allowed to lapse. The costs of these options, which were previously included in other assets, net were expensed during the year ended December 31, 2008.

Management Agreement/Lease Termination

During the year ended December 31, 2009, we expensed approximately \$3.1 million related to the termination of an equipment lease and \$1.0 million related to leased office space no longer being utilized. During the year ended December 31, 2008, we expensed approximately \$1.7 million to terminate various leases related to land adjacent to the current Wild Wild West property and expensed \$3.1 million related to an office space that we currently lease but no longer utilize. During the Predecessor period we incurred approximately \$3.8 million in management agreement/lease termination expense primarily due to the termination of the management agreement related to Cherry nightclub at Red Rock.

Reserve for Note Receivable from Unconsolidated Affiliate

During the year ended December 31, 2009, we recognized a \$5.3 million expense related to a note receivable from an unconsolidated affiliate that may not be recoverable. See Note 4 for additional information.

Write-off of Debt Offering and Restructuring Fees

Included in write-off of debt offering and restructuring fees is the write-off of fees and costs incurred in connection the termination of a debt restructuring project for one of our non-Debtor subsidiaries during 2009, and the write-off of cancelled debt offering fees and costs incurred to launch a private exchange offer in November 2008 that was subsequently terminated in December 2008.

16. Share-Based Compensation

Successor Period

Long-term incentive compensation is provided in the form of non-voting limited liability company membership interests in FCP and Fertitta Partners pursuant to the Second Amended and Restated Operating Agreement of Fertitta Colony Partners and the Amended and Restated Operating Agreement of Fertitta Partners, respectively (collectively "the Operating Agreements"). The Operating Agreements allow certain officers and members of management of the Company to participate in the long-term growth and financial success of the Company through indirect ownership of Class B Units and direct ownership of Class C Units in FCP and Fertitta Partners. The purpose is to promote the Company's long-term growth and profitability by aligning the interests of the Company's management with the interests of the owners of the Company and by encouraging retention.

Upon the consummation of the Merger, certain members of management were awarded indirect ownership of Class B Units and direct ownership of Class C Units in each of FCP and Fertitta Partners. During the year ended December 31, 2008, Class B Units that were previously issued upon consummation of the Merger were transferred to certain officers and management of the Company. During the year ended December 31, 2008, additional Class C Units were issued to certain management of the Company. The Class C Units include certain call and put provisions as defined in the Operating Agreements, such

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Share-Based Compensation (Continued)

that under certain circumstances, within ninety days after termination, in certain cases, of the Class C Unit holder's employment with Station, FCP and Fertitta Partners can call the Class C Units and the employee that holds the Class C Units can put the Class C Units back to FCP and Fertitta Partners. The conditions that could result in the employee putting the Class C Units back to FCP and Fertitta Partners are either contingent or within the control of the issuer.

At December 31, 2009, we had unearned share-based compensation of approximately \$41.1 million associated with Class B Units and Class C Units which is expected to be recognized over a period of approximately 3.75 years. During the year ended December 31, 2009, no Class B Units or Class C Units were granted. Should the Class B Units and the Class C Units be cancelled as a result of the Chapter 11 proceedings, the remaining unearned share-based compensation will be recognized upon cancellation.

At December 31, 2008, we had unearned share-based compensation of approximately \$57.1 million associated with Class B Units and Class C Units which is expected to be recognized over a period of approximately 4.7 years. During the year ended December 31, 2008, 0.7 million Class B Units were granted with a weighted average grant date fair value of \$17.65, which vest equally over five years. During the Successor Period, 6.9 million Class B Units were granted with a weighted-average grant-date fair value of \$44.92, of which 6.4 million units vested immediately and the remaining units vest equally over five years. In addition, 0.3 million and 1.4 million Class C Units were granted during the year ended December 31, 2008 and the Successor Period with a weighted average grant-date fair value of \$12.43 and \$28.54, respectively. The Class C Units vest equally over five years.

The Company determined the fair value associated with these units taking into account the estimated enterprise value of the Company, expected term of the units (5.5 years and 6.0 years for the years ended December 31, 2008 and 2007, respectively), expected volatility based on expected volatility of equity instruments of comparable companies (22% and 30% for the years ended December 31, 2008 and 2007 respectively) and a risk free rate of 3.33% and 4.01% for the years ended December 31, 2008 and 2007, respectively. The estimated fair value of the units will be recognized in expense on a straight-line basis over the requisite service periods of the awards.

Predecessor Period

Prior to the Merger, the stockholders approved and we adopted the 2005 Stock Compensation Plan (the "2005 Plan") which provided for grants of stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock awards (collectively, the "Awards"). Individuals eligible to receive Awards under the 2005 Plan included employees, directors and independent contractors of the Company and its subsidiaries and other entities controlled by us. However, incentive stock options could be granted only to an employee of ours or a subsidiary of ours. Upon adoption of the 2005 Plan, no additional grants of awards could be made under the following plans of Station (the "Prior Plans"): (i) the Incentive Stock Option Plan, (ii) the Compensatory Stock Option Plan, (iii) the Restricted Share Plan, (vi) the Non-employee Director Stock Option Plan, (v) the 1999 Compensatory Stock Option Plan, and (vi) the 1999 Share Plan.

