

Book Number \_\_\_\_\_

Issued To \_\_\_\_\_

AMERICAN CASINO & ENTERTAINMENT  
P R O P E R T I E S , L L C

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**Confidential Information Memorandum**

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**BEAR  
STEARNS**

**February 2007**

This Confidential Information Memorandum (the “Memorandum”) has been prepared by Bear, Stearns & Co. Inc. (“Bear Stearns”) solely for informational purposes from materials supplied to Bear Stearns by American Casino and Entertainment Properties LLC (“ACEP” or the “Company”). This Memorandum relates to the possible sale of the Company. This Memorandum is being furnished through Bear Stearns as the Company’s exclusive financial advisor, solely for use by prospective purchasers in considering an acquisition of the Company.

This Memorandum has been prepared to assist interested parties in making their own evaluation of ACEP and does not purport to contain all of the information that a prospective purchaser may desire. In all cases, interested parties should conduct their own investigation and analysis of ACEP and the data set forth in this Memorandum.

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ACEP reserves the right to negotiate with one or more prospective buyers at any time and to enter into a definitive agreement for the sale of ACEP or any components thereof without prior notice to the recipient of this Memorandum or other prospective purchasers.

ACEP also reserves the right to terminate, at any time, solicitation of indications of interest for the acquisition of ACEP or the further participation in the investigation and proposal process by any party. Finally, ACEP reserves the right to modify, at any time, any procedures relating to such process without assigning any reason thereto. The Company intends to conduct business in the ordinary manner during the evaluation period; however, ACEP reserves the right to take any action, whether or not in the ordinary course of business, including but not limited to the sale of any assets of the Company, which it deems necessary or prudent in the conduct of such business.

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**Section 1**  
**Executive Summary**

## Executive Summary

American Casino and Entertainment Properties LLC (“ACEP” or the “Company”), a wholly-owned indirect subsidiary of American Real Estate Partners, L.P. (“AREP”) (NYSE: ACP), currently owns and operates four distinct gaming and entertainment properties in Nevada, one of the most favorable and stable gaming markets in the world.

- **Stratosphere Casino Hotel & Tower.** One of the most recognized landmarks on the Las Vegas Strip, the “Must See” resort caters to visitors to Las Vegas.
- **Arizona Charlie’s Decatur and Arizona Charlie’s Boulder.** Well-known casinos in their respective marketplaces, the properties are located off-Strip and cater primarily to residents of the fast growing Las Vegas metropolitan market.
- **Aquarius Casino Resort.** The largest hotel in the Laughlin market with more than 1,900 rooms, the property (formerly known as the Flamingo Laughlin Hotel and Casino) caters to visitors from Southern California and Arizona and locals from Laughlin, Nevada.

Overall, each property offers customers a value-oriented experience by providing quality hotel accommodations, competitive odds in the casinos and a variety of dining facilities. Furthermore, the Stratosphere and Aquarius offer value-oriented, well-regarded entertainment attractions and amenities.

Notably, all of the Company’s properties have recently undergone extensive capital improvement programs and are well positioned within their respective markets to benefit from these significant investments.

The following table further summarizes the Company’s properties:

### Property Summary

(\$ in millions)

Property	Date Acquired	Completion Date of Recent Renovation	EBITDA After First Full Yr of Ops	Gaming Square Footage <sup>(1)</sup>	Slot Machines <sup>(1)</sup>	Table Games <sup>(1)</sup>	Hotel Rooms <sup>(1)</sup>	2006E PF <sup>(2)</sup>	
								Net Revenue	EBITDA
Stratosphere	1998	March '07	\$13.6	80,000	1,309	49	2,444	\$197.6	\$42.3
Arizona Charlie’s Decatur	1999	January '07	3.2	52,000	1,379	15	258	82.5	29.1
Arizona Charlie’s Boulder <sup>(3)</sup>	2000	June '06	(6.0)	47,000	1,061	16	303	48.0	11.0
Aquarius <sup>(4)</sup>	2006	October '06	NA	57,000	1,021	42	1,907	101.6	9.0
<b>Total</b>				<b>236,000</b>	<b>4,770</b>	<b>122</b>	<b>4,912</b>	<b>\$429.7</b>	<b>\$91.5</b>

(1) At December 31, 2006, except Aquarius at September 30, 2006.

(2) Pro forma for a full year of Laughlin operating results.

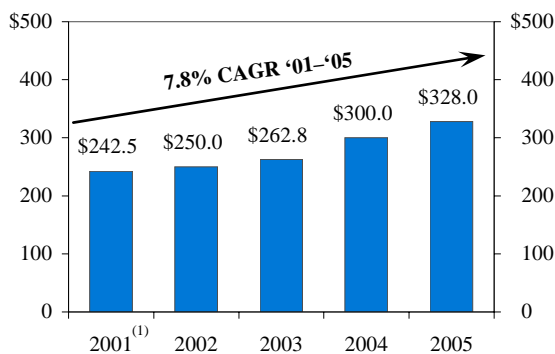
(3) Opened in 1988 as a standalone hotel and RV park.

(4) Hotel room renovation will continue through 2008.

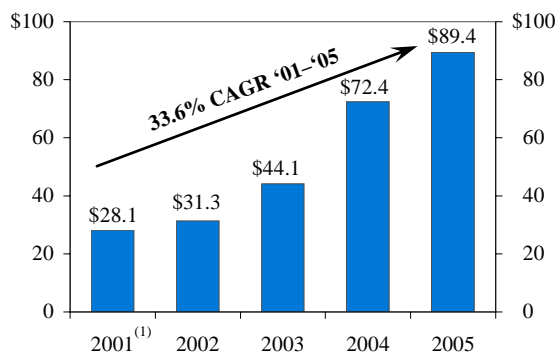
## Summary Financial Information

From 2001 to 2005, consolidated net revenue and EBITDA grew at a compounded annual growth rate of 7.8% and 33.6%, respectively, with revenues increasing from \$242.5 million to \$328.0 million and EBITDA increasing from \$28.1 million to \$89.4 million.

### Historical Net Revenue (\$ in millions)



### Historical EBITDA (\$ in millions)



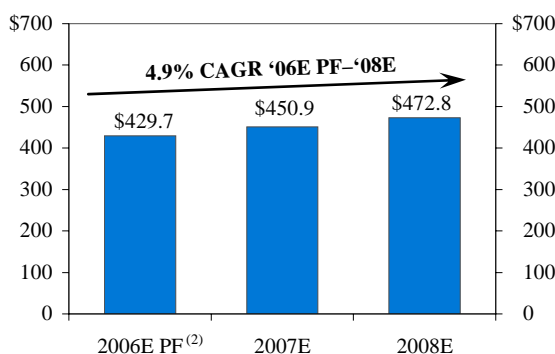
Year	2001 <sup>(1)</sup>	2002	2003	2004	2005
% Margin	11.6%	12.5%	16.8%	24.1%	27.3%

(1) Stratosphere completed a 1,000 room hotel room expansion in June 2001.

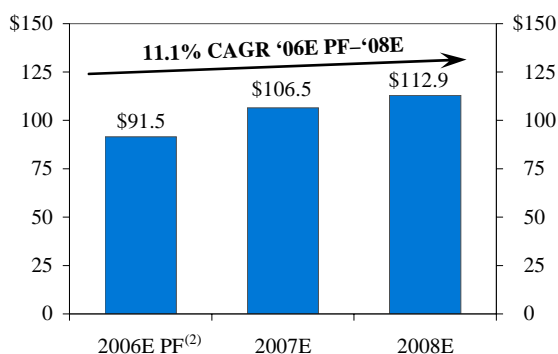
Beginning in 2005 and continuing throughout 2006, the Company embarked upon a comprehensive capital improvement program, aimed at enhancing the position of each property in its respective market. As a result of this initiative, the properties experienced temporary construction disruptions, which, in conjunction with a modest softening in the Las Vegas market overall, led to a modest decline in operating performance in 2006.

Virtually all of the Company's capital improvement programs are now complete, and management believes each of the properties are now poised to capitalize on these improvements going forward.

### Projected Net Revenue (\$ in millions)



### Projected EBITDA (\$ in millions)



Year	2006E PF <sup>(2)</sup>	2007E	2008E
% Margin	21.3%	23.6%	23.9%

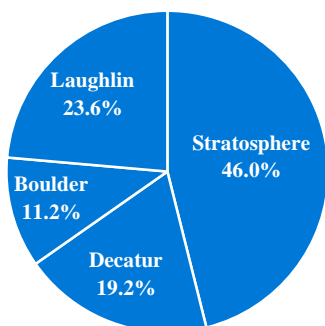
(2) Pro Forma results include Aquarius.

## Summary Financial Information

*The Company's revenues and EBITDA benefit from both geographic and business mix diversification.*

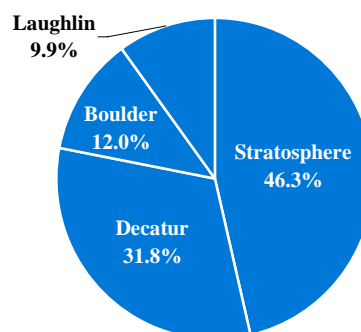
### Net Revenue and EBITDA by Property

2006E PF Net Revenue by Property



Net Revenue: \$429.7 Million

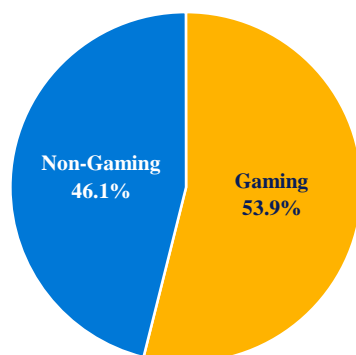
2006E PF Net EBITDA by Property



EBITDA: \$91.5 Million

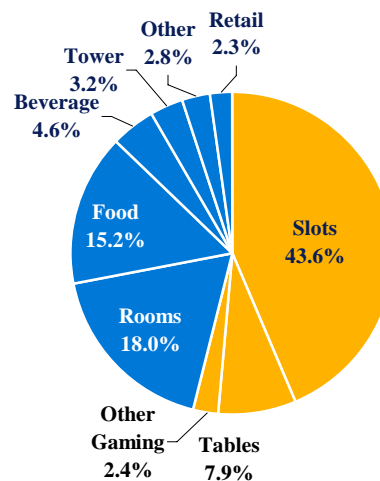
### Gross Revenue Breakdown by Segment

2006E PF Gross Revenue by Segment



Gross Revenue: \$465.6 Million

2006E PF Gross Revenue by Sub-Segment



Gross Revenue: \$465.6 Million

Note: Pro Forma results include Aquarius.



