

GENESIS ENERGY LP  
Form SC 13G/A  
February 17, 2009

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 13G/A**

**(Amendment No. 2)**

**Under the Securities Exchange Act of 1934**

**GENESIS ENERGY, L.P.**

**(Name of Issuer)**

**Common Units**

**(Title of Class of Securities)**

**371927**

**(CUSIP Number)**

**June 4, 2008**

**(Date of Event which Requires Filing of this Statement)**

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP No. 371927

Page 2 of 9 Pages

1 NAME OF REPORTING PERSON  
IRS IDENTIFICATION NO. OF REPORTING PERSON:

Denbury Resources Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions):

- (a)
- (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION:

Delaware

5 SOLE VOTING POWER

NUMBER OF (1)

6 SHARED VOTING POWER

BENEFICIALLY OWNED BY (1)

7 SOLE DISPOSITIVE POWER

EACH REPORTING PERSON (1)

8 SHARED DISPOSITIVE POWER

WITH (1)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

4,028,096<sup>(1)</sup>

**10** CHECK IF THE AGGREGATE AMOUNT IN ROW 11 EXCLUDES CERTAIN SHARES (See Instructions):

o

**11** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 11:

10.3%<sup>(2)</sup>

**12** TYPE OF REPORTING PERSON (See Instructions):

CO

(1) 1,199,041 limited partner interests in Genesis Energy, L.P. (the Common Units ) were acquired by Denbury Onshore, LLC on June 4, 2008. Denbury Onshore, LLC, directly beneficially owns and has sole voting and investment power with respect to said 1,199,041 Common Units. Neither Denbury Onshore, LLC nor its direct parent company, Denbury Operating Company is a reporting person as neither holds more than 5% of the outstanding Common Units. Denbury Onshore, LLC is a wholly-owned subsidiary of Denbury Operating Company, which in turn is a wholly-owned subsidiary of Denbury Resources Inc. See Exhibit A.

2,829,055 Common Units are directly beneficially owned by Genesis Energy, LLC, which has sole voting and investment power with respect to the Common Units. Genesis Energy, LLC is a wholly-owned subsidiary of Denbury Gathering & Marketing, Inc., which in turn is a wholly-owned subsidiary of Denbury Resources Inc.

(2) Based on 39,452,000 Common Units of the Issuer issued and outstanding as set forth in the Issuer's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.

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CUSIP No. 371927

Page 3 of 9 Pages

1 NAME OF REPORTING PERSON  
IRS IDENTIFICATION NO. OF REPORTING PERSON:

Denbury Gathering & Marketing, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions):

- (a)
- (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION:

Delaware

5 SOLE VOTING POWER

NUMBER OF (3)

6 SHARED VOTING POWER

BENEFICIALLY OWNED BY (3)

7 SOLE DISPOSITIVE POWER

EACH REPORTING PERSON (3)

8 SHARED DISPOSITIVE POWER

WITH (3)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

2,829,055<sup>(3)</sup>

**10**

CHECK IF THE AGGREGATE AMOUNT IN ROW 11 EXCLUDES CERTAIN SHARES (See Instructions):

o

**11**

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 11:

7.2%

**12**

TYPE OF REPORTING PERSON (See Instructions):

CO

(3) 2,829,055 Common Units are directly beneficially owned by Genesis Energy, LLC, which has sole voting and investment power with respect to the Common Units. Genesis Energy, LLC is a wholly-owned subsidiary of Denbury Gathering & Marketing, Inc., which in turn is a wholly-owned subsidiary of Denbury Resources Inc.

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CUSIP No. 371927

Page 4 of 9 Pages

1 NAME OF REPORTING PERSON  
 IRS IDENTIFICATION NO. OF REPORTING PERSON:

Genesis Energy, LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions):

- (a)
- (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION:

Delaware

5 SOLE VOTING POWER

NUMBER OF 2,829,055

6 SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY -0-

7 SOLE DISPOSITIVE POWER

EACH REPORTING PERSON 2,829,055

8 SHARED DISPOSITIVE POWER

WITH -0-

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

2,829,055

**10** CHECK IF THE AGGREGATE AMOUNT IN ROW 11 EXCLUDES CERTAIN SHARES (See Instructions):

o

**11** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 11:

7.2%

**12** TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

OO

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**Item 1(a) Name of Issuer:**

Genesis Energy, L.P.