Pursuant to the Merger discussed in Note 1, each share of Station restricted stock vested and was cancelled and converted into the right to receive \$90.00 in cash, without interest and less any applicable payroll withholding taxes, while each stock option outstanding under Station's stock plans was cancelled and extinguished, and the holder of any such stock option was entitled to receive an amount in cash equal to the product of (i) the number of shares of Station common stock subject to such stock option and

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Share-Based Compensation (Continued)

(ii) the excess, if any, of \$90.00 over the exercise price per share of such stock option, without interest and less any applicable payroll withholding taxes. As a result, \$124.9 million in previously unrecognized compensation expense was recognized during the Predecessor Period and is included in merger transaction costs on the consolidated statement of operations. The Predecessor share-based compensation plans were discontinued in connection with the Merger.

Summarized information for the 2005 Plan and Prior Plans, collectively, is as follows:

	Options	Weighted average exercise price	Restricted Shares	Weighted average grant date fair value	Total
Outstanding at December 31, 2006	2,187,107	\$ 12.07	3,027,354	\$ 52.12	5,214,461
Granted					
Exercised/Lapsed	(46,050)	\$ 12.17	(419,223)	\$ 46.67	(465,273)
Canceled	(400)	\$ 16.81	(400)	\$ 64.67	(800)
Accelerated vest	(2,140,657)	\$ 12.06	(2,607,731)	\$ 52.99	(4,748,388)
Outstanding at November 7, 2007		\$		\$	
Exercisable at November 7, 2007		\$		\$	
Available for grant at November 7, 2007					

As of December 31, 2006, 2,069,407 of the options were vested and exercisable with a weighted average exercise price of \$11.81 and 1,108,632 were available for grant.

Stock Options

No stock options have been issued since 2003 resulting in no assumptions for dividend yield, expected volatility, risk-free interest rate or expected term of option for the year ended December 31, 2007.

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the stock option. Total intrinsic value of stock options exercised was \$3.3 million for the Predecessor Period.

Net cash proceeds from the exercise of stock options was \$0.6 million for the Predecessor Period, and there was no actual income tax benefit realized from stock option exercises for the Predecessor Period.

Restricted Stock

There were no restricted stock grants in 2007, 2008 or 2009. The total fair value of restricted shares that vested for the Predecessor Period was \$35.7 million. The fair value of restricted shares that vested due to the Merger on November 7, 2007 was \$234.7 million for the Predecessor Period.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Share-Based Compensation (Continued)

The following table represents where recorded share-based compensation expense was classified in the accompanying consolidated statements of operations (amounts in thousands):

	Successor		Period from November 8, 2007 Through December 31, 2007	Predecessor Period from January 1, 2007 Through November 7, 2007
	Year Ended December 31, 2009	Year Ended December 31, 2008		
Total share-based compensation	\$ 14,083	\$ 14,445	\$ 288,130	\$ 143,714
Less compensation costs capitalized	(237)	(234)		(599)
Less reimbursed compensation costs		(62)		
Share-based compensation recognized as expense	\$ 13,846	\$ 14,149	\$ 288,130	\$ 143,115
Casino expense	\$ 89	\$ 312	\$	\$ 311
Selling, general & administrative	2,264	2,299	542	2,236
Corporate	8,296	8,025	287,145	13,384
Merger transaction costs				124,850
Development	768	1,357	443	1,842
Preopening	2,429	2,094		492
Earnings from joint ventures		62		
Share-based compensation recognized as expense	13,846	14,149	288,130	143,115
Tax benefit	(4,846)	(4,952)	(100,846)	(50,090)
Share-based compensation expense, net of tax	\$ 9,000	\$ 9,197	\$ 187,284	\$ 93,025

17. Executive Compensation Plans

We have employment agreements with certain of our executive officers. These contracts provide for, among other things, an annual base salary, supplemental long-term disability and supplemental life insurance benefits in excess of our normal coverage for employees. In addition, we have adopted a Supplemental Executive Retirement Plan for our Chief Executive Officer and a Supplemental Management Retirement Plan for certain key executives as selected by our Board of Directors. Other executive plans include a Deferred Compensation Plan and a Long-Term Stay-On Performance Incentive Plan.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Reorganization Items, Net

Reorganization items, net represent amounts incurred as a direct result of the Chapter 11 Case and are presented separately in the consolidated statements of operations. The components of reorganization items are as follows (amounts in thousands):

	Year Ended
	December 31, 2009
Professional fees and retainers	\$ 66,522
Write-off of debt discount and debt issuance costs	225,011
Adjustment of swap carrying values to expected amounts of allowed claims	80,790
Other	3,565
Reorganization items, net	\$ 375,888