**Section 2**  
**Investment Considerations**



## **Investment Considerations**

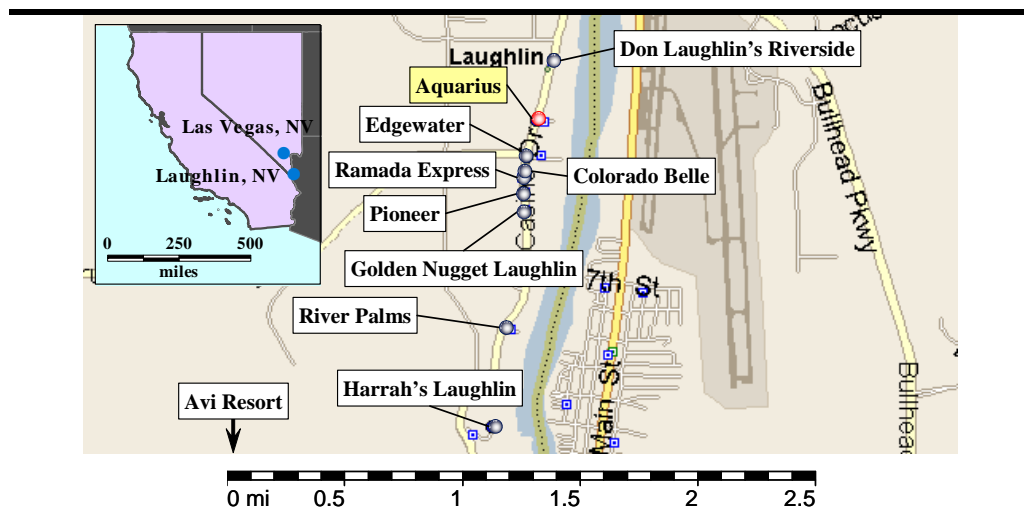
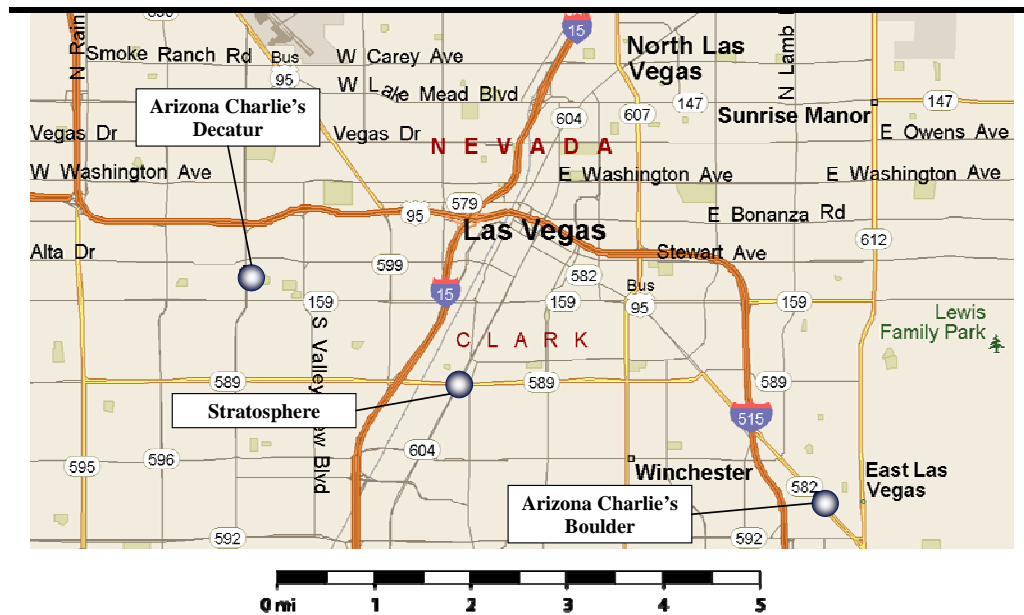
- **Strategically located, diversified portfolio of casino assets in the most stable gaming regulatory jurisdiction in the world, in one of the fastest growing gaming markets in the US.**
  
- **Las Vegas assets are well-positioned to cater to both Tourists and the Locals Market.**
  
- **Compelling development opportunity on the Las Vegas Strip on approximately 17 acres of land located adjacent to the Stratosphere.**
  
- **A recently completed approximately \$50 million capital improvement program has positioned all four properties for renewed growth in their respective markets.**
  
- **Unique opportunity to exploit the growing Laughlin market, with the recently acquired and newly repositioned Aquarius Resort & Casino (formerly the Flamingo Laughlin), the largest hotel in Laughlin with 1,907 hotel rooms.**
  
- **Emphasis on slot play, in conjunction with relatively low maintenance capital expenditures, produces strong, predictable free cash flow.**
  
- **Well-regarded, experienced management team, with a demonstrated track record for turning around neglected assets.**

## Investment Considerations respective

*Strategically located, diversified portfolio of casino assets in the most stable gaming regulatory jurisdiction in the world, in one of the fastest growing gaming markets in the US.*

ACEP's properties operate in four distinct markets that serve different segments of the overall gaming market.

- The Stratosphere caters to visitors to the Las Vegas Strip.
- Arizona Charlie's Boulder and Decatur properties cater to local residents/visitors to the Boulder Strip and its respective surrounding communities, and to local residents of North and West Las Vegas and its respective surrounding communities, respectively.
- Aquarius Casino Resort caters to visitors from Southern California and Arizona and locals from Laughlin, Nevada.



## Investment Considerations

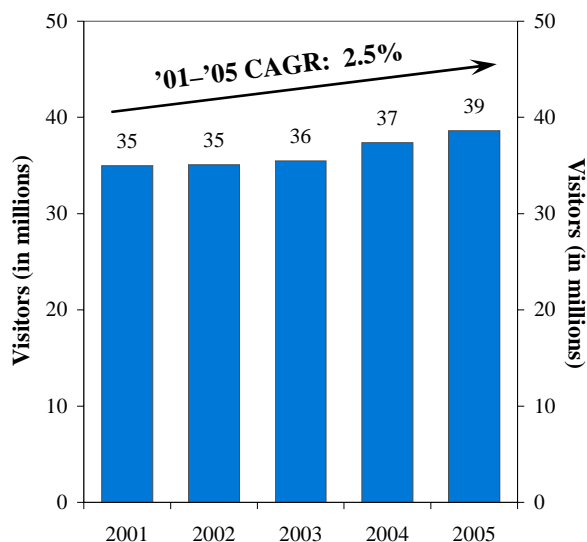
*Las Vegas assets are well-positioned to cater to both Tourists and the Locals Market.*

- The Stratosphere is one of the most recognized and most visited tourist attractions on the Strip.
- The Arizona Charlie's properties are recognized as successful proven locals casinos.

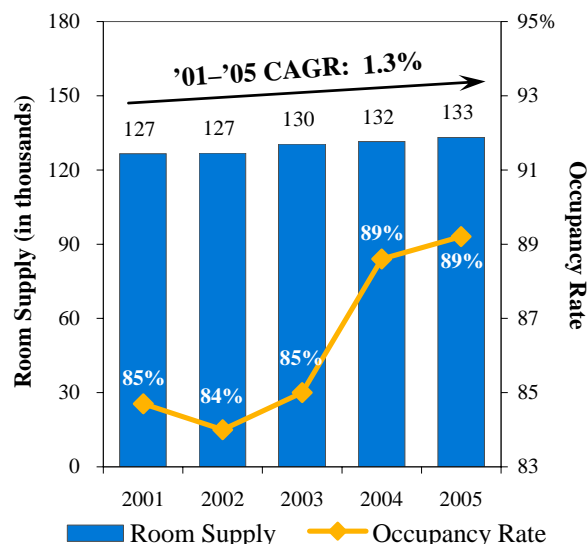
### The Las Vegas Market

- Visitation to Las Vegas has increased from 29.0 million in 1995 to 38.6 million in 2005, a CAGR of 2.9%.
- Occupancy in Las Vegas has increased in recent years to almost 90%.
  - The market has shown a remarkable resiliency to economic downturns and political events.
- Las Vegas has been the US' top-ranked destination for trade shows for the last ten years.
  - Trade show attendees increased from 2.9 million in 1995 to 6.2 million in 2005, a CAGR of 7.7%.
  - Trade show attendees spent approximately \$7.6 billion in 2005.

## Historical Visitation to Las Vegas



## Las Vegas Room Supply and Occupancy



Source: Las Vegas Convention and Visitors Authority.

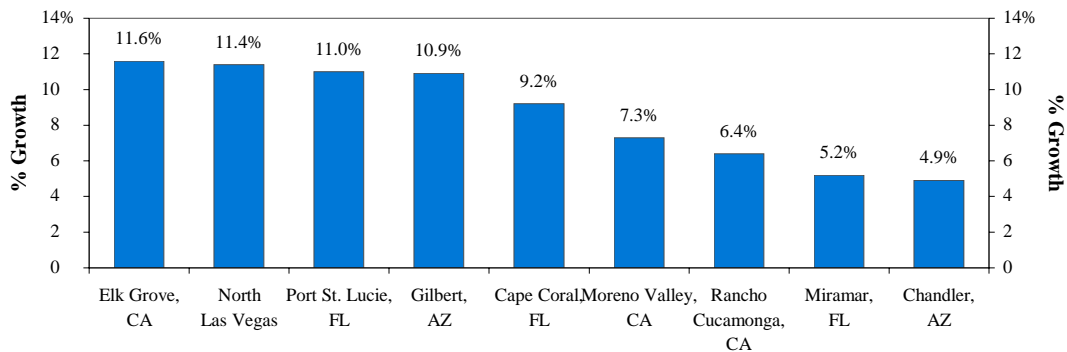
## Investment Considerations

### Local Market

*ACEP's properties are well positioned to benefit from the growth in the local population.*

- Nevada has been the fastest-growing state in the United States for the last 19 years, according to the Las Vegas Convention and Visitation Authority.
- Clark County population has grown between 1995 and 2005 at a much more aggressive pace than the overall United States to include 1.8 million residents at the end of 2005.
  - Clark County, Nevada population growth, 5.5% CAGR.
  - Overall US population growth, 1.1% CAGR.
- Clark County has enjoyed a very strong economy and positive growing demographic including an increasing number of retirees and other active gaming patrons.
  - 2004 Clark County median household income was \$44,821.
  - 2004 National median household income was \$44,684.

### Fastest Growing Cities in the US



Note: Represents the period of 7/1/04-7/1/05.

