

STATION CASINOS INC
Form 11-K
June 29, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005.

OR

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

For the transition period from to .

Commission file number: 000-21640

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

STATION CASINOS, INC. 401(k) RETIREMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**STATION CASINOS, INC.
2411 WEST SAHARA AVENUE
LAS VEGAS, NV 89102**

STATION CASINOS, INC. 401(k) RETIREMENT PLAN

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Participants of
Station Casinos, Inc. 401(k) Retirement Plan:

We have audited the accompanying statements of net assets available for benefits of Station Casinos, Inc. 401(k) Retirement Plan as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan'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. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/Ernst & Young LLP

Las Vegas, Nevada
June 23, 2006

STATION CASINOS, INC.
401(k) RETIREMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

| | December 31, | |
|-----------------------------------|---------------------|---------------|
| | 2005 | 2004 |
| <i>Assets:</i> | | |
| Investments, at fair value | \$ 69,887,266 | \$ 60,888,206 |
| Receivables: | | |
| Participant contributions | 356,366 | 44,604 |
| Employer contributions | 82,993 | 11,679 |
| Total receivables | 439,359 | 56,283 |
| Total assets | 70,326,625 | 60,944,489 |
| <i>Liabilities:</i> | | |
| Contributions refundable | 43,858 | 7,623 |
| Total liabilities | 43,858 | 7,623 |
| Net assets available for benefits | \$ 70,282,767 | \$ 60,936,866 |

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

STATION CASINOS, INC.

401(k) RETIREMENT PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

| | For the years ended December 31, | |
|---|-------------------------------------|-------------------|
| | 2005 | 2004 |
| <i>Additions:</i> | | |
| Additions to net assets attributed to: | | |
| Interest and dividends | \$ 2,656,421 | \$ 752,527 |
| Interest on participant loans | 204,686 | 196,532 |
| Net appreciation in fair value of investments | 2,203,438 | 5,636,094 |
| | 5,064,545 | 6,585,153 |
| <i>Contributions:</i> | | |
| Participant | 10,146,579 | 9,044,611 |
| Employer | 2,253,745 | 2,123,896 |
| | 12,400,324 | 11,168,507 |
| Total additions | 17,464,869 | 17,753,660 |
| <i>Deductions:</i> | | |
| Deductions from net assets attributed to: | | |
| Benefits paid to participants | 8,012,890 | 6,154,243 |
| Administrative expenses | 106,078 | 43,745 |
| Total deductions | 8,118,968 | 6,197,988 |
| Net increase in net assets | 9,345,901 | 11,555,672 |
| Net assets available for benefits: | | |
| Beginning of year | 60,936,866 | 49,381,194 |
| End of year | \$ 70,282,767 | \$ 60,936,866 |

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

STATION CASINOS, INC.

401(k) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. **Description of the Plan**

The following description of the Station Casinos, Inc. 401(k) Retirement Plan (the Plan) provides only general information of the Plan, which has been legally established through a formal retirement Plan Document and Trust Agreement as amended. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

a. **General**

The Plan is a qualified, defined contribution plan that provides participant-directed investment programs to all eligible employees of Station Casinos, Inc. (the Company) and of certain other participating entities who have completed 90 days of service for the Company and have attained the age of 21. Employees who are non-resident aliens that work outside of the United States, who are covered by a collective bargaining agreement, and who are leased from other organizations are not eligible to participate. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

b. **Contributions, Vesting and Allocation**

Participants may make contributions to the Plan of any amount up to 19% of their annual compensation, but not to exceed the maximum dollar limit set by the Internal Revenue Service each year. Participants may make rollover contributions to the Plan. All participant contributions (including rollover contributions) plus actual earnings or losses thereon are immediately 100% vested and are nonforfeitable. Subject to the limitations described below, the Company makes matching contributions to the Plan on behalf of each participant in an amount equal to 50% of the first 4% of compensation that a participant contributes to the Plan as pre-tax contributions. A participant is credited with a year of service for vesting purposes upon completion of 365 days (1 year) of service. A participant begins to vest in that portion of his or her account attributable to the Company's matching contributions as follows:

| Vesting Service | Vesting % |
|------------------|-----------|
| Less than 1 year | 0 |
| 1 year | 20 |
| 2 years | 40 |
| 3 years | 60 |
| 4 years | 80 |
| 5 or more years | 100 |

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Each year the Company may make an additional discretionary profit sharing contribution to the Plan. The discretionary contribution would be allocated among the accounts of eligible participants. Participants become 100% vested in the discretionary contribution after five years of service. In the event of termination of a participant by reason of death or disability, the full value of the participant's account as of the immediately preceding valuation date becomes vested. The Company did not make any discretionary contributions for the years ended December 31, 2005 and 2004.