Professional fees include financial, legal and other services directly associated with the reorganization process. Cash payments for the year ended December 31, 2009 for professional fees and retainers and other reorganization items totaled \$59.8 million. In accordance with the accounting guidance for financial reporting by entities in reorganization under the bankruptcy code, the Company ceased amortization of debt discounts and deferred debt issuance costs related to the liabilities subject to compromise on the Petition Date. Reorganization items, net for the year ended December 31, 2009 includes losses of \$185.7 million and \$39.3 million, respectively, representing the write-off of unamortized debt discounts and debt issuance costs related to certain liabilities subject to compromise. The write-off of these amounts resulted in an adjustment of the net carrying value of the related liabilities to the expected amount of the allowed claims.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Fair Value Measurements

The following table presents information about our financial assets and liabilities measured at fair value on a recurring basis at December 31, 2009, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value (amounts in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2009
Assets				
Company-owned life insurance deferred compensation	\$	\$ 20,089	\$	\$ 20,089
Interest rate caps		42		42
Available-for-sale securities	394			394
Total assets measured at fair value on a recurring basis	\$ 394	\$ 20,131	\$	\$ 20,525
Liabilities				
Liabilities subject to compromise:				
Interest rate swaps	\$	\$ 141,793	\$	\$ 141,793
Deferred compensation liabilities	1,054			1,054
Liabilities not subject to compromise:				
Interest rate swaps		8,937		8,937
Total liabilities measured at fair value on a recurring basis	\$ 1,054	\$ 150,730	\$	\$ 151,784

The fair values of Company-owned life insurance deferred compensation assets are based on quotes for like instruments with similar credit ratings and terms. The fair values of available-for-sale securities and deferred compensation liabilities are based on quoted prices in active markets. The fair values of interest rate swaps and interest rate caps are based on quoted market prices from various banks for similar instruments. These quoted market prices are based on relevant factors such as the contractual terms of our interest rate swap agreements and interest rate curves and are adjusted for the non-performance risk of either us or our counterparties, as applicable. Certain interest rate swaps have been terminated early, and the fair values of those terminated swaps are based on the close-out amounts quoted by the counterparties.

Certain liabilities that are measured at fair value on a recurring basis have been reclassified to liabilities subject to compromise as a result of the Chapter 11 Case. For these liabilities, the fair values approximate the expected amounts of the allowed claims.

20. Retirement Plans

Effective as of November 30, 1994, we adopted the Supplemental Executive Retirement Plan (the "SERP"), which is an unfunded defined benefit plan for the Chief Executive Officer and President as sole participants. On January 21, 2005, Station amended the SERP (the "First SERP Amendment"). The purpose of the First SERP Amendment was to (i) increase the Early Retirement Date (as defined in the SERP) for participants from age 45 to age 50, (ii) increase the Normal Retirement Date (as defined in the

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Retirement Plans (Continued)

SERP) for the participants from age 55 to age 60, (iii) add the President of the Company as a participant, and (iv) include the average annual bonus (in addition to base salary) earned by participants for the three most recent fiscal years in determining Final Annual Compensation (as defined in the SERP). On November 7, 2007, Station further amended the SERP for the purpose of updating the "Change of Control" definition and confirming that the Merger would not constitute a "Change of Control" for purposes of the plan. On April 17, 2008, the Company executed the third amendment of the SERP to increase the Early Retirement Date (as defined in the SERP) for participants from age 50 to age 60 and increase the Normal Retirement Date (as defined in the SERP) for participants from age 60 to age 65.

Effective as of November 30, 1994, we adopted the Supplemental Management Retirement Plan (the "SMRP"), which is an unfunded defined benefit plan. Certain key executives (other than the Chief Executive Officer and President) as selected by the Board of Directors are able to participate in the SMRP. On November 7, 2007, Station amended the SMRP for the purpose of updating the "Change of Control" definition under the plan and confirming that the Merger would not constitute a "Change of Control" for purposes of the plan. On April 17, 2008, the Company executed the second amendment of the SMRP to increase the Early Retirement Date (as defined in the SMRP) for participants from age 55 to age 60 and increase the Normal Retirement Date (as defined in the SMRP) for participants from age 60 to age 65.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Retirement Plans (Continued)

A reconciliation of the beginning and ending balances of the pension benefit obligation and fair value of the plan assets and the funded status is as follows (in thousands):