**Item 1(b) Address of Issuer s Principal Executive Offices:**

919 Milam, Suite 2100  
Houston, Texas 77002

**Item 2(a) Name of Person Filing:**

Denbury Resources Inc.  
Denbury Gathering & Marketing, Inc.  
Genesis Energy, LLC

**Item 2(b) Address of Principal Business Office or, if None, Residence:**

Genesis Energy, LLC	919 Milam, Suite 2100 Houston, Texas 77002
Denbury Gathering & Marketing, Inc.	5100 Tennyson Parkway, Suite 1200 Plano, Texas 75024
Denbury Resources Inc.	5100 Tennyson Parkway, Suite 1200 Plano, Texas 75024

**Item 2(c) Citizenship:**

Genesis Energy, LLC	Delaware
Denbury Gathering & Marketing, Inc.	Delaware
Denbury Resources Inc.	Delaware

**Item 2(d) Title of Class of Securities:** Common Units

**Item 2(e) CUSIP Number:** 371927

**Item 3 If this statement is filed pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:**

Not applicable.

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This Amendment is being filed to amend and restate Item 4 as follows:

**Item 4 Ownership.**

(a) Amount beneficially owned:

4,028,096 Common Units\*

(b) Percent of Class:

10.3%

(c) Number of Shares as to Which the Person Has:\*\*

(i) sole power to vote or to direct the vote:

Denbury Resources Inc. 0

Denbury Gathering & Marketing, Inc. 0

Genesis Energy, LLC 2,829,055

(ii) shared power to vote or to direct the vote:

Denbury Resources Inc. 0

Denbury Gathering & Marketing, Inc. 0

Genesis Energy, LLC 0

(iii) sole power to dispose or to direct the disposition of:

Denbury Resources Inc. 0

Denbury Gathering & Marketing, Inc. 0

Genesis Energy, LLC 2,829,055

(iv) shared power to dispose or to direct the disposition of:

Denbury Resources Inc. 0

Denbury Gathering & Marketing, Inc. 0

Genesis Energy, LLC 0

\* This Amendment No. 2 is filed to amend Item 4(a) to reflect the acquisition by Denbury Onshore, LLC of 1,199,041 Common Units on June 4, 2008. Denbury

Onshore, LLC directly beneficially owns and has sole voting and investment power with respect to said 1,199,041 Common Units. Neither Denbury Onshore, LLC nor its direct parent company, Denbury Operating Company is reflected as a reporting person in this report as neither holds more than 5% of the outstanding Common Units. Denbury Onshore, LLC is a wholly-owned subsidiary of Denbury Operating Company, which in turn is a wholly-owned subsidiary of Denbury Resources Inc. See Exhibit A.

\*\* 2,829,055 Common Units are directly beneficially owned by Genesis Energy, LLC, which has sole voting and investment power with respect to 2,829,055

Common Units.  
Genesis Energy,  
LLC is a  
wholly-owned  
subsidiary of  
Denbury  
Gathering &  
Marketing, Inc.,  
which in turn is  
a wholly-owned  
subsidiary of  
Denbury  
Resources Inc.

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**Item 5 Ownership of Five Percent or Less of a Class.**

Not Applicable

**Item 6 Ownership of More than Five Percent on Behalf of Another Person.**

Not Applicable

**Item 7 Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company.**

Denbury Onshore, LLC. See Exhibit A.

**Item 8 Identification and Classification of Members of the Group.**

Not Applicable

**Item 9 Notice of Dissolution of Group.**

Not Applicable

**Item 10 Certification.**

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 17, 2009

## DENBURY RESOURCES INC.

By: /s/ Phil Rykhoek  
 Name: Phil Rykhoek  
 Title: Senior Vice President and Chief  
 Financial Officer

DENBURY GATHERING & MARKETING,  
INC.