All contributions are invested in multiples of 1% as designated by the participant. A participant may direct his/her contributions into any of 15 investment options, one of which is the Station Casinos, Inc. Unitized Stock Fund (STN Stock Fund), which consists principally of Station Casinos, Inc. common stock and some interest-bearing cash funds for liquidity purposes. A participant may only invest up to 20% of his or her account balance in the STN Stock Fund. A participant may change his/her investment options daily, subject to certain Plan provisions. Participants should refer to the Plan documents for a complete description of the investment options as well as for the detailed composition of each investment fund.

c. Forfeitures

Subject to applicable regulation and the provisions of the Plan document, the portion of a participant's account that is not vested is forfeited when the participant terminates employment with the Company. These forfeitures shall first be used to pay administrative expenses of the Plan and then are used to reduce future employer contributions payable under the Plan. Forfeitures for the years ended December 31, 2005 and 2004 were approximately \$80,000 and \$160,000, respectively. During 2005 and 2004, the Company applied approximately \$100,000 and \$74,000, respectively, from the forfeiture account to reduce employer contributions. At December 31, 2005 and 2004, the balance in the forfeiture account was approximately \$68,000 and \$87,000, respectively.

d. Payment of Benefits

Upon death, disability, retirement from employment or termination of employment, a participant or designated beneficiary will receive his or her vested account balance in either a lump sum or installment payments as elected by the participant or beneficiary. Participants reaching age 59 ½ or those suffering from an extreme hardship may request a distribution of all or a portion of their vested account. Participants with a vested account balance of less than \$5,000 will receive a distribution in the form of a lump sum payment or an automatic rollover to another qualified vehicle.

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e. Participant Loans

Subject to the rules and limitations contained in the Plan, a participant is able to request a loan up to \$50,000, but not to exceed 50% of the vested amount credited to his or her account. At December 31, 2005 and 2004, there were outstanding participant loans in the amount of \$4.2 million and \$3.9 million, respectively, which approximate the fair value of the loans. The participant loans bear interest at rates commensurate with those charged by persons in the business of lending money for loans that would be made under similar circumstances, which as of December 31, 2005 ranged from 5.0% to 10.5%. The loans require equal repayments of principal and interest (with payments not less than quarterly) over a period not to exceed five years. Loans borrowed specifically for the purpose of obtaining a primary residence can extend up to 10 years.

f. Administration

The Plan is administered by a committee designated by the Company's Board of Directors (the Station 401(k) Plan Administrative Committee).

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements of the Plan are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

b. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

c. Risks and Uncertainties

The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. The Plan's exposure to credit loss in the event of nonperformance of investments is limited to the carrying value of such investments. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

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d. Investment Valuation and Income Recognition

Investments are stated at their current market value measured by the latest available quoted market prices in active markets. Fair value of common/collective trust is determined based on quoted market values of the underlying securities. Participant loans and interest-bearing cash are valued at cost plus accrued interest, which approximates fair value. Investment income is recorded as earned on a daily basis.

3. Investments

Investments are summarized in the following table. Investments that represent 5% or more of the Plan's net assets are separately identified and all remaining investments are included in "Other".

| | December 31, 2005 | 2004 |
|---|------------------------------|----------------------|
| Mutual Funds: | | |
| DWS Capital Growth Fund - A | \$ 18,213,564 | \$ 16,656,839 |
| Templeton Foreign - A | 4,949,232 | 4,276,677 |
| Pimco Total Return | 4,388,028 | 3,303,296 |
| Franklin Flex Cap Growth | 3,854,189 | |
| DWS Aggressive Growth | | 3,526,434 |
| Other | 17,583,510 | 14,743,008 |
| Total Mutual Funds | 48,988,523 | 42,506,254 |
| Collective Investment Trust: | | |
| DWS Stable Value Fund | 8,736,789 | 7,708,358 |
| Station Casinos, Inc. Unitized Stock Fund | 7,931,110 | 6,781,837 |
| Participant Loans | 4,230,844 | 3,891,757 |
| Total Investments | \$ 69,887,266 | \$ 60,888,206 |