	Successor	
	December 31,	
	2009	2008
Change in pension benefit obligation:		
Benefit obligation at beginning of year	\$ 20,159	\$ 28,580
Service cost	2,115	1,850
Interest cost	1,217	1,253
Plan amendments		(6,556)
Net actuarial gain	(1,318)	(73)
Benefits paid	(171)	(293)
Curtailment		(4,602)
Benefit obligation at end of year	\$ 22,002	\$ 20,159
Change in plan assets:		
Contribution by Station	\$ 171	\$ 293
Benefits paid	(171)	(293)
Fair value of plan assets at end of year	\$	\$
Funded status of the plan (underfunded)	\$ (22,002)	\$ (20,159)
Unrecognized net actuarial loss		
Unrecognized actuarial loss		
Net amount recognized	\$ (22,002)	\$ (20,159)
Amounts recognized in the consolidated balance sheet consist of:		
Current liabilities (a)	\$ (293)	\$ (293)
Accrued pension costs (a)	(23,474)	(20,376)
Accumulated other comprehensive income	1,765	510
Net amount recognized	\$ (22,002)	\$ (20,159)
Weighted average assumptions:		
Discount rate	5.50%	5.50%
Salary rate increase	5.00%	5.00%

- (a) As a result of the Chapter 11 Case, the current liabilities and the accrued pension costs at December 31, 2009 are classified as liabilities subject to compromise in the accompanying consolidated balance sheets.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Retirement Plans (Continued)

The components of the net periodic pension benefit cost consist of the following (in thousands):

	Successor		Period from November 8, 2007 Through December 31, 2007	Predecessor Period from January 1, 2007 Through November 7, 2007
	Year Ended December 31, 2009	Year Ended December 31, 2008		
Service cost	\$ 2,115	\$ 1,850	\$ 303	\$ 1,747
Interest cost	1,217	1,253	276	1,589
Amortization of prior service (credit) cost	(63)	(70)	46	265
Amortization actuarial losses		92	94	541
Net periodic pension cost	3,269	3,125	719	4,142
Curtailment charge		(1,525)	(20)	
Total pension cost	\$ 3,269	\$ 1,600	\$ 699	\$ 4,142

We expect benefits of approximately \$0.3 million to be paid in each of the next five years and approximately \$1.5 million to be paid in aggregate for the five years thereafter. These estimates are based on assumptions about future events and as such, actual payments may vary significantly from these estimates.

401(k) Plan

We have a defined contribution 401(k) plan, which covers all employees who meet certain age and length of service requirements and allows an employer contribution up to 50% of the first 4% of each participating employee's compensation. Plan participants can elect to defer before tax compensation through payroll deductions. These deferrals are regulated under Section 401(k) of the Internal Revenue Code. In December 2008, we announced that we had elected to suspend the employer contribution effective January 1, 2009 therefore there were no matching contributions during the year ended December 31, 2009. Our matching contributions were approximately \$3.7 million, \$0.4 million, and \$3.2 million for the years ended December 31, 2008, the Successor Period and the Predecessor Period, respectively.

21. Income Taxes

We file a consolidated federal income tax return. For financial reporting purposes, we recorded income tax benefit of \$289.9, \$381.3 million, \$26.7 million and \$15.3 million for the years ended December 31, 2009 and 2008, the Successor Period and the Predecessor Period, respectively.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Income Taxes (Continued)

The (benefit) provision for income taxes attributable to net (loss) income consists of the following (amounts in thousands):

	Successor		Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from November 8, 2007 Through December 31, 2007
Current	\$ (1,217)	\$ (585)	\$ (8,768)
Deferred	(288,655)	(380,760)	(17,968)
			Period from January 1, 2007 Through November 7, 2007
			\$ (8,399)
			(6,936)
Total income taxes	\$ (289,872)	\$ (381,345)	\$ (26,736)
			\$ (15,335)

The income tax provision differs from that computed at the federal statutory corporate tax rate as follows:

	Successor		Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from November 8, 2007 Through December 31, 2007
Federal statutory rate	35.0%	35.0%	35.0%
Valuation adjustment	(15.8)	(0.9)	
Lobbying and political			(0.3)
Goodwill impairment	(3.0)	(23.5)	
Reversal of reserves for unrecognized tax benefits		(0.1)	
Credits earned, net			1.2
Nondeductible officers compensation			1.8
Nondeductible transaction costs			(10.8)
Vesting of Class B and Class C Units	(0.2)	(0.2)	(27.7)
Golden parachute			(5.3)
Restructuring costs	(1.2)		
Other, net	(0.1)	0.1	(0.6)
Effective tax rate	14.7%	10.4%	7.3%
			21.0%

We recorded \$0, \$2.0 million, \$23.3 million, and \$0 as increases to contributed capital for certain tax benefits from employee share-based compensation for the year ended December 31, 2009 and 2008, the Successor Period and the Predecessor Period, respectively. As part of the purchase accounting adjustment, \$76.2 million of tax benefits from employee share-based compensation were recorded as a deferred tax asset related to net operating losses.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Income Taxes (Continued)

The tax effects of significant temporary differences representing net deferred tax assets and liabilities are as follows (amounts in thousands):