By: /s/ Phil Rykhoek  
 Name: Phil Rykhoek  
 Title: Senior Vice President and Chief  
 Financial Officer

## GENESIS ENERGY, LLC

By: /s/ Karen Pape  
 Name: Karen Pape  
 Title: Senior Vice President

officer and (iv) all executive officers and Directors as a group. The persons named in the table have sole voting and investment power with respect to all shares beneficially owned, unless otherwise indicated.

Name of Beneficial Owner	Common Stock Beneficially Owned	Percent of Outstanding Common Stock
Craig H. Neilsen	15,479,200(1)	55.6%
Gordon R. Kanofsky	57,966(2)	(3)
Thomas M. Steinbauer	5,454(4)	(3)
Angela R. Frost	31,470(5)	(3)
Peter C. Walsh	80,124(6)	(3)
Larry A. Hodges	40,200(7)	(3)
Joseph E. Monaly	500	(3)
W. Bruce Turner	200	(3)
J. William Richardson	10,000(8)	(3)
Leslie Nathanson Juris	10,000(8)	(3)
All executive officers and Directors as a group (10 persons)	15,715,114(9)	56.0%

(1) Mr. Neilsen's mailing address is c/o Ameristar Casinos, Inc., 3773 Howard Hughes Parkway, Suite 490 South, Las Vegas, Nevada 89109.

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- (2) Includes 6,000 shares held by a family trust (the Kanofsky Trust ) of which Mr. Kanofsky is a co-trustee with his wife, with whom he shares voting and investment power. Includes 51,966 shares which may be acquired within 60 days of March 31, 2005 upon exercise of stock options, which stock options are held by the Kanofsky Trust.
- (3) Represents less than 1% of the outstanding shares of Common Stock.
- (4) Includes 500 shares held jointly by Mr. Steinbauer and his wife and with respect to which Mr. and Mrs. Steinbauer have shared voting and investment power. Includes 4,954 shares which may be acquired within 60 days of March 31, 2005 upon exercise of stock options.
- (5) Includes 31,270 shares which may be acquired within 60 days of March 31, 2005 upon exercise of stock options.
- (6) Consists solely of shares which may be acquired within 60 days of March 31, 2005 upon exercise of stock options. Options are held by a family trust of which Mr. Walsh is a co-trustee with his wife, with whom he shares voting and investment power.
- (7) Includes 39,500 shares which may be acquired within 60 days of March 31, 2005 upon exercise of stock options.
- (8) Consists solely of shares which may be acquired within 60 days of March 31, 2005 upon exercise of stock options.
- (9) Includes 227,814 shares which may be acquired within 60 days of March 31, 2005 upon exercise of stock options.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

To the best of the Company's knowledge, all filings for the year 2004 required to be made by the Company's executive officers and Directors under Section 16(a) of the Securities Exchange Act of 1934, as amended, were made on a timely basis.

**PROPOSAL NO. 2**

**APPROVAL OF AMENDMENT TO**

**AMENDED AND RESTATED 1999 STOCK INCENTIVE PLAN**

On January 28, 2005, the Board of Directors unanimously adopted, subject to stockholder approval at the Annual Meeting, an amendment (the Amendment) to the Ameristar Casinos, Inc. Amended and Restated 1999 Stock Incentive Plan (as amended by the Amendment, the Plan). The Amendment increases the number of shares available to be issued under the Plan by 1,500,000. The primary reason for the Amendment is to allow for the grant of awards under the Plan to employees of the Company and other eligible participants on an ongoing basis.

The Plan is designed to (i) enable the Company and Related Companies (as defined below) to attract, motivate and retain top-quality directors, officers, employees, consultants, advisers and independent contractors, (ii) provide substantial incentives for such persons to act in the best interests of the stockholders of the Company and (iii) reward extraordinary effort by such persons on behalf of the Company or a Related Company. The Plan provides for awards in the form of stock options, which may be either incentive stock options within the meaning of Section 422 of the Code or non-qualified stock options, or restricted stock.