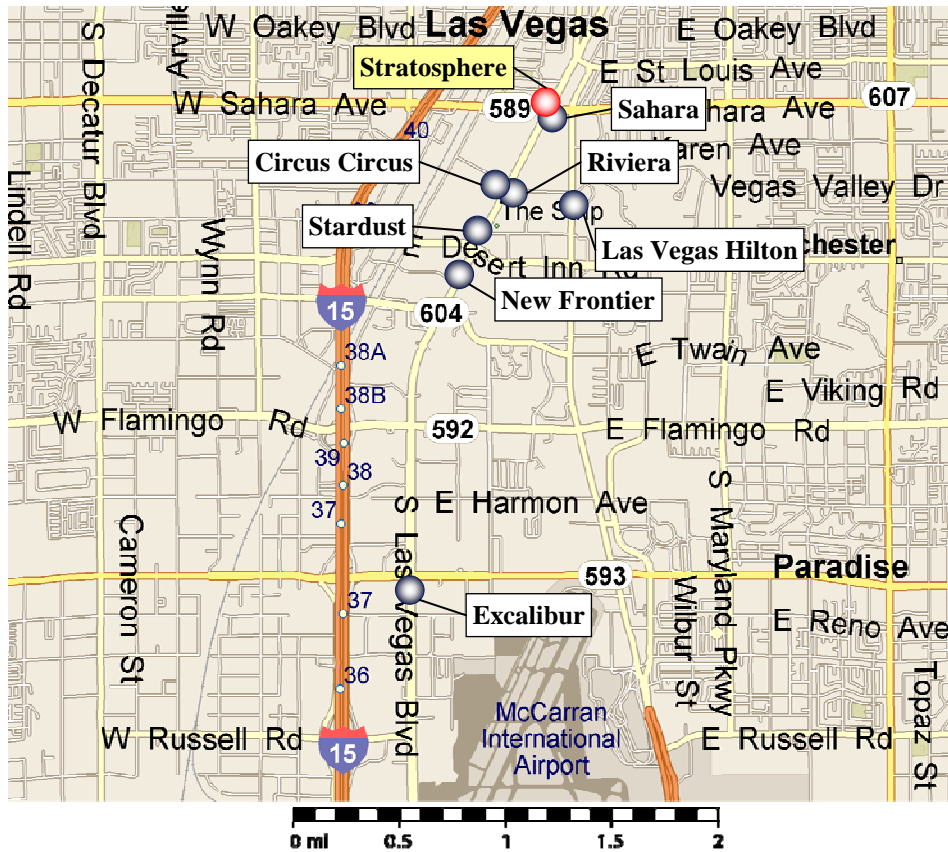
Source: U.S. Census Bureau.

## Investment Considerations

*Compelling development opportunity on the Las Vegas Strip on approximately 17 acres of land located adjacent to the Stratosphere.*

### Stratosphere

- The Stratosphere's close proximity to the Las Vegas Convention Center provides a compelling development opportunity on the Las Vegas Strip.
  - 1.3 miles from the Las Vegas Convention Center.
  - 22,154 conventions held in 2005.
  - Trade show attendees increased from 2.9 million in 1995 to 6.2 million in 2005, a CAGR of 7.7%.
  - Trade show attendees spent approximately \$7.6 billion in 2005.
  - Convention attendance accounted for 13.8 million hotel night stays in 2005.
- Management is currently considering the development of a 1,000-room hotel expansion and/or the development of additional convention center space on the adjacent 17 acres.



## Investment Considerations

*A recently completed approximately \$50 million capital improvement program has positioned all four properties for renewed growth in their respective markets.*

### Stratosphere

- Having recently completed the renovation of all of the original 1,444 hotel rooms, the Stratosphere now boasts the newest room offerings north of Wynn Las Vegas.
- The Stratosphere's newly renovated room product is poised to capture an even greater share of its targeted customer base, as the supply of affordable hotel accommodations continues to shrink.
  - No new comparable room product is scheduled to come online in the Stratosphere's core market until at least 2010.
  - The luxury room product expected to come online over the next 2 to 3 years (e.g. Wynn's Encore, MGM's CityCenter, etc.) will likely provide the Stratosphere with a "pricing umbrella" under which the Stratosphere will be able to continue to capture a greater than fair share of value-oriented customers who demand quality, affordable accommodations.
- The property boasts approximately 112,000 square feet of undeveloped retail space and 17 acres of undeveloped land, which provides potential for a convention center and/or up to 1,000 additional rooms.
- Transitioned entire slot floor to Ticket-In/Ticket-Out ("TITO") slot machines.
- Several other recently completed initiatives include:
  - Newly refurbished Top of the World restaurant, Romance lounge, entrance and lobby areas;
  - Two new thrill rides;
  - Redesigned wedding chapels;
  - New nightclub, "Polly Esters"; and
  - Casino floor improvements, including:
    - New carpet and wall covering;
    - New Center bar;
    - New High Limit Slots;
    - New VIP Check-In.

## Investment Considerations

### Arizona Charlie's Decatur

- Management has invested approximately \$38 million to improve the Decatur property:
  - Converted 100% of slot machines from coin operated to "TITO" technology;
  - Redesigned casino floor;
  - Opened an Outback Steakhouse on the first floor of the casino;
  - Introduced a revitalized tiered player rewards program.

### Arizona Charlie's Boulder

- Completed an \$8.1 million casino expansion, in June 2006, which included:
  - 7,300 square feet of new gaming space;
  - 235 new slot machines.
- Converted 100% of slot machines to "TITO" technology.
- Renovated all hotel rooms.
- Re-launched a revitalized tiered player rewards program.

### Aquarius

- Implemented a \$40 million capital expenditure program, following the closing of the acquisition of the Aquarius, formerly the Flamingo Laughlin Hotel and Casino, in May 2006.
  - New slot floor in Laughlin with enhanced new gaming systems and "TITO" technology.
    - 1,000 new slot machines.
  - Re-branding of property as "Aquarius".
  - New front lobby.
  - Hotel room refurbishment.
  - Enhancement of player amenities:
    - New High-Limit area;
    - New VIP Check-In;
    - New VIP Lounge;
    - Refurbished Center Bar.
  - Enhancement of marketing programs to attract walk-in traffic from nearby outdoor River Walk.
    - New outdoor River Walk patio lounge.
  - Development of new nationally branded food & beverage options.
    - Starbucks® coffee outlet.
    - Outback Steakhouse.
  - Enhancement of entertainment options.
    - Extensive showroom and lounge renovation.
- While the extensive renovation of the property resulted in a fair amount of disruption in 2006, the renovation is largely complete and the property is poised for renewed growth in 2007.

## Investment Considerations

*Unique opportunity to exploit the growing Laughlin market, with the recently acquired and newly repositioned Aquarius Resort & Casino (formerly the Flamingo Laughlin), the largest hotel in Laughlin with 1,907 hotel rooms.*

### The Laughlin Market

The Laughlin gaming market targets tourists and visitors from Southern California and Arizona and locals from Laughlin, Nevada.

- The Laughlin gaming market grew 7.6% and 4.3% in 2004 and 2005, respectively, as the market stabilized from the opening of tribal casinos in California.
- The market is expected to continue to create stable revenue growth as:
  - Limited new gaming supply is expected from California Native American casinos;
  - Local residential development is anticipated to nearly double the surrounding customer base;
  - Laughlin is a value-orientated destination market that offers an alternative to the fast-pace and higher costs of Las Vegas with a broad array of attractions including the Colorado River.
- Historically, the Aquarius, operated as the Flamingo Laughlin and owned by Caesars Entertainment and subsequently Harrah's Entertainment, was one of the leading properties in the market.
  - Consistently generated EBITDA of more than \$20 million throughout the 1990's.
- More recently, however, the Aquarius has experienced a weakness in operating results given the transition in ownership, related property management turnover and a lack of maintenance capital expenditures.
- Since acquisition by ACEP in 2005, the Company has implemented a significant capital investment program of \$40 million. Upon completion in 2007, the Aquarius will offer:
  - Renewed managerial focus;
  - Newest slot product in the market;
    - 1,000 new state of the art slot machines.
  - Newest room product in the market;
  - Introduction of new food & beverage options;
  - Revamped entertainment program.
- Management believes this investment program will enable the property to recapture its position of prominence in the market.



## Investment Considerations

*Emphasis on slot play, in conjunction with relatively low maintenance capital expenditures, produces strong, predictable free cash flow.*

- The Company's four properties offer over 4,700 slot machines, all of which are ticket – in, ticket – out (TITO) machines.
- Slot revenues account for over 80% of the Company's gaming revenues:
  - Stratosphere, 70%;
  - Arizona Charlie's Decatur, 91%;
  - Arizona Charlie's Boulder; 91%.
  - Aquarius; 81%

*Well-regarded, experienced management team, with a demonstrated track record for turning around neglected assets.*

- ACEP has a seasoned and proven management team with strong expertise in their respective disciplines.
- The senior management team collectively has over 100 years of operating experience in the gaming industry.
- The executive and property-level management teams have an established record of developing, integrating and operating gaming and entertainment properties.
- Management's continued focus on guest service training for employees has enabled the properties to consistently exceed customer expectation.

## Senior Management

Executive Officer	Position	ACEP Tenure (In Years)
Richard P. Brown	President and CEO, Gaming	7
Denise Barton	Senior Vice President, Chief Financial Officer	4
Ronald P. Lurie	Executive Vice President and General Manager—Decatur	8
Mark Majetich	Senior Vice President and General Manager—Boulder	6
John Lind	Senior Vice President and General Manager—Laughlin	1



## **Section 3**

# **Business History and Description**

## Business History and Description

American Casino & Entertainment Properties, LLC owns and operates four gaming and entertainment properties in the Las Vegas metropolitan area. The four properties are the Stratosphere Casino Hotel & Tower, which is located on the Las Vegas Strip and caters to visitors to Las Vegas, two off-Strip casinos, Arizona Charlie's Decatur and Arizona Charlie's Boulder, which cater primarily to residents of Las Vegas and the surrounding communities, and the Aquarius Casino Resort, formerly known as the Flamingo Laughlin Hotel and Casino, in Laughlin, Nevada, or the Aquarius, which caters to visitors to Laughlin.

The Stratosphere is one of the most recognized landmarks in Las Vegas, the two Arizona Charlie's properties are well-known casinos in their respective marketplaces and the Aquarius has the largest hotel in Laughlin.

Each of the Company's properties offers customers a value-oriented experience by providing competitive odds in their casinos, quality rooms in their hotels, award-winning dining facilities and, at the Stratosphere, an offering of entertainment attractions found nowhere else in Las Vegas. The Company believes the value it offers its patrons, together with a strong focus on customer service, will enable them to continue to attract customer traffic to their properties.

ACEP is a holding company that was formed in Delaware on December 29, 2003 for the purpose of acquiring the entities that own and operate the Stratosphere, Arizona Charlie's Decatur and Arizona Charlie's Boulder. ACEP conducts its operations through direct and indirect wholly-owned subsidiaries. These subsidiaries are American Casino & Entertainment Properties Finance Corp., Stratosphere Corporation and its wholly-owned subsidiaries, Stratosphere Gaming Corporation, Stratosphere Land Corporation, Stratosphere Advertising Agency and Stratosphere Leasing, LLC; and Charlie's Holding LLC and its wholly-owned subsidiaries, Arizona Charlie's, LLC and Fresca, LLC.

On November 29, 2005, AREP Laughlin Corporation entered into an agreement to purchase the Flamingo Laughlin Hotel and Casino, now known as the Aquarius Casino Resort, or the Aquarius, in Laughlin, Nevada from Harrah's Entertainment. The purchase price was \$114.0 million, including working capital amounts. The transaction was approved by the Nevada Gaming Commission upon recommendation of the Nevada Gaming Control Board and closed on May 19, 2006.