	Successor	
	December 31,	
	2009	2008
Deferred tax assets:		
Accrued vacation, bonuses and group insurance	\$ 5,656	\$ 6,066
Preopening and other costs, net of amortization	7,417	10,629
Accrued benefits	8,069	7,339
Comprehensive income adjustments	46	112
Net operating loss carryover	290,840	187,604
Financing arrangements	102,054	73,558
FICA credits	7,816	8,304
Minimum tax credit carryover	26,087	26,798
Other deferred tax assets	41,137	9,060
Valuation allowance	(343,714)	(32,277)
Total deferred tax assets	\$ 145,408	\$ 297,193
Deferred tax liabilities:		
Prepaid expenses and other	\$ (16,805)	\$ (18,358)
Temporary differences related to property and equipment	(173,539)	(421,024)
Goodwill		
Long term debt (fair market value adjustment)		(73,152)
Intangibles	(74,044)	(185,113)
Total deferred tax liabilities	(264,388)	\$ (697,647)
Net	\$ (118,980)	\$ (400,454)

At December 31, 2009, the Company had an Alternative Minimum Tax ("AMT") credit carryover of approximately \$26.1 million. AMT credits are available to be carried forward indefinitely and may be utilized against regular U.S. corporate tax to the extent that they do not exceed computed AMT calculations. The Company expects to utilize all of its AMT credits.

At December 31, 2009, the Company had a general business credit ("GBC") carryover for U.S. federal income tax purposes of approximately \$7.8 million. The GBC carryover will begin expiring in 2022. The accounting guidance for income taxes requires recognition of a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise a valuation allowance is applied. Based on the future reversal of existing temporary differences, the Company believes it will be unable to utilize the GBC carryover on a more likely than not basis and has recorded a full valuation allowance for this credit in the current year.

As of December 31, 2009, the Company has a tax net operating loss carryover of approximately \$854.6 million that expires in 2027, 2028 and 2029. Management believes that the realization of a portion of this deferred tax asset is more likely than not based on the future reversal of existing temporary differences. At December 31, 2009 and December 31, 2008, a valuation allowance was established against the portion of net operating loss that is more likely than not unrealizable. We did not record a valuation

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Income Taxes (Continued)

allowance at December 31, 2007 relating to recorded tax benefits because all benefits were more likely than not to be realized. At December 31, 2009, the Company has an income tax receivable of \$18.7 million as a result of net operating loss carryback to the year 2006.

Station or our subsidiaries file income tax returns as prescribed by the laws of the jurisdictions in which we operate. We are no longer subject to U.S. federal tax examination for years before 2003.

Our total unrecognized tax benefits that, if recognized, would affect our effective tax rate were approximately \$0.6 million at January 1, 2008 and \$3.3 million at December 31, 2008. As of December 31, 2009, this amount was \$0.7 million. The liability for unrecognized tax benefits was \$8.9 million for the year ended December 31, 2008 and \$10.3 million at December 31, 2009.

We recognize accrued interest and penalties related to our unrecognized tax benefits in income tax expense. As of January 1, 2008, we had \$0.4 million accrued for the payment of interest. Our liability for the payment of interest on our unrecognized tax benefits increased to \$1.4 million as of December 31, 2008. The liability was reduced to zero as of December 31, 2009 because the net operating losses exceed taxable income including the unrecognized tax benefits. We do not anticipate any penalty assessments associated with our liability for unrecognized tax benefits. In the next twelve months, the Company does not expect the liability for the unrecognized benefits to change significantly.

A summary of the changes in the gross amount of unrecognized tax benefit is shown below (in millions):

	Successor	
	December 31,	
	2009	2008
Balance at the beginning of the year	\$ 8.9	\$ 3.3
Additions based on tax positions related to the prior year	1.4	6.8
Reductions based on tax positions related to prior years		(0.3)
Additions based on tax positions related to the current year		0.2
Statute expirations		(1.1)
Balance at the end of the year	\$ 10.3	\$ 8.9

22. Legal Matters

Station and its subsidiaries are defendants in various lawsuits relating to routine matters incidental to their business. As with all litigation, no assurance can be provided as to the outcome of the following matters and litigation inherently involves significant costs. Following is a summary of key litigation impacting Station. Station believes that the plaintiffs' claims are without merit and does not expect that the lawsuits will have a material adverse effect on the financial position or results of operations.

Luckevich, Scott and St. Cyr Litigation

On February 4, 2008, Josh Luckevich, Cathy Scott and Julie St. Cyr filed a purported class action complaint against the Company and certain of its subsidiaries in the United States District Court for the District of Nevada, Case No. CV-00141 (the "Federal Court Action"). The plaintiffs are all former employees of the Company or its subsidiaries. The complaint alleged that the Company (i) failed to pay its

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Legal Matters (Continued)

employees for all hours worked, (ii) failed to pay overtime, (iii) failed to timely pay wages and (iv) unlawfully converted certain earned wages. The complaint in the Federal Court Action sought, among other relief, class certification of the lawsuit, compensatory damages in excess of \$5,000,000, punitive damages and an award of attorneys' fees and expenses to plaintiffs' counsel.