As of March 31, 2005, there were options outstanding under the Plan and the Management Stock Option Incentive Plan, the Company's previous stock option plan, exercisable for 2,509,283 shares of Common Stock with per-share exercise prices ranging from \$2.64 to \$54.83 (with a weighted average exercise price of \$25.91) and with expiration dates ranging from 2008 to 2014. The Plan and the Management Stock Option Incentive Plan are collectively referred to below as the Plans. As of March 31, 2005, 2,452,113 shares of Common Stock had been issued upon the exercise of stock options granted under the Plans, and 538,604 shares were available for future issuance under the Plans. No shares of restricted stock have been granted under the Plan. Prior to the adoption of the Amendment, the Plan authorized the issuance of up to 5,500,000 shares of Common Stock in connection with awards under the Plan, subject to a maximum of 5,500,000 shares issuable under both Plans. As amended, the Plan authorizes the issuance of up to 7,000,000 shares of Common Stock in connection with awards under the Plan, subject to a maximum of 7,000,000 shares issuable under both Plans. Thus, the amendment increases the number of shares issuable under the Plan by 1,500,000 shares. The Board of Directors believes that the Plan has aided the Company in attracting, motivating and retaining quality employees and management personnel.

**The Board of Directors unanimously recommends a vote FOR the approval of the Amendment.**

**Principal Provisions of the Plan**

The following summary of the Plan is qualified in its entirety by reference to the full text of the Plan, which is attached as *Appendix A* to this Proxy Statement.

*Shares.* The total number of shares of Common Stock available for distribution under the Plan, as amended by the Amendment, is 7,000,000; provided, however, that no award of stock options or restricted stock may be made under the Plan at any time if, after giving effect to such award, (i) the total number of shares of Common Stock issued upon the exercise of options under the Plans, plus (ii) the total number of shares of Common Stock issuable upon exercise of all outstanding options under the Plans, plus (iii) the total number of shares of Common Stock underlying awards of restricted stock under the Plan (whether or not the applicable restrictions have lapsed) would exceed 7,000,000.

Shares awarded under the Plan may be authorized and unissued shares or treasury shares. If shares subject to an option under the Plan cease to be subject to such option, or shares under the Plan are forfeited,

such shares will again be available for future distribution under the Plan, unless the forfeiting participant received any benefits of ownership such as dividends from the forfeited award.

*Administration.* The Plan provides for it to be administered by the Compensation Committee of the Board of Directors or such other committee of directors as the Board shall designate, which committee shall consist solely of not less than two non-employee directors (as such term is defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act) or any successor rule (Rule 16b-3)) who shall serve at the pleasure of the Board, each of whom shall also be an outside director within the meaning of Section 162(m) of the Code and Section 1.162-27 of the Treasury Regulations or any successor provision(s) thereto (Section 162(m)). However, if there are not two persons on the Board who meet the foregoing qualifications, any such committee may be comprised of two or more directors of the Company, none of whom is an officer (other than a non-employee Chairman of the Board of the Company) or employee of the Company or a Related Company. If no such committee has been appointed by the Board, the Plan will be administered by the Board. Such committee as shall be designated to administer the Plan or the Board is hereinafter referred to as the Committee.

The Plan is currently administered by the Compensation Committee, which is comprised of three independent directors, each of whom is a non-employee director as defined for purposes of Rule 16b-3 and an outside director as defined for purposes of Section 162(m).

The Committee is authorized to, among other things, set the terms of awards to participants and waive compliance with the terms of such awards. The provisions attendant to the grant of an award under the Plan may vary from participant to participant. The Committee has the authority to interpret the Plan and adopt administrative regulations. The Committee may from time to time delegate to one or more officers of the Company any or all of its authority under the Plan, except with respect to awards granted to persons subject to Section 16 of the Exchange Act. The Committee must specify the maximum number of shares that the officer or officers to whom such authority is delegated may award, and the Committee may in its discretion specify any other limitations or restrictions on the authority delegated to such officer or officers.

*Participation.* The Committee may make awards to any directors, officers, employees, consultants, advisers or independent contractors of the Company or a Related Company, all of whom are eligible to participate in the Plan. A Related Company is any corporation, partnership, joint venture or other entity in which the Company owns, directly or indirectly, at least a 20% beneficial ownership interest. The participants in the Plan are selected from among those eligible in the sole discretion of the Committee.