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**Section 3-A**  
**Stratosphere**

## Stratosphere



## **Stratosphere**

The Stratosphere is situated on approximately 34 acres of land located at the northern end of the Las Vegas Strip, of which approximately 17 acres is undeveloped land, and the remainder is a tourist-oriented gaming and entertainment destination property. The Stratosphere is centered around the Stratosphere Tower, the tallest free-standing observation tower in the United States and is visible from all directions, including from McCarran International Airport.

The Stratosphere opened in 1996 at a total cost of approximately \$409 million. ACEP acquired the property in 1998 and in 2001, completed an approximate \$86 million expansion of the Stratosphere, which included the addition of a 1,000-room hotel tower and a 67,000 square foot pool and recreation deck. Since the Company acquired the property in 1998, it has invested a total of approximately \$178 million through December 31, 2006.

### **Casino**

The Stratosphere's casino contains approximately 80,000 square feet of gaming space, with approximately 1,309 slot machines on a newly renovated slot floor layout. In addition to a newly constructed high-limit slot area, this renovation converted all of the Stratosphere's video poker and slot machines to "TITO" technology. In addition, the Stratosphere has 49 table games, a recently constructed six table poker room, a renovated race and sports book area and a new VIP check-in area.

For the years ended December 31, 2006, 2005, 2004 and 2003, approximately 69.5%, 70.7%, 70.6% and 70.1%, respectively, of the Stratosphere's gaming revenue was generated by slot machine play. The Stratosphere derives its other gaming revenue from the poker room and race and sports book, which primarily are intended to attract customers for slot machines and table games.

### **Hotel, Food and Beverage**

The hotel has 2,444 rooms, including 131 suites. In 2004 and 2005, ACEP refurbished approximately 1,400 of its guest rooms. Additional hotel amenities include a 67,000 square-foot resort pool and recreation area located on the eighth floor, which includes a café, cocktail bar, private cabanas and a fitness center. Beach Club 25, located on the 25th floor, provides a secluded adult pool.

The Stratosphere offers seven themed restaurants, a newly renovated \$1.4 million Center Bar, and four lounges, two of which feature live entertainment. The Stratosphere's premier restaurant is the recently refurbished Top of the World Restaurant and Lounge, a 336-seat revolving restaurant located on level 106 in the Tower. Top of the World has been awarded "Best All-Around Restaurant" and "Best Romantic Restaurant" by America Online's City's Best 2005 and the "Award of Excellence" in 2004 from Wine Spectator Magazine.

## The Tower

The Tower is the tallest freestanding observation tower in the United States and, at 1,149 feet, is the tallest building west of the Mississippi River. From the indoor/outdoor observation decks, lounge and restaurant, Tower visitors have dramatic views of the Las Vegas Strip, downtown Las Vegas and the surrounding Las Vegas Valley.

The Tower features the three highest thrill rides in the world:

- *Big Shot*, which catapults up to 16 riders, in harnessed seats, from the 921-foot level of the Tower, 160 feet straight up the mast of the Tower and allows for a controlled free-fall back to the landing platform;
- *X Scream*, which opened in October 2003, is shaped like a giant teeter-totter and launches up to eight riders approximately 30 feet over the edge of the Tower and then dangles them 900 feet above the Las Vegas Strip; and
- *Insanity*, which opened on March 10, 2005, is the final major thrill ride attraction to be built atop the Tower. The new ride holds 10 passengers in “escape proof” seats as it spins at 40 m.p.h. The new ride consists of an arm that extends out 64 feet over the edge of the Tower and spins passengers at up to three ‘G’s.’ As the ride spins faster and faster, the riders are propelled up to an angle of 70 degrees, overlooking the City of Las Vegas more than 900 feet below.

The Tower also includes:

- Event space and wedding chapels, which have been recently renovated, at levels 103 and 104;
- Romance at Top of the World, a 156-seat lounge that underwent re-branding in an effort to attract a more affluent clientele, as well as a refurbishment of its furnishings, fixtures and kitchen, at level 107; and
- Indoor/outdoor observation decks, at levels 108 and 109, containing a gift shop, Starbucks®, snack bar, free-standing vending machines featuring snacks and souvenirs designed to capitalize on the unique nature of the Tower.

Recent construction projects on the Tower, including the removal of the rollercoaster, have hindered customer traffic. With these projects completed, management expects significant improvement to EBITDA contribution from these attractions.

## Retail and Entertainment

The retail center, located on the second floor of the base building, occupies approximately 110,000 square feet of developed retail space including 37 shops, 6 food venues, 13 merchant kiosks and a full-service salon and spa. The Company currently plans to open a new 23,000 square foot nightclub/event center, Polly Esters, which will be located just off of the casino, in March.

Adjacent to the retail center is a 640-seat showroom that currently offers evening and late-night shows, which are designed to appeal to value-oriented visitors who come to Las Vegas. The Stratosphere’s entertainment includes American Superstars, a celebrity tribute production show and Bite, a vampire-themed adult review.

### **Expansion Opportunities**

The property also includes approximately 17 acres of undeveloped land, providing the Company with the flexibility for additional expansion, if warranted. Within the existing property, the Company has approximately 112,000 square feet of undeveloped interior space. The Company has been in discussions with several third parties regarding plans to jointly develop additional entertainment amenities within this space.

### **Business and Marketing Strategy**

The Stratosphere utilizes a combination of capital-efficient attractions and competitive gaming odds/payouts to attract visitors. In addition, the property offers attractive and often unique table games, including Single Zero Roulette and Ten Times Odds on Craps, which provide patrons with odds that are better than the standard odds at other Las Vegas Strip casinos. Furthermore, hotel rooms, entertainment and food and beverage products are priced to appeal to the value-conscious, middle-market Las Vegas visitor.

The property has also recently begun courting a younger, more affluent clientele with the opening of a 23,000 square foot nightclub, Polly Esters, a \$1.4 million center bar, and an “upscale lounge” on the 107<sup>th</sup> floor of the observation tower

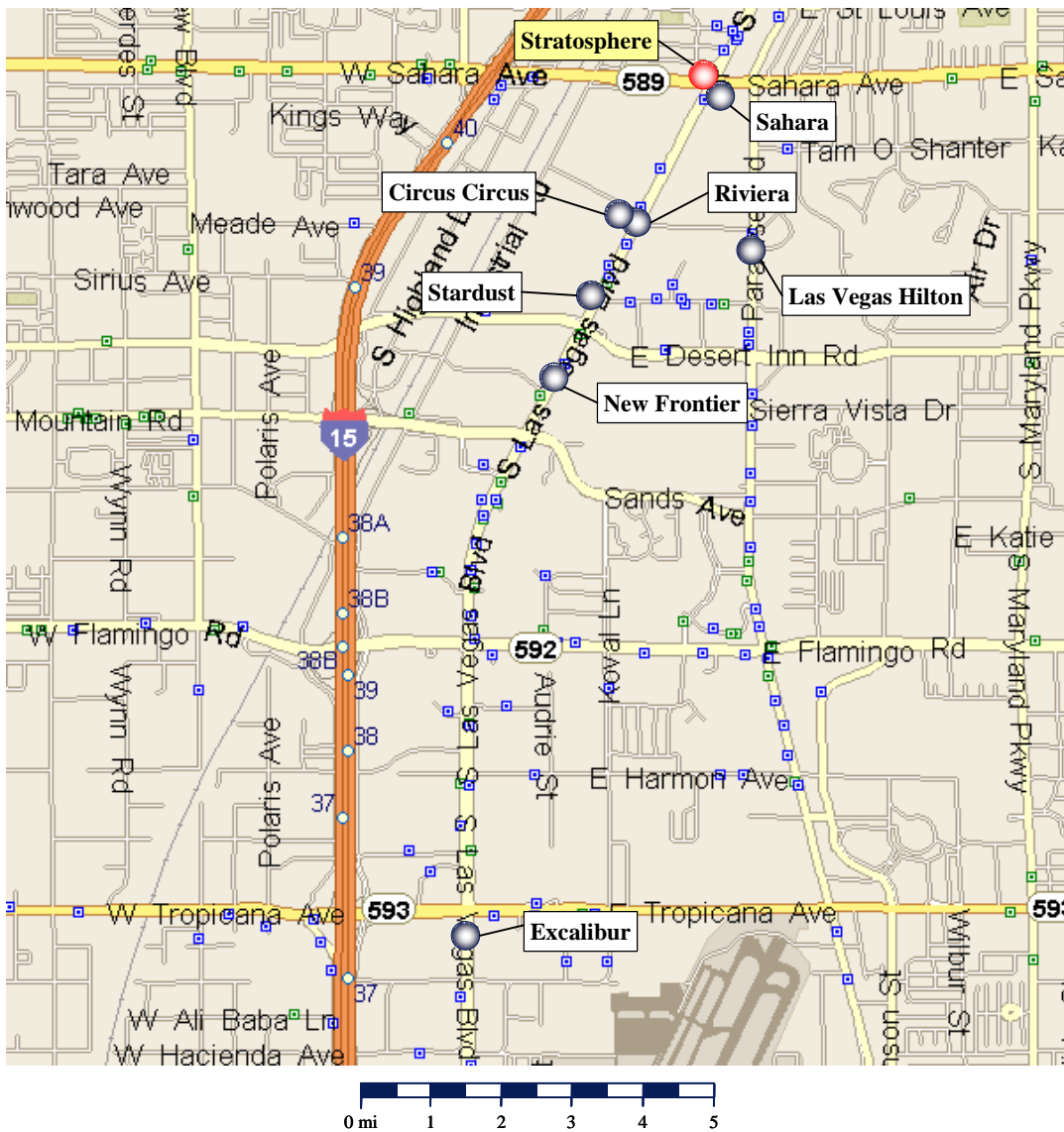
The Stratosphere participates in the A.C.E. Rewards and other aggressive marketing programs. These programs permit members to accumulate points, which can be redeemed for cash at the casino and complimentary at all of ACEP’s properties. The Company has approximately 1,085,170 members registered with its A.C.E. Rewards Program at the Stratosphere. Importantly, approximately 22.3% of the active A.C.E. Rewards members frequented the property, on average, more than four times per month.

The Company uses the most sophisticated database marketing software available, Mariposa, to aggressively target offers to current patrons. Additionally, the Company uses billboards, radio and television advertising, promotions and events, direct mailings to potential and current customers and e-mail promotions to promote the property and target its customers.



## Competitive Landscape

### Las Vegas Strip



## Selected Competitive Information

Property	Casino Square Footage	Slots	Positions	Hotel Rooms
<b>Stratosphere<sup>(1)</sup></b>	<b>80,000</b>	<b>1,309</b>	<b>1,603</b>	<b>2,444</b>
Sahara	80,000	1,225	1,597	1,720
Riviera	102,300	1,330	1,546	2,254
Circus Circus	101,286	2,250	2,760	3,900
Las Vegas Hilton	76,500	1,340	1,778	2,956
Stardust	85,000	1,340	1,838	1,500
New Frontier	100,000	970	1,162	1,388
Excalibur	121,544	1,745	2,273	3,991

Source: Company estimates and Casino City's North American Gaming Almanac for FY2005.