On October 31, 2008, the Company filed a motion for judgment on the pleadings. During a hearing on that motion, the United States District Court questioned whether it had jurisdiction to adjudicate the matter. After briefing regarding the jurisdiction question, on May 16, 2009, the United States District Court dismissed the Federal Court Action for lack of jurisdiction and entered a judgment in the Company's favor. Subsequently, on July 21, 2009, the plaintiffs filed a purported class action complaint against the Company and certain of its subsidiaries in the District Court of Clark County, Nevada, Case No. A-09-595614-C (the "State Court Action"). The complaint in the State Court Action alleges substantially the same claims that were alleged in the complaint in the Federal Court Action.

On August 19, 2009, the corporate defendants, other than the Company, filed an answer responding to the complaint. Subsequently, on August 27, 2009, the corporate defendants, other than the Company, filed a motion to stay the State Court Action pending the resolution of the Company's bankruptcy petition. That motion was granted on September 30, 2009.

The Company believes that the allegations in the complaint in the State Court Action are without merit and intends to vigorously defend the same.

Chapter 11 Case

On July 28, 2009, the Company and its affiliates FCP Holding Inc., FCP VoteCo, LLC, Fertitta Partners, LLC, FCP MezzCo Parent, LLC, FCP MezzCo Parent Sub, LLC, FCP MezzCo Borrower VII, LLC, FCP MezzCo Borrower VI, LLC, FCP MezzCo Borrower V, LLC, FCP MezzCo Borrower IV, LLC, FCP MezzCo Borrower III, LLC, FCP MezzCo Borrower II, LLC, FCP MezzCo Borrower I, LLC, FCP PropCo, LLC, Northern NV Acquisitions, LLC, Tropicana Station, LLC, River Central, LLC and Reno Land Holdings, LLC (collectively, the "Debtors") filed voluntary petitions in the United States Bankruptcy Court for the District of Nevada in Reno, Nevada (the "Bankruptcy Court") under chapter 11 of title 11 of the United States Code. These chapter 11 cases are being jointly administered under the caption In re Station Casinos, Inc., et al Debtors Case No. 09-52470 (the "Chapter 11 Case").

On February 10, 2010, the Company's wholly owned subsidiary, GV Ranch Station, Inc. ("*GV Ranch*"), filed a Voluntary Petition for Chapter 11 Protection in the United States Bankruptcy Court, District of Nevada, Case No. 10-50381-gwz. GV Ranch and its joint venture partner, GCR Gaming, LLC ("*GCR*"), each own a 50% equity interest in Green Valley Ranch Gaming, LLC, an entity that holds as its asset the Green Valley Ranch Resort and Casino, located in Henderson Nevada ("*GVR*"). GV Ranch manages GVR under an operating agreement executed between the GV Ranch, GCR, and Green Valley Ranch Gaming, LLC (the "Operating Agreement"). On February 18, 2010, GCR filed a motion in the Bankruptcy Court seeking (i) dismissal of the G.V. Ranch Chapter 11 case as a bad faith filing; or, in the alternative (ii) rejection of the Operating Agreement; or, in the alternative (iii) relief from the automatic stay to enforce its rights under the Operating Agreement. In its motion, GCR alleges that GV Ranch mismanaged the property by, among other things, diverting business from GVR to another Station-managed property. The motion, along with a motion for joint administration of the case with Station's

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Legal Matters (Continued)

bankruptcy cases in the same court, will be heard on April 19, 2010. The Company vigorously denies any and all of GCR's allegations.

23. Debtor Condensed Combined Financial Statements

As discussed in Note 1, on July 28, 2009 the Company and certain of its affiliates filed voluntary petitions in the United States Bankruptcy Court for the District of Nevada in Reno, under chapter 11 of title 11 of the United States Code.

The following condensed combined balance sheet as of December 31, 2009, condensed combined statement of operations and condensed combined statements of cash flows for the post-petition period from July 28, 2009 through December 31, 2009 are presented on a combined basis for Station Casinos, Inc. and its wholly owned subsidiaries that are debtors in the Chapter 11 Case. Station Casinos, Inc.'s investments in non-debtor subsidiaries are accounted for under the equity method in the following condensed financial statements of the debtors. The debtor entities included in the following condensed combined financial statements are Station Casinos, Inc., FCP MezzCo Parent, LLC, FCP MezzCo Parent Sub, LLC, FCP MezzCo Borrower VII, LLC, FCP MezzCo Borrower VI, LLC, FCP MezzCo Borrower V, LLC, FCP MezzCo Borrower IV, LLC, FCP MezzCo Borrower III, LLC, FCP MezzCo Borrower II, LLC, FCP MezzCo Borrower I, LLC, FCP PropCo, LLC, Northern NV Acquisitions, LLC, Tropicana Station, LLC, River Central, LLC and Reno Land Holdings, LLC.