#### *Awards to Participants*

##### *1. Stock Options*

Incentive stock options (ISOs) and non-qualified stock options may be granted for such number of shares of Common Stock as the Committee determines, provided that no participant may be granted stock options in any calendar year exercisable for more than 1,000,000 shares of Common Stock. A stock option will be exercisable at such times, over such term and subject to such terms and conditions as the Committee determines. The exercise price of stock options is determined by the Committee.

The exercise price of an ISO may not be less than the per-share fair market value of the Common Stock on the date of grant, or 110% of such fair market value if the recipient owns, or would be considered to own by reason of Section 424(d) of the Code, more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary of the Company (a 10% Stockholder). In addition, an ISO may not be exercisable more than 10 years after the date such ISO is awarded (five years after the date of award if the recipient is a 10% Stockholder). An ISO also may not be transferable other than by will or by the laws of descent and distribution. The aggregate fair market value (determined as of the time a stock option is granted) of Common Stock with respect to which ISOs are exercisable for the first time by a participant in any calendar year (under the Plan and any other plans of the Company or any subsidiary or parent corporation) may not exceed \$100,000.

Payment of the exercise price may be made in such manner as the Committee may provide, including cash or delivery of shares of Common Stock already owned or subject to award under the Plan. The Committee may provide that all or part of the shares received upon exercise of an option using restricted stock will be restricted stock.

Upon an optionee's termination of employment or other qualifying relationship, the option will be exercisable to the extent determined by the Committee; provided, however, that unless employment or such other qualifying relationship is terminated for cause (as may be defined by the Committee in connection with the grant of any stock option), the stock option will remain exercisable (to the extent that it was otherwise exercisable on the date of termination) for at least six months from the date of termination if termination was caused by death or disability or at least 90 days from the date of termination if termination was caused by other than death or disability. The Committee may provide that an option that is outstanding on the date of an optionee's death will remain outstanding for an additional period after the date of such death, notwithstanding that such option would expire earlier under its terms.

A stock option agreement for a non-qualified option may permit an optionee to transfer the stock option to his or her children, grandchildren or spouse ( Immediate Family ), to one or more trusts for the benefit of such Immediate Family members, or to one or more partnerships or limited liability companies in which such Immediate Family members are the only partners or members if (i) the agreement setting forth the stock option expressly provides that the option may be transferred only with the express written consent of the Committee, and (ii) the optionee does not receive any consideration in any form whatsoever for such transfer other than the receipt of an interest in the trust, partnership or limited liability company to which the non-qualified option is transferred. Any stock option so transferred will continue to be subject to the same terms and conditions as were applicable to the option immediately prior to its transfer. Except as described above, stock options are not transferable by the optionee otherwise than by will or by the laws of descent and distribution.

## 2. *Restricted Stock*

In making an award of restricted stock, the Committee will determine the periods, if any, during which the stock is subject to forfeiture, and the purchase price, if any, for the stock. The vesting of restricted stock may be unconditional or may be conditioned upon the completion of a specified period of service with the Company or a Related Company, the attainment of specific performance goals or such other criteria as the Committee may determine.

During the restricted period, the award holder may not sell, transfer, pledge or assign the restricted stock, except as may be permitted by the Committee. The certificate evidencing the restricted stock will be registered in the award holder's name, although the Committee may direct that it remain in the possession of the Company until the restrictions have lapsed. Except as may otherwise be provided by the Committee, upon the termination of the award holder's service with the Company or a Related Company for any reason during the period before all restricted stock has vested, or in the event the conditions to vesting are not satisfied, all restricted stock that has not vested will be subject to forfeiture and the Committee may provide that any purchase price paid by the award holder, or an amount equal to the restricted stock's fair market value on the date of forfeiture, if lower, will be paid to the award holder. During the restricted period, the award holder will have the right to vote the restricted stock and to receive any cash dividends, if so provided by the Committee. Stock dividends will be treated as additional shares of restricted stock and will be subject to the same terms and conditions as the initial grant, unless otherwise provided by the Committee.