Positions = Slots + (6\*Tables).

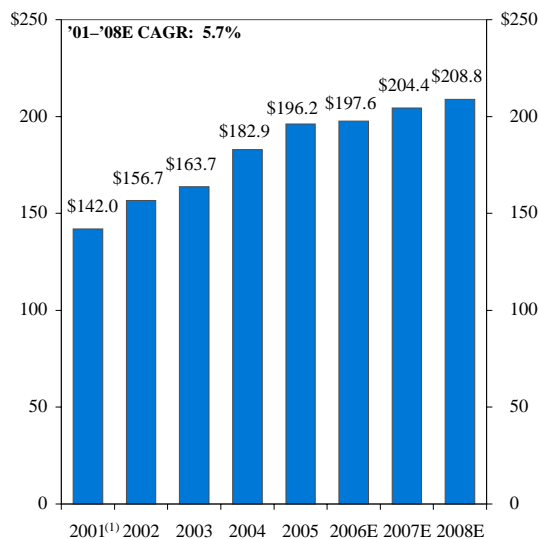
As of December 31, 2006.

## Financial Summary

The Stratosphere has been able to show very strong and consistent profit throughout its historical period. Through management innovation and focus on profitability, EBITDA has shown a CAGR of 30% over the historical period. Management anticipates very strong profit growth and strong margins to continue in the future. Throughout 2006, the Stratosphere's extensive renovation program temporarily disrupted traffic flow and visitation to the property, resulting in a temporary decline in the property's operating results in 2006. With the renovation program now complete, the Stratosphere is poised to exploit its relative competitive position as the only recently renovated property on the Las Vegas Strip, north of Wynn Las Vegas.

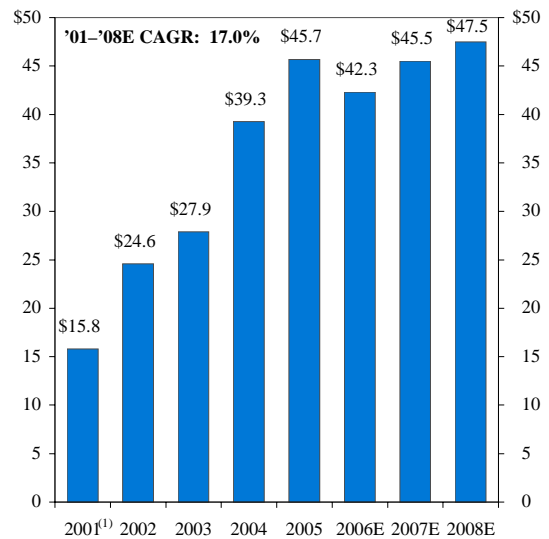
### Net Revenue

(\$ in millions)



### EBITDA

(\$ in millions)



Year	% Margin
2001 <sup>(1)</sup>	11.1%
2002	15.7%
2003	17.0%
2004	21.5%
2005	23.3%
2006E	21.4%
2007E	22.3%
2008E	22.7%

(1) Opened 1,000 room hotel tower in June 2001.



**Section 3-B**

**Arizona Charlie's Decatur**

## Arizona Charlie's Decatur



## **Arizona Charlie's Decatur**

Arizona Charlie's Decatur opened in April 1988 as a full-service casino and hotel geared toward residents of Las Vegas and the surrounding communities. The property is located on approximately 17 acres of land four miles west of the Las Vegas Strip in the heavily populated west Las Vegas area and is easily accessible from Route 95, a major highway in Las Vegas.

The Company purchased the property in 1998 and subsequently completed a \$38 million capital improvement program.

### **Casino**

Arizona Charlie's Decatur contains approximately 52,000 square feet of gaming space with approximately 1,379 slot machines, 15 table games, a race and sports book, a 24-hour bingo parlor, a keno lounge and a poker lounge. In 2001 and 2002, the Company expanded the slot floor and upgraded the interior design of the casino. More recently, Arizona Charlie's Decatur converted 100% of its video poker and slot machines to "TITO" technology.

For the years ended December 31, 2006, 2005, 2004 and 2003, approximately 90.9%, 89.3%, 90.0% and 90.8%, respectively, of the property's gaming revenue was generated by slot machine play. Arizona Charlie's Decatur also derives other gaming revenue from bingo, keno, poker and the race and sports book, which primarily are intended to attract customers for slot machines and table games.

### **Hotel, Food and Beverage**

Arizona Charlie's Decatur currently has 258 rooms, including nine suites. Hotel customers include local residents and their out-of-town guests, as well as those business and leisure travelers who, because of location or cost considerations, choose not to stay on the Las Vegas Strip or at other hotels in Las Vegas.

Arizona Charlie's Decatur has four restaurants, one of which is a franchised, quick-service restaurant and three bars including a lounge. In October 2003, ACEP opened the new Frisco Market Buffet, a 260-seat San Francisco-themed eatery and in January 2007, the property completed the conversion of the Yukon Grille on the first floor to an Outback Steakhouse in an effort to increase branded dining notoriety and attract new customers.

### **Retail and Entertainment**

Arizona Charlie's Decatur provides complimentary entertainment as a component of its overall customer appeal. The Naughty Ladies Saloon features a variety of entertainment, including live bands and musician showcase nights. In addition, a small gift shop located adjacent to the casino provides a limited range of inexpensive gift items, candy, newspapers, magazines and cigarettes.

## **Business and Marketing Strategy**

Arizona Charlie's Decatur markets its hotel and casino primarily to local residents of Las Vegas and the surrounding communities, where an estimated 500,000 people live within a five-mile radius. The Company believes that the property's pricing and gaming odds make it one of the best values in the gaming industry and that its gaming products, hotel rooms, restaurants and other amenities attract local customers in search of reasonable prices, smaller casinos and more attentive service. Arizona Charlie's Decatur also tailors its selection of slot machines, including many diverse video poker machines and table games, including double-deck, hand-dealt blackjack, to appeal to local casino patrons.

Arizona Charlie's Decatur participates in the A.C.E. Rewards and other aggressive marketing programs. These programs permit members to accumulate points, which can be redeemed for cash at the casino and complimentary at all of ACEP's properties. The Company has approximately 290,293 members registered with its A.C.E. Rewards Program at Arizona Charlie's Decatur. Importantly, approximately 39.0% of the active A.C.E. Rewards members frequented the property, on average, more than four times per month.

The Company uses the most sophisticated database marketing software available, Mariposa, to aggressively target offers to current patrons. Additionally, the Company uses billboards, radio and television advertising, promotions and events, direct mailings to potential and current customers and e-mail promotions to promote the property and target its customers.

## Competitive Landscape

### West Las Vegas Locals Market



## Selected Competitive Information

Property	Casino Square Footage	Slots	Positions	Hotel Rooms
<b>Arizona Charlie's Decatur<sup>(1)</sup></b>	<b>52,000</b>	<b>1,379</b>	<b>1,469</b>	<b>258</b>
Gold Coast	86,600	2,827	3,061	711
Suncoast	80,000	2,445	2,763	432
Santa Fe Station	77,000	2,570	2,762	200
Texas Station	132,437	2,400	2,670	202
Palms	95,000	1,900	2,260	420
Palace Station	84,000	1,860	2,190	1,030
Fiesta Rancho	70,000	1,640	1,790	100
Rampart Casino	50,000	1,180	1,372	541

Source: Company estimates and Casino City's North American Gaming Almanac for FY2005.

Positions = Slots + (6\*Tables).

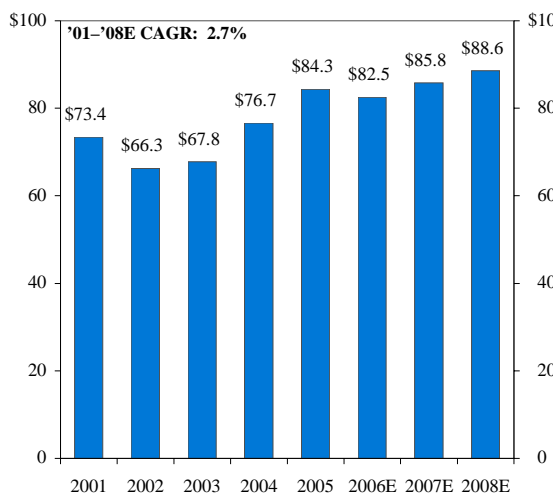
As of December 31, 2006.

## Financial Summary

Management has been able to consistently generate strong returns at the Decatur property. However, recent capital improvements and external traffic disruption at the Decatur property created temporary visitation disruptions. Construction projects by the Nevada Highway Authority, as well as Nevada Gas, in close proximity to the Decatur property, resulted in disrupting access to the property. Additionally, the opening of Station Casino's Red Rock Hotel & Casino presented additional competition in the Decatur market. Management does not believe these factors will have a long term effect on the property's performance, as the construction projects will be completed in the near term and the Las Vegas locals markets have a demonstrated history of absorbing new supply growth. Furthermore, management believes the impact of Red Rock on Decatur's operating performance will be minimal, as the properties compete for a different segment of casino patrons.

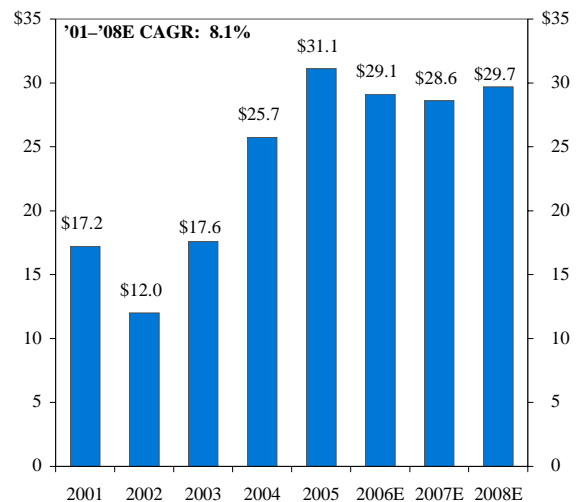
### Net Revenue

(\$ in millions)



### EBITDA

(\$ in millions)



% Margin	23.4%	18.1%	26.0%	33.5%	36.9%	35.2%	33.3%	33.5%
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**Section 3-C**

**Arizona Charlie's Boulder**

## Arizona Charlie's Boulder



## Arizona Charlie's Boulder

Arizona Charlie's Boulder opened in 1988 as a stand-alone hotel and RV park and is located on approximately 24 acres of land, seven miles east of the Las Vegas Strip, near an I-515 interchange in an established retail and residential neighborhood in the eastern metropolitan area of Las Vegas. Since ACEP acquired the property in 2000, the Company has invested approximately \$37 million to open the casino and upgrade the amenities including a recently completed 7,300 square foot casino expansion.