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Debtor Condensed Combined Financial Statements (Continued)

STATION CASINOS, INC. AND CONSOLIDATED DEBTOR ENTITIES

(Debtor-In-Possession)

CONDENSED COMBINED BALANCE SHEETS

(amounts in thousands, except share data)

	December 31, 2009
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,283
Restricted cash	95,783
Receivables, net	24,373
Inventories	12
Prepaid expenses	5,567
Total current assets	128,018
Property and equipment, net	1,832,068
Intangible assets, net	5,975
Land held for development	24,192
Investments in subsidiaries	2,923,274
Other assets, net	69,137
Total assets	\$ 4,982,664
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Debtor-in-possession financing	\$ 193,151
Accounts payable	544
Accrued interest payable	3,818
Accrued expenses and other current liabilities	22,856
Total current liabilities	220,369
Intercompany payables to non-debtors, net	934,789
Deferred income tax, net	123,828
Other long-term liabilities, net	6,957
Total liabilities not subject to compromise	1,285,943
Liabilities subject to compromise	6,032,109
Total liabilities	7,318,052
Commitments and contingencies	
Stockholders' deficit:	
Common stock, par value \$0.01; authorized 10,000 shares; 41.7 shares issued	
Non-voting common stock, par value \$0.01; authorized 100,000,000 shares; 41,674,838 shares issued	417
Additional paid-in capital	2,951,031
Accumulated other comprehensive loss	(922)

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Accumulated deficit (5,285,914)

Total stockholders' deficit (2,335,388)

Total liabilities and stockholders' deficit \$ 4,982,664

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STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Debtor Condensed Combined Financial Statements (Continued)

STATION CASINOS, INC. AND CONSOLIDATED DEBTOR ENTITIES

(Debtor-In-Possession)

CONDENSED COMBINED STATEMENTS OF OPERATIONS

(amounts in thousands)

	For the period from July 28, 2009 through December 31, 2009
Operating revenues:	
Other	\$ 107,344
Management fees	10,537
 Total revenues	 117,881
Operating costs and expenses:	
Corporate, selling, general and administrative expenses	4,065
Development	902
Depreciation and amortization	17,972
Preopening	92
Impairment of goodwill	
Impairment of other assets	71,023
Write-downs and other charges, net	3,128
	97,182
 Operating income	 20,699
 Equity in pretax losses of non-debtor subsidiaries	 (1,427,156)
 Operating income and equity in pretax losses of non-debtor subsidiaries	 (1,406,457)
Other (expense) income:	
Interest expense, net	(56,073)
Change in fair value of derivative instruments	6,762
	(49,311)
 Loss before reorganization items and income taxes	 (1,455,768)
 Reorganization items, net	 (381,620)

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Loss before income taxes	(1,837,388)
Income tax benefit	287,822
Net loss	\$ (1,549,566)

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Debtor Condensed Combined Financial Statements (Continued)

STATION CASINOS, INC. AND CONSOLIDATED DEBTOR ENTITIES

(Debtor-In-Possession)

CONDENSED COMBINED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	For the period from July 28, 2009 through December 31, 2009
Cash flows from operating activities:	
Net loss	\$ (1,549,566)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	17,972
Change in fair value of derivative instruments	(6,762)
Share-based compensation	6,178
Impairment of other assets	71,023
Write-downs and other charges, net	3,128
Equity in pretax losses of non-debtor subsidiaries	1,427,156
Reorganization items	381,620
Changes in assets and liabilities:	
Restricted cash	(47,588)
Receivables, net	(11,804)
Inventories, prepaid expenses and other assets	(2,328)
Deferred income taxes	(296,432)
Accounts payable	322
Accrued interest	(3,094)
Accrued expenses and other current liabilities	15,583
Other, net	33,816
Total adjustments	1,588,790
Net cash provided by operating activities before reorganization items	39,224
Net cash used for reorganization items	(25,449)
Net cash provided by operating activities	13,775
Cash flows from investing activities:	
Capital expenditures	(3,698)
Proceeds from sale of land, property and equipment	615
Investments in subsidiaries	(200,282)
Other, net	(2,180)
Net cash used in investing activities	(205,545)
Cash flows from financing activities:	
Borrowings under DIP Facility	124,651
Borrowings under Unsecured Revolving Loan Promissory Note	68,500

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Other, net	(1,255)
Net cash provided by financing activities	191,896
Cash and cash equivalents:	
Increase in cash and cash equivalents	126
Balance, beginning of period	2,157
Balance, end of period	\$ 2,283

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Subsequent Events

Subsequent to December 31, 2009, we did not make scheduled interest payments totaling \$3.1 million on the Land Loan.

On February 10, 2010, GV Ranch Station, Inc., a wholly-owned subsidiary of Station Casinos, Inc., filed a voluntary petition in the Bankruptcy Court under chapter 11 of title 11 of the United States Code.