*Acceleration of Vesting in Certain Circumstances.* Unless the Committee expressly determines otherwise, in the event of any change in control or corporate transaction (each as defined in the Plan): (i) each stock option outstanding under the Plan which is not otherwise fully vested or exercisable with respect to all of the shares of stock at that time subject to such stock option automatically accelerates so that each such stock option becomes, immediately upon the effective time of such event, exercisable for all the shares of stock at the time subject to such stock option and may be exercised for any or all of those shares as fully vested shares of stock; and (ii) all shares of restricted stock outstanding under the Plan which are not otherwise fully vested

automatically accelerate so that all such shares of restricted stock become, immediately upon the effective time of such event, fully vested, free of all restrictions.

*Amendment and Termination.* No awards may be granted under the Plan more than 10 years after the date of approval of the Plan by the stockholders of the Company, which occurred on June 11, 1999. The Board may discontinue the Plan at any earlier time and may amend it from time to time, except that no amendment or discontinuation may adversely affect any outstanding award without the holder's written consent. Amendments may be made without stockholder approval except as required to satisfy any applicable mandatory legal or regulatory requirements, or as required for the Plan to continue to satisfy the requirements of Section 162(m) or Section 422 of the Code or any other non-mandatory legal or regulatory requirements if the Board of Directors deems it desirable for the Plan to satisfy any such requirements.

*Adjustment.* In the event of any merger, reorganization, consolidation, sale of substantially all assets, recapitalization, stock dividend, stock split, spin-off, split-up, split-off, distribution of assets or other change in corporate structure affecting the Common Stock, a substitution or adjustment, as may be determined to be appropriate by the Committee in its sole discretion, will be made in the aggregate number of shares reserved for issuance under the Plan, the maximum number of shares with respect to which stock options may be granted to any participant during any calendar year, the number of shares subject to outstanding awards and the amounts to be paid by award holders or the Company, as the case may be, with respect to outstanding awards. No such adjustment may increase the aggregate value of any outstanding award.

### **Certain Federal Income Tax Consequences**

The following is a summary of certain federal income tax aspects of awards made under the Plan based upon the laws currently in effect. Since the tax consequences to each participant will differ depending on the terms of the award and the participant's specific situation, participants should not rely on this summary for individual tax advice. Rather, each participant should consult his or her own tax advisor regarding the pertinent federal, state and local income tax and other tax consequences of exercising options or owning restricted stock.

#### *1. Incentive Stock Options*

Generally, no taxable income is recognized by the participant upon the grant of an ISO or upon the exercise of an ISO during the period of the participant's employment with the Company or one of its subsidiaries or within three months (12 months, in the event of permanent and total disability, or the term of the option, in the event of death) after termination. However, the exercise of an ISO may result in a significant alternative minimum tax liability to the participant, and thus participants should carefully consider alternative minimum tax consequences prior to exercising an ISO. If the participant continues to hold the shares acquired upon the exercise of an ISO for at least two years from the date of grant and one year from the transfer of the shares to the participant, then generally: (a) upon the sale of the shares, any difference between the amount realized and the option price will be treated as capital gain or loss; and (b) no deduction will be allowed to the employer corporation for federal income tax purposes.

If Common Stock acquired upon the exercise of an ISO is disposed of prior to the expiration of the one-year or two-year holding periods described above (a disqualifying disposition), then generally in the year of disposition: (a) the participant will recognize ordinary income in an amount equal to the excess, if any, of the fair market value of the shares on the date of exercise (or, if less, the amount realized on disposition of the shares) over the option exercise price; and (b) the employer corporation will be entitled to deduct any such recognized amount. Any further gain recognized by the participant on such disposition generally will be taxed as capital gain, but such additional amounts will not be deductible by the employer corporation.

In general, no gain or loss will be recognized by a participant who uses shares of Common Stock rather than cash to exercise an ISO. A number of new shares of Common Stock acquired equal to the number of shares surrendered will have a basis and capital gain holding period equal to those of the shares surrendered (although such shares will be subject to new holding periods for disqualifying disposition purposes beginning on the acquisition date). To the extent new shares of Common Stock acquired pursuant to the exercise of the

ISO exceed the number of shares surrendered, such additional shares will have a zero basis and will have a holding period beginning on the date the ISO is exercised. The use of Common Stock acquired through exercise of an ISO to exercise an ISO will constitute a disqualifying disposition with respect to such Common Stock if the applicable holding period requirement has not been satisfied.