### Casino

Arizona Charlie's Boulder contains approximately 47,000 square feet of gaming space with approximately 1,061 slot machines, 16 table games, a race and sports book and a 24-hour bingo parlor. In 2002, the Company completed a \$5.1 million expansion project, which provided for an additional 18,000 square feet of slot floor space, a 500-seat bingo hall and a 43-seat race and sports book. In July 2006, an \$8.1 million expansion added approximately 6,000 square feet of gaming space including 250 new slot machines, two new table games and a new A.C.E Rewards center.

Arizona Charlie's Boulder emphasizes video poker because it is popular with local players and, as a result, generates high volumes of play and casino revenue. Arizona Charlie's Boulder is 100% converted to "TITO" technology. Most table games at Arizona Charlie's Boulder are devoted to double-deck, hand-dealt blackjack play.

For the years ended December 31, 2006, 2005, 2004 and 2003, approximately 90.8%, 88.1%, 89.1% and 86.9%, respectively, of gaming revenue was generated by slot machine play. Arizona Charlie's Boulder also derives other gaming revenue from bingo and the race and sports book, which primarily serve to attract customers for slot machines and table games.

### Hotel, RV Park, Food and Beverage

Arizona Charlie's Boulder hotel currently has 303 rooms, including 221 suites. Arizona Charlie's Boulder also has a 12 acre RV park, one of the largest short-term RV parks on the Boulder Strip with 30 to 70-foot pull through stations and over 200 spaces. The RV park offers nightly, weekly and monthly rates and a range of services, including laundry facilities, game and exercise rooms, a swimming pool, a whirlpool and shower facilities.

Hotel customers include local residents and their out-of-town guests, as well as those business and leisure travelers who, because of location or cost considerations, choose not to stay on the Las Vegas Strip or at other hotels in Las Vegas.

Arizona Charlie's Boulder has four restaurants and three bars, one of which is the Palace Grand lounge.

## **Retail and Entertainment**

Arizona Charlie's Boulder provides complimentary live entertainment in its lounge, The Palace Grand, to attract customers. A small gift shop located adjacent to the casino provides a limited range of inexpensive gift items, candy, newspapers, magazines and cigarettes.

## **Business and Marketing Strategy**

Arizona Charlie's Boulder markets its hotel and casino primarily to residents of Las Vegas and the surrounding communities, where an estimated 423,000 people live within a five-mile radius. The Company believes that its pricing and gaming odds make it one of the best values in the gaming industry and that its gaming products, hotel rooms, restaurants, and other amenities attract local customers in search of reasonable prices, smaller casinos and more attentive service. Arizona Charlie's Boulder also tailors its selection of slot machines, including many diverse video poker machines, and table games, including double-deck, hand-dealt blackjack, to local casino patrons.

Arizona Charlie's Boulder also participates in the A.C.E. Rewards and other aggressive marketing programs. These programs permit members to accumulate points that can be redeemed for cash at the casino and complimentaries at all of ACEP's properties. The Company has approximately 31,987 members registered with its A.C.E. Rewards Program at Arizona Charlie's Boulder. Importantly, approximately 34.1% of its active A.C.E. Rewards members frequented the property, on average, more than four times per month.

The Company uses the most sophisticated database marketing software available, Mariposa, to aggressively target offers to current patrons. Additionally, the Company uses billboards, radio and television advertising, promotions and events, direct mailings to potential and current customers and e-mail promotions to promote the property and target its customers.

## Competitive Landscape

### Boulder Strip Locals Market



## Selected Competitive Information

Property	Casino Square Footage	Slots	Positions	Hotel Rooms
<b>Arizona Charlie's Boulder<sup>(1)</sup></b>	<b>47,000</b>	<b>1,061</b>	<b>1,157</b>	<b>303</b>
Sam's Town	120,000	3,050	3,350	646
Boulder Station	90,000	2,900	3,176	300
Sunset Station	100,000	2,600	2,906	456
Fiesta Henderson	50,000	1,425	1,587	227
Nevada Palace	15,000	495	549	210

Source: Company estimates and Casino City's North American Gaming Almanac for FY2005.

Positions = Slots + (6\*Tables).

Post current expansion projects.

As of December 31, 2006.

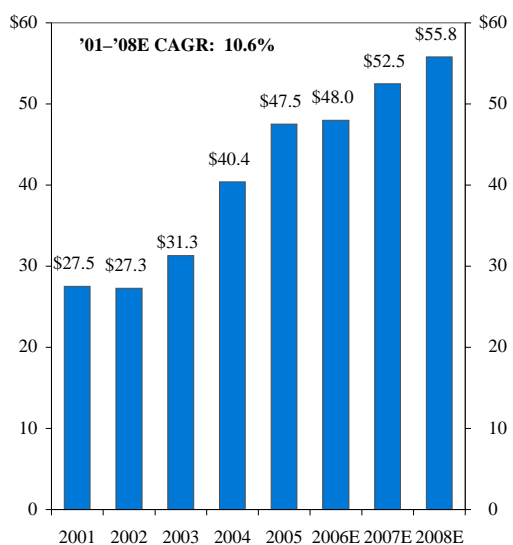
## Financial Summary

Following the opening of the casino at Arizona Charlie's Boulder, which upon acquisition in 2000 was a stand alone hotel and RV park, management has been able to deliver strong growth in both revenues and EBITDA. With the continued implementation of the various operating initiatives, management believes Arizona Charlie's Boulder will continue to show strong returns in the future.

The property faced challenges similar to those experienced by the Company's other properties in 2006. Similarly, the capital improvements initiated at the property created a temporary disruption in traffic flow. Management believes capital improvements completed at the Boulder property have positioned the property for renewed growth in revenues and EBITDA going forward.

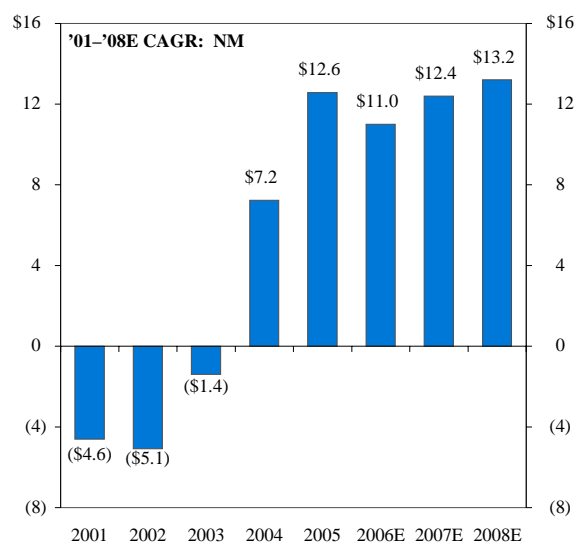
### Net Revenue

(\$ in millions)



### EBITDA

(\$ in millions)



% Margin	2001	2002	2003	2004	2005	2006E	2007E	2008E
	(16.7%)	(18.6%)	(4.5%)	17.8%	26.5%	23.0%	23.6%	23.7%

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**Section 3-D**  
**Aquarius**

## Aquarius





## Aquarius

The Aquarius is located on approximately 18 acres of land next to the Colorado River in Laughlin, Nevada and is a tourist-oriented gaming and entertainment destination property. The property features the largest hotel in Laughlin, with 1,907 hotel rooms, a 57,000-square-foot casino, seven dining options, 2,420 parking spaces, over 35,000 square feet of meeting space and a 3,300-seat outdoor amphitheater. The property targets mid to high market visitors from Southern California and Arizona and locals from Laughlin, Nevada.

Following the closing of the acquisition on May 19<sup>th</sup>, 2006, the Company began making various improvements to the property totaling approximately \$40 million.

### **The following improvements have been completed:**

- Redesign of the casino floor layout to include new and expanded amenities.
- New slot machines with enhanced new gaming systems and “TITO” technology.
  - 1,000 new state-of-the-art slot machines.
- Re-branding of the property as Aquarius.
  - Installation of a new marquee.
- New front lobby.
- Enhancement of player amenities (including separate VIP check-in and lounge):
  - New High-Limit area;
  - New VIP Check-In;
  - New VIP Lounge;
  - Refurbished Center Bar.
- Enhancement of marketing programs to attract walk-in traffic from nearby outdoor River Walk.
  - New outdoor River Walk patio lounge.
- Enhancement of entertainment options including extensive showroom and lounge renovations.

### **The following improvements will continue through 2008:**

- Hotel room refurbishment.
- Development of new food & beverage options:
  - Starbucks<sup>®</sup> coffee outlet.
  - Outback Steakhouse.

## Casino

The Aquarius contains approximately 57,000 square feet of gaming space with approximately 1,021 slot machines, 42 table games, and a race and sports book. The Company recently redesigned the

casino floor adding 1,000 new state of the art slot machines and converting to “TITO” technology. Additionally, the Aquarius is enhancing the amenities offered to its players via the creation of a new high limit area, a new VIP check in and a new VIP lounge.

For the years ended December 31, 2006, 2005, 2004 and 2003, approximately 80.6%, 79.2%, 79.2% and 78.0%, respectively, of gaming revenue was generated by slot machine play. The Aquarius derives its other gaming revenue from the race and sports book, which primarily serve to attract customers for slot machines and table games.

### **Hotel, Food and Beverage**

Aquarius Hotel and Casino currently has 1,907 rooms, including 90 suites. Hotel customers include mid- to high-market visitors from Southern California and Arizona and locals from Laughlin, Nevada. The Aquarius has several restaurants, including a buffet and Outback Steakhouse, as well as three bars.

### **Retail and Entertainment**

The Aquarius has a 2,000-seat indoor venue regularly featuring sports or concert events and a 3,300-seat outdoor amphitheater ideal for holding concerts. The hotel also has an outdoor pool, fitness center, and lighted tennis courts.

### **Business and Marketing Strategy**

Aquarius participates in the A.C.E. Rewards and other aggressive marketing programs. These programs permit members to accumulate points, which can be redeemed for cash at the casino and complimentary at all of ACEP’s properties. Notably, the Company has access to approximately 472,000 members registered with Harrah’s, at Laughlin, at the time of acquisition.

The Company uses the most sophisticated database marketing software available, Mariposa, to aggressively target offers to current patrons. Additionally, the Company uses billboards, radio and television advertising, promotions and events, direct mailings to potential and current customers and e-mail promotions to promote the property and target its customers.

### Competitive Landscape

*Advantageous position in the Laughlin market.*



## Selected Competitive Information

Property	Casino Square Footage	Slots	Positions	Hotel Rooms
<b>Aquarius<sup>(1)</sup></b>	<b>57,000</b>	<b>1,021</b>	<b>1,273</b>	<b>1,907</b>
Don Laughlin's Hotel & Casino	60,000	1,525	1,753	1,404
Ramada Express	53,000	1,350	1,530	1,500
Colorado Belle Hotel Casino & Microbrewery	60,000	1,220	1,478	1,173
Harrah's Laughlin	47,000	1,200	1,464	1,560
River Palms Resort Casino	120,000	1,250	1,400	1,003
Edgewater Hotel and Casino	60,000	1,125	1,389	1,396
Golden Nugget Laughlin	32,600	1,000	1,096	300
Avi Resort and Casino	25,000	845	995	455
Pioneer Hotel and Gambling Hall	25,532	776	872	416

Source: Company estimates and Casino City's North American Gaming Almanac for FY2005.