On March 24, 2010, the Debtors filed a joint plan of reorganization under Chapter 11 of the Bankruptcy Code. As part of the Joint Plan of Reorganization, the mortgage lenders to FCP Propco, LLC, holding debt secured by Red Rock Casino Resort Spa, Palace Station, Boulder Station, and Sunset Station, will become the equity owners of a newly-formed company and will sell 46% of the equity in that new company to an affiliate of Fertitta Gaming LLC, a newly-formed entity owned by Frank Fertitta III and Lorenzo Fertitta, who will make a significant new investment to purchase their equity in the new company. The remaining equity will be owned primarily by the Propco Lenders and Colony Capital, who will also be making a new investment in the company. Fertitta Gaming, an entity owned by the Fertittas, will also manage the Propco Properties under a long-term management agreement. The Joint Plan of Reorganization also calls for the Company to seek to conduct a sale process for the remaining assets of the Company, under the supervision of the Bankruptcy Court.

The Joint Plan of Reorganization and the disclosure statement have not yet been approved by the Bankruptcy Court and are subject to further negotiations with creditors of the Company and its subsidiaries. As a result, the Joint Plan of Reorganization and the disclosure statement may be materially modified before approval. In addition to customary Chapter 11 proceedings, the completion of the transaction is subject to Hart-Scott-Rodino and other antitrust reviews and customary closing conditions.

We evaluated all activity of the Company and concluded that no other subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

25. Quarterly Financial Information (Unaudited)

(amounts in thousands)	Successor			
	Year ended December 31, 2009			
	First Quarter (a)	Second Quarter (b)	Third Quarter (c)	Fourth Quarter (d)
Net revenues	\$ 282,748	\$ 267,161	\$ 255,725	\$ 256,515
Operating income (loss)	27,730	15,888	8,543	(1,264,700)
Loss before income taxes	(10,924)	(75,491)	(432,597)	(1,450,374)
Net loss	(33,709)	(65,331)	(455,400)	(1,125,074)

STATION CASINOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Quarterly Financial Information (Unaudited) (Continued)

(amounts in thousands)	Successor			
	Year ended December 31, 2008	Year ended December 31, 2008	Year ended December 31, 2008	Year ended December 31, 2008
	First Quarter (e)	Second Quarter (f)	Third Quarter (g)	Fourth Quarter (h)
Net revenues	\$ 352,317	\$ 339,102	\$ 316,968	\$ 289,764
Operating income (loss)	59,921	50,950	41,419	(3,369,142)
(Loss) income before income taxes	(96,585)	20,941	(38,074)	(3,536,127)
Net (loss) income	(70,864)	18,589	(23,434)	(3,192,791)

- (a) Includes a gain on early retirement of debt of \$40.3 million and an increase in fair value of derivative instruments of \$19.0 million.
- (b) Includes an increase in fair value of derivative instruments of \$14.6 million.
- (c) Includes reorganization items, net of \$370.7 million related to the Chapter 11 Case, and an increase in fair value of derivative instruments of \$1.5 million.
- (d) Includes impairment losses totaling \$1.28 billion including \$181.8 million for goodwill, \$255.3 million for other intangible assets, \$617.4 million for land held for development, \$179.4 for property and equipment, and \$43.0 million for other assets. Also included in fourth quarter results are reorganization items, net of \$5.2 million related to the Chapter 11 Case, and a decrease in fair value of derivative instruments of \$11.4 million.
- (e) Includes a decrease in fair value of derivative instruments of \$58.4 million.
- (f) Includes an increase in fair value of derivative instruments of \$65.1 million.
- (g) Includes an increase in fair value of derivative instruments of \$16.2 million.
- (h) Includes asset impairments and write-downs and other charges, net of \$3.40 billion and a decrease in fair value of derivative instruments of \$46.0 million.

CERTIFICATIONS

The Chief Executive Officer and the Chief Accounting Officer certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to this Amendment No. 2 to Annual Report on Form 10-K for the year ended December 31, 2009.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) 3. Exhibits

The following exhibits are being filed herewith:

Exhibit Number	Description
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- (b) None

- (c) None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STATION CASINOS, INC.

Dated: September 10, 2010

By: /s/ FRANK J. FERTITTA III

Frank J. Fertitta III
*Chairman of the Board, Chief Executive
Officer and President (Principal Executive
Officer)*

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

Signature	Title	Date
<u>/s/ FRANK J. FERTITTA III</u> Frank J. Fertitta III	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	September 10, 2010
<u>/s/ LORENZO J. FERTITTA</u> Lorenzo J. Fertitta	Vice Chairman and Director	September 10, 2010
<u>/s/ THOMAS M. FRIEL</u> Thomas M. Friel	Executive Vice President, Chief Accounting Officer and Treasurer (Principal Financial and Accounting Officer)	September 10, 2010
<u>/s/ THOMAS J. BARRACK, JR.</u> Thomas J. Barrack, Jr.	Director	September 10, 2010
<u>James E. Nave</u> James E. Nave	Director	
<u>/s/ JONATHAN H. GRUNZWEIG</u> Jonathan H. Grunzweig	Director	September 10, 2010

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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