## 2. *Non-Qualified Stock Options*

In general, with respect to non-qualified stock options granted with an exercise price not less than the fair market value of the Common Stock at the time of grant: (a) no income is recognized by the participant at the time the option is granted; (b) upon exercise of the option, the participant recognizes ordinary income in an amount equal to the difference between the option exercise price and the fair market value of the shares on the date of exercise and the employer corporation will be entitled to a tax deduction in the same amount, to the extent that such income is considered reasonable compensation; and (c) at disposition, any appreciation or depreciation after the date of exercise generally is treated as capital gain or loss, and any such appreciation is not deductible by the employer corporation.

No gain or loss will be recognized by a participant with respect to shares of Common Stock surrendered to exercise a non-qualified stock option. A number of new shares acquired equal to the number of shares surrendered will have a tax basis and capital gain holding period equal to those of the shares surrendered. The participant will recognize ordinary income in an amount equal to the fair market value of the additional shares acquired at the time of exercise. Such additional shares will be deemed to have been acquired on the date of such recognition of income and will have a tax basis equal to their fair market value on such date.

In addition to the foregoing consequences, non-qualified stock options granted with an exercise price less than the fair market value of the Common Stock at the time of grant will subject the participant to additional tax and interest under newly enacted Section 409A of the Code, unless the exercisability of such options is restricted in a manner that satisfies the timing requirements of that Section. The employer corporation's deduction is not affected by Section 409A of the Code.

## 3. *Restricted Stock*

A participant receiving restricted stock generally will recognize income in the amount of the fair market value of the restricted stock at the time the stock becomes transferable or is no longer subject to a substantial risk of forfeiture, whichever comes first, less the consideration, if any, paid for the stock. However, a participant may elect within 30 days of the transfer of the restricted stock to the participant, under Section 83(b) of the Code, to recognize ordinary income on the date of grant of the restricted stock in an amount equal to the excess of the fair market value of the shares on such date (determined without regard to the restrictions other than restrictions which by their terms will never lapse) over their purchase price. The participant's holding period generally begins when ordinary income was recognized, and the tax basis for such shares generally will be the amount of income that was recognized plus the amount, if any, paid for the stock. However, if a participant makes the election under Section 83(b) of the Code, in general no deduction will be allowed for the income recognized as a result of that election if the shares are later forfeited to the Company.

## 4. *Dividends*

Dividends paid on restricted stock prior to the date on which the forfeiture restrictions lapse generally will be treated as compensation that is taxable as ordinary income to the participant and will be deductible by the employer corporation. If, however, the participant makes a timely Section 83(b) election with respect to the restricted stock, the dividends will be taxable as ordinary dividend income to the participant and will not be deductible by the employer corporation.

## 5. *Withholding Taxes*

A participant in the Plan may be required to pay the employer corporation an amount necessary to satisfy the applicable federal and state law requirements with respect to the withholding of taxes on wages, or to make some other arrangements to comply with such requirements. The employer has the right to withhold from

salary or otherwise to cause a participant (or the executor or administrator of the participant's estate or the participant's distributee or transferee) to make payment of any federal, state, local or other taxes required to be withheld with respect to any award under the Plan. The Plan authorizes the Committee to permit participants to use the shares issuable under the Plan to satisfy withholding obligations.

#### 6. *Company Deductions*

As a general rule, the Company or one of its subsidiaries will be entitled to a deduction for federal income tax purposes at the same time and in the same amount that a participant in the Plan recognizes ordinary income from awards under the Plan, to the extent that such income is considered reasonable compensation and currently deductible (and not capitalized) under the Code and certain reporting requirements are satisfied.

However, Section 162(m) of the Code limits to \$1,000,000 the annual tax deduction that the Company and its subsidiaries can take with respect to the compensation of each of certain executive officers unless the compensation qualifies as performance-based or certain other exemptions apply. The Company may or may not be subject to the Section 162(m) limitation on the amount of the deduction upon the exercise of