During 2005 and 2004, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

| | For the year ended December 31, | |
|------------------------------------|--|--------------|
| | 2005 | 2004 |
| Mutual Funds | \$ 1,574,888 | \$ 2,556,390 |
| Station Casinos, Inc. Common Stock | 628,550 | 3,079,704 |
| Net appreciation of investments | \$ 2,203,438 | \$ 5,636,094 |

4. **Income Tax Status of the Plan**

Effective January 1, 2002, the Company is using a non-standardized prototype plan sponsored by DWS Trust Company, previously known as Scudder Trust Company. The underlying non-standardized prototype plan has received an opinion letter from the Internal Revenue Service (IRS) dated December 10, 2001 stating that the form of the plan is qualified under Section 401 of the Internal Revenue Code, and therefore, the related trust is tax exempt. The Plan has been amended after the issuance of the opinion letter. In accordance with Revenue Procedure 2002-6 and Announcement 2001-77, the Plan Administrator has determined that it is eligible to and has chosen to rely on the current IRS prototype plan opinion letter. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code, and will take any steps required to maintain the qualified status of the Plan. Therefore, they believe that the Plan and all amendments to the Plan are qualified, and the related trust was tax-exempt as of December 31, 2005 and 2004.

5. **Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of the Employee Retirement Income Security Act of 1974. In the event of Plan termination, participants will become 100% vested in their account balances.

6. **Parties-In-Interest**

Certain Plan investments are shares of mutual funds managed by ADP Retirement Services, the Plan's recordkeeper, an affiliate of DWS Trust Company, the trustee of the Plan, and therefore these transactions qualify as party-in-interest transactions. Fees paid by the Plan for administrative and investment management services and loan origination costs amounted to \$106,078 and \$43,745 for the years ended December 31, 2005 and 2004, respectively. All other Plan expenses are paid by the Company. In addition, certain Plan investments are in Station Casinos, Inc. common stock, qualifying these transactions as party-in-interest transactions.

7. **Subsequent Events**

Effective January 1, 2006, the Plan was amended to be a multiple employer plan which includes the Green Valley Ranch 401(k) Retirement Plan and other adopting employers. The balances of the account in the Green Valley Ranch 401(k) Retirement Plan were transferred into the Plan on January 3, 2006. The total amount of funds transferred was approximately \$7.1 million.

STATION CASINOS, INC.401(k) RETIREMENT PLAN

SCHEDULE H, line 4i - SCHEDULE OF ASSETS (HELD END OF YEAR) - DECEMBER 31, 2005

EIN 88-0136443

PLAN NUMBER 002

| Identity of Issue, Borrower, Lessor or Similar Party | Description of Investment Including Maturity, Date, Rate of Interest, Collateral, Par, or Maturity Value | Current Value |
|--|---|---------------|
| * DWS Stable Value Fund | Collective Investment Trust | \$ 8,736,789 |
| * DWS High Income Fund - A | Mutual Fund | 3,107,218 |
| Pimco Total Return | Mutual Fund | 4,388,028 |
| * DWS Value Builder - A | Mutual Fund | 2,905,333 |
| T. Rowe Price Retire 2010 | Mutual Fund | 1,375,493 |
| T. Rowe Price Retire 2020 | Mutual Fund | 1,551,774 |
| T. Rowe Price Retire 2030 | Mutual Fund | 2,013,991 |
| Franklin Flex Cap Growth | Mutual Fund | 3,854,189 |
| Allianz CCM Mid Cap Fund | Mutual Fund | 1,424,177 |
| * DWS Capital Growth Fund - A | Mutual Fund | 18,213,564 |
| * DWS Large Cap Value | Mutual Fund | 1,617,018 |
| * DWS S&P 500 Stock - A | Mutual Fund | 779,776 |
| * DWS Small Cap Growth | Mutual Fund | 2,808,730 |
| Templeton Foreign - A | Mutual Fund | 4,949,232 |
| * Station Casinos, Inc. Unitized Stock Fund | Employer Securities | 7,931,110 |
| * Participant Loans | Interest Rates 5.0 - 10.5%; Maturity dates from January 2006 through January 2016 | 4,230,844 |
| | | \$ 69,887,266 |

* Indicates party-in-interest to the Plan.

EXHIBIT INDEX

Exhibit Number

Description

23.1

Consent of Independent Registered Public Accounting Firm

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 29, 2006

STATION CASINOS, INC. 401(k) RETIREMENT PLAN

By:

/s/ GLENN C. CHRISTENSON
Glenn C. Christenson
Executive Vice President,
Chief Financial Officer,
Chief Administrative Officer and
Treasurer (Principal
Financial and Accounting Officer)