Positions = Slots + (6\*Tables).

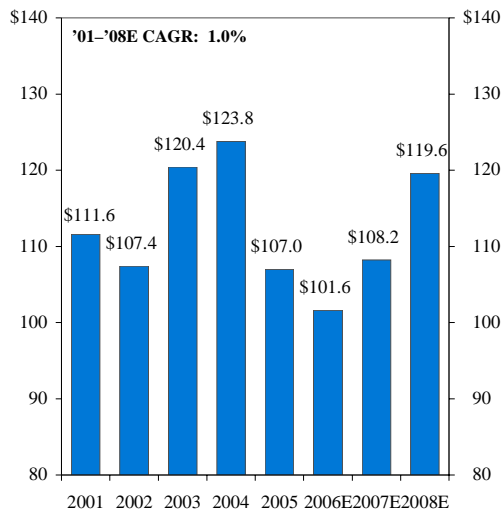
As of September 30, 2006.

## Financial Summary

Prior to ACEP's purchase of the Aquarius, historical results were inconsistent given the previous owners view of the Aquarius as a non-strategic asset. Upon acquisition by ACEP in May 2006, the Company implemented a \$40 million capital improvement plan to reposition the property which resulted in significant disruption at the property. Management believes Aquarius is now positioned to regain its former presence as the preminent casino in the Laughlin market.

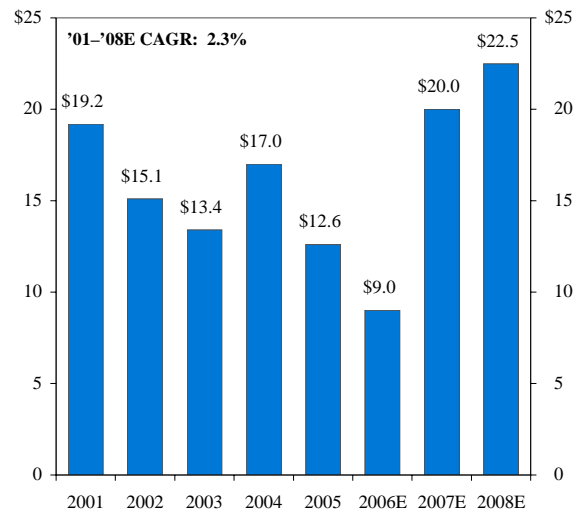
### Net Revenue

(\$ in millions)



### EBITDA

(\$ in millions)



% Margin	2001	2002	2003	2004	2005	2006E	2007E	2008E
	17.2%	14.1%	11.1%	13.7%	11.8%	8.9%	18.5%	18.8%

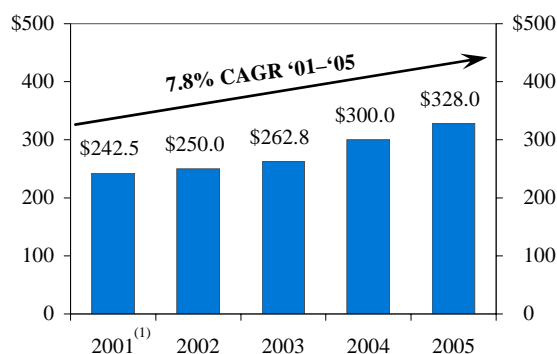


**Section 4**  
**Financial Review**

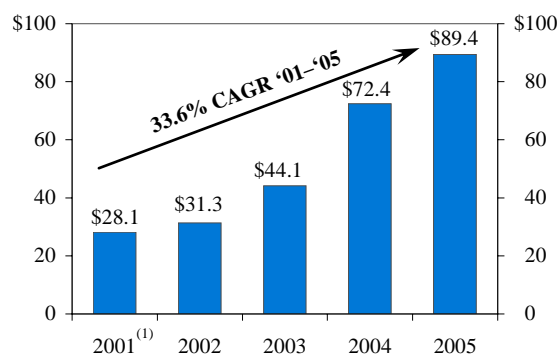
## Financial Review

From 2001 to 2005, consolidated net revenue and EBITDA grew at a compounded annual growth rate of 7.8% and 33.6%, respectively, with revenues increasing from \$242.5 million to \$328.0 million and EBITDA increasing from \$28.1 million to \$89.4 million.

### Historical Net Revenue (\$ in millions)



### Historical EBITDA (\$ in millions)



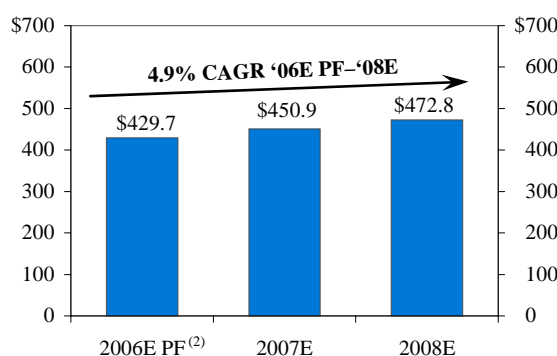
Year	2001 <sup>(1)</sup>	2002	2003	2004	2005
% Margin	11.6%	12.5%	16.8%	24.1%	27.3%

(1) Stratosphere completed a 1,000 room hotel room expansion in June 2001.

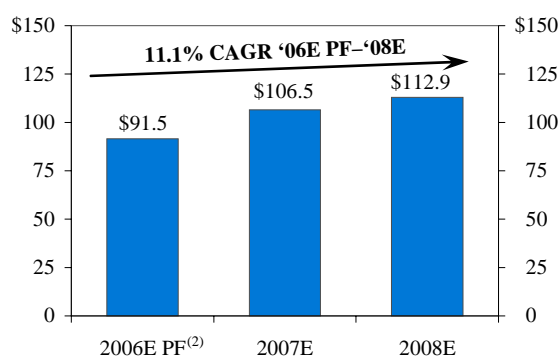
Beginning in 2005 and continuing throughout 2006, the Company embarked upon a comprehensive capital improvement program, aimed at enhancing the position of each property in its respective market. As a result of this initiative, the properties experienced temporary construction disruptions, which, in conjunction with a modest softening in the Las Vegas market overall, led to a modest decline in operating performance in 2006.

Virtually all of the Company's capital improvement programs are now complete, and management believes each of the properties are now poised to capitalize on these improvements going forward.

### Projected Net Revenue (\$ in millions)



### Projected EBITDA (\$ in millions)



Year	2006E PF <sup>(2)</sup>	2007E	2008E
% Margin	21.3%	23.6%	23.9%

(2) Pro Forma results include Aquarius.

## Balance Sheet Information

### Consolidated Balance Sheet

(\$ in millions)

	As of December 31,			
	2003	2004	2005	2006E <sup>(1)</sup>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$77.3	\$75.2	\$108.3	\$54.9
Restricted cash	–	0.4	0.5	0.3
Marketable securities	4.2	–	–	–
Investments - restricted	3.0	2.5	2.8	3.5
Accounts receivable, net	4.1	3.9	4.2	6.8
Related party receivables	0.2	0.4	1.0	0.5
Deferred income taxes	3.0	2.7	2.3	2.9
Other current assets	9.2	10.3	12.1	16.8
Total Current Assets	<u>\$100.9</u>	<u>\$95.5</u>	<u>\$131.2</u>	<u>\$85.6</u>
Property and equipment, net	<u>\$324.5</u>	<u>\$314.6</u>	<u>\$319.5</u>	<u>\$445.8</u>
Debt issuance and deferred financing costs, net	\$0.3	\$7.4	\$6.4	\$5.7
Lessee incentive	0.6	0.4	–	–
Other receivable	0.1	–	–	–
Deferred income taxes	54.4	46.4	37.2	36.2
Customer list, net	–	–	–	2.5
Total Other Assets	<u>\$55.3</u>	<u>\$54.3</u>	<u>\$43.6</u>	<u>\$44.5</u>
<b>TOTAL ASSETS</b>	<u>\$480.7</u>	<u>\$464.3</u>	<u>\$494.3</u>	<u>\$575.8</u>
<b>LIABILITIES AND MEMBER'S EQUITY</b>				
Current Liabilities:				
Accounts payable	\$5.9	\$5.2	\$4.4	\$6.7
Accrued expenses	17.8	22.8	22.6	33.2
Accrued payroll and related expenses	12.4	10.8	11.0	14.4
Current portion of capital lease obligation	0.4	0.5	0.5	0.5
Current portion of notes payable to related party	14.8	–	–	–
Total Current Liabilities	<u>\$51.3</u>	<u>\$39.2</u>	<u>\$38.4</u>	<u>\$54.8</u>
Long-Term Liabilities				
Notes payable to related party	\$86.5	–	–	–
Notes payable	–	215.0	215.0	255.0
Accrued lessee incentive	0.6	0.6	–	–
Capital lease obligations, less current portion	3.6	3.3	2.8	2.3
Deferred income taxes	5.1	–	–	–
Other	3.4	5.3	5.9	6.0
Total Long-Term Liabilities	<u>\$99.1</u>	<u>\$224.1</u>	<u>\$223.7</u>	<u>\$263.3</u>
Total Liabilities	<u>\$150.4</u>	<u>\$263.3</u>	<u>\$262.2</u>	<u>\$318.1</u>
Member's/Stockholders' Equity:				
Common stock	\$0.0	–	–	–
APIC	293.5	–	–	–
Member's Equity	–	201.0	232.1	257.7
Retained earnings	36.9	–	–	–
Total Member's/Stockholders' Equity	<u>\$330.3</u>	<u>\$201.0</u>	<u>\$232.1</u>	<u>\$257.7</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<u>\$480.7</u>	<u>\$464.3</u>	<u>\$494.3</u>	<u>\$575.8</u>

(1) Includes Laughlin financials since acquisition, May 2006.

## Historical Income Statement

<b>Income Statement</b>	(\$ in millions)						
	Year Ended December 31,				Projected		
	2002	2003	2004	2005	2006E <sup>(1)</sup>	2007E	2008E
Revenues:							
Casino	\$143.1	\$147.9	\$168.0	\$182.9	\$220.8	\$271.1	\$287.2
Hotel	44.3	47.3	54.7	61.9	75.6	85.8	90.2
Food and beverage	56.3	59.6	67.0	70.1	83.7	95.3	97.2
Tower, retail and other income	28.2	30.3	33.8	35.4	35.9	37.3	38.6
Gross Revenues	\$271.9	\$285.1	\$323.4	\$350.3	\$416.0	\$489.6	\$513.2
Less promotional allowances	21.9	22.3	23.4	22.3	30.3	38.7	40.3
Net revenues	\$250.0	\$262.8	\$300.0	\$328.0	\$385.7	\$450.9	\$472.8
Cost and expenses:							
Casino	\$59.9	\$61.3	\$62.0	\$63.2	\$80.1	\$91.6	\$95.2
Hotel	20.1	22.1	24.3	27.0	33.4	37.7	39.8
Food and beverage	43.4	45.0	48.5	51.8	60.1	67.0	68.2
Tower, retail and other operations	14.9	14.0	14.0	15.4	16.9	18.1	19.3
Selling, general and administrative	80.0	75.0	78.7	81.3	107.1	130.0	137.5
Depreciation and amortization	20.2	20.2	23.5	23.3	28.6	35.9	36.5
Pre-opening costs	-	-	-	-	1.9	-	-
(Gain) loss on disposal of assets	0.4	1.4	0.1	0.0	0.2	-	-
Total costs and expenses	\$238.9	\$239.0	\$251.1	\$261.9	\$328.2	\$380.3	\$396.5
Income from operations	\$11.1	\$23.8	\$48.9	\$66.1	\$57.5	\$70.6	\$76.3
Other income (expense):							
Interest income	\$0.7	\$0.4	\$1.0	\$1.6	\$2.2	\$0.4	\$0.4
Interest expense	(6.0)	(5.4)	(18.9)	(18.8)	(21.3)	(22.2)	(22.2)
Total other expense	(\$5.3)	(\$5.0)	(\$17.9)	(\$17.2)	(\$19.0)	(\$21.8)	(\$21.8)
Income before income taxes	\$5.8	\$18.9	\$31.0	\$48.8	\$38.4	\$48.8	\$54.5
Provision (benefit) from income taxes	\$4.9	(\$1.8)	\$10.1	\$16.8	\$12.8	\$17.1	\$19.5
Net income	\$0.9	\$20.7	\$20.9	\$32.0	\$25.6	\$31.7	\$35.0
<b>EBITDA</b>	<b>\$31.3</b>	<b>\$44.1</b>	<b>\$72.4</b>	<b>\$89.4</b>	<b>\$86.1</b>	<b>\$106.5</b>	<b>\$112.9</b>


(1) Includes Laughlin financials since acquisition, May 2006.



## Historical Statement of Cash Flows

<b>Consolidated Statements of Cash Flows</b>	<b>(\$ in millions)</b>				
	Year Ended December 31,				
	2002	2003	2004	2005	2006E <sup>(1)</sup>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net income	\$0.9	\$20.7	\$20.9	\$32.0	\$25.6
Depreciation and amortization	20.2	20.2	23.5	23.3	28.6
(Gain) loss on sale or disposal of assets	0.4	1.4	0.1	(0.0)	0.2
Provision (benefit) for deferred income taxes	1.8	(5.4)	7.4	9.6	0.3
Changes in operating assets and liabilities:					
Restricted cash	-	1.9	(0.4)	(0.1)	0.2
Accounts receivable, net	(0.1)	0.2	0.1	(0.2)	(0.7)
Other current assets	1.8	1.7	0.3	(0.7)	(2.5)
Accounts payable and accrued expenses	5.4	3.7	2.7	(2.3)	11.4
Other	-	3.4	-	0.6	0.1
<b>Net Cash Provided By Operating Activities</b>	<b>\$30.2</b>	<b>\$47.8</b>	<b>\$54.6</b>	<b>\$62.3</b>	<b>\$63.5</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
(Increase) decrease in investments—restricted	(\$1.6)	(\$0.3)	\$0.4	(\$0.3)	(\$0.6)
Sale of marketable securities	-	-	4.2	-	-
Acquisition of property and equipment	(22.1)	(30.4)	(14.0)	(28.2)	(46.9)
Acq. of Flamingo Laughlin, net of cash acquired	-	-	-	-	(109.4)
Payment for construction-in-progress	(0.8)	-	-	-	0.0
Related party receivables	0.4	(0.2)	(0.2)	(0.2)	0.5
Cash proceeds from sale of property and equipment	0.0	0.5	0.4	0.0	0.5
<b>Net Cash Used in Investing Activities</b>	<b>(\$24.1)</b>	<b>(\$30.4)</b>	<b>(\$9.1)</b>	<b>(\$28.7)</b>	<b>(\$156.0)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Debt issuance and deferred financing costs	(\$0.9)	(\$0.1)	(\$1.5)	-	(\$0.5)
Proceeds from line of credit	-	-	-	-	60.0
Proceeds from related party note payable	17.2	7.8	-	-	-
Proceeds from notes payable	-	-	215.0	-	-
Member contribution	0.6	-	28.2	-	-
Capital distribution	-	-	(61.9)	-	-
Acquisition of Arizona Charlie's	-	-	(125.9)	-	-
Payments on line of credit	-	-	-	-	(20.0)
Payments on related party notes payable	(9.3)	(7.2)	(101.3)	-	-
Payments on long-term debt	(0.0)	-	-	-	-
Payments on capital lease obligation	(3.3)	-	(0.2)	(0.5)	(0.5)
Cash acquired from subsidiary contributed by parent	0.3	-	-	-	-
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>\$4.6</b>	<b>\$0.5</b>	<b>(\$47.6)</b>	<b>(\$0.5)</b>	<b>\$39.1</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$10.8</b>	<b>\$17.9</b>	<b>(\$2.1)</b>	<b>\$33.2</b>	<b>(\$53.4)</b>
Cash and cash equivalents—beginning of period	48.6	59.3	77.3	75.2	108.3
<b>Cash And Cash Equivalents—End of Period</b>	<b>\$59.3</b>	<b>\$77.3</b>	<b>\$75.2</b>	<b>\$108.3</b>	<b>\$54.9</b>

(1) Includes Laughlin financials since acquisition, May 2006.



# **Section 5**

# **Management**

## Senior Management Biographies

### **Richard P. Brown—*President and CEO***

Richard Brown has served as President and CEO of the Company since June 2002. Mr. Brown joined the Company in March 2000 as Executive Vice President of Marketing for the Stratosphere and both Arizona Charlie's properties, while also serving as one of three key executives responsible for overall operations of the Stratosphere. In January 2001, he was promoted to COO, responsible for the operations of all three properties, and then to President and CEO in June 2002. Prior to joining the Company, Mr. Brown held executive positions with Harrah's Entertainment and Hilton Gaming. In addition, he has held positions with New York Racing Association, Travelers Companies of Hartford, Connecticut and J. Walter Thompson Company. Mr. Brown holds a bachelors degree in Economics from Southern Connecticut State College.

### **Denise Barton—*Senior Vice President of Support Services and Chief Financial Officer***

Denise Barton has served as Senior Vice President of Support Services and Chief Financial Officer of the Company since February, 2003. Ms. Barton oversees all consolidated support services for the Stratosphere Casino Hotel and Tower, Arizona Charlie's Decatur and Arizona Charlie's Boulder. Ms. Barton joined the Company in August 2002 as Vice President of Finance and Chief Financial Officer of the Stratosphere. Prior to joining the Company, Ms. Barton served in various management and leadership positions in the finance field, most recently as Chief Financial Officer for Lowestfare.com. Ms. Barton spent nine years at KPMG in Las Vegas as audit senior manager, audit manager and senior accountant serving a variety of gaming and hospitality clients, both publicly and privately held. Ms. Barton is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting from Southern Utah University.

### **Ron Lurie—*Executive Vice President and General Manager of Arizona Charlie's Decatur***

Ron Lurie has served as Executive Vice President and General Manager of Arizona Charlie's Decatur since January 1999. Prior to that time, Mr. Lurie held a number of other positions at the property. Mr. Lurie has been involved in the gaming industry for over 25 years, having held positions with IGT and Sigma Games prior to joining the property. Mr. Lurie has served four years as the Mayor of the Las Vegas and 14 years as a Las Vegas City Councilman. Mr. Lurie is a board member and past president of the West Charleston Lion's Club, board member and past president of the Boys & Girls Clubs of Las Vegas, serves on the Board of Governors at Valley Hospital, Board of Directors of Youth Charities of Southern Nevada and Opportunity Village as well as Foundation Board of the Community College of Southern Nevada. He continues to serve in an advisory capacity to many other boards of charitable organizations in Las Vegas.

## **Senior Management Biographies (cont.)**

### **Mark Majetich—*Senior Vice President and General Manager at Arizona Charlie's Boulder***

Mark Majetich has been Vice President and General Manager at Boulder since May 2001. Prior to that, he was Director of Operations at the property. Mr. Majetich originally joined the Company in 2000 as Director of Hotel Operations at Stratosphere. Prior to joining the Company, Mr. Majetich held positions at Excalibur (1992–2000) and Caesars Tahoe (1980–1992). Mr. Majetich serves on the board of directors of the Nick and Kelly Children's Heart Fund, a non-profit charity dedicated to children who have major heart diseases. Mr. Majetich graduated from the University of Nebraska, in Lincoln, with a Bachelor of Science degree in Education.

### **John Lind—*Senior Vice President and General Manager at Laughlin***

Mr. Lind has been the Senior Vice President and General Manager at Flamingo Laughlin since June 14, 2006. Mr. Lind was a Senior Vice President at Ramada Express Hotel/Casino, Laughlin, Nevada from August 1995 to 2005. Prior to that, he was Chief Financial Officer at Lady Luck Casino, Bettendorf, Iowa from December 1994 to August 1995. Prior to that, he held various positions in the gaming industry, including the position of CFO at Peppermill Casinos, Reno, Nevada from April 1984 to June 1993, and Assistant Controller at MGM Grand Hotel/Casino, Reno, Nevada from April 1982 to April 1984. Mr. Lind is a Certified Public Accountant and holds a degree in Business Administration from the University of Montana, in Missoula.



**Section 6**  
**Process Considerations**

## Process Considerations

- Interested parties should submit a written indication of interest (“Indications”) no later than 5:00 pm EST on Friday, March 2, 2007 detailing:
  - Proposed purchase price
  - Proposed transaction structure
  - Proposed sources of financing, including timing and steps to secure committed financing (if it is part of a potential proposal)
  - Detailed due diligence and information request list, including the amount of time required to complete the due diligence investigation
  - Any material terms or conditions that a proposal would be subject to
  - Detail of any anticipated corporate or regulatory approvals and associated timing
- Following receipt of Indications, Bear Stearns will notify a limited number of parties (“Invited Parties”) that they have been invited to continue to work towards a transaction. Invited Parties will have the opportunity to conduct additional due diligence, including:
  - Access to certain members of the Facility’s management team
  - Access to a data room containing business and legal information
- This overview may include certain forward-looking statements and estimates, which are based on assumptions by American Casino and Entertainment Properties, LLC. that may or may not prove to be correct, and the business contains various risks and uncertainties. Accordingly, there can be no assurances that such statements or estimates are accurate, and actual results may vary materially. This overview is not, nor is it intended to be, an offer to purchase any assets of American Casino and Entertainment Properties, LLC.
- All communications regarding interest in this opportunity should be directed to one of the representatives of Bear Stearns listed below, and we request that prospective buyers refrain from contacting the management or employees of American Casino and Entertainment Properties, LLC, directly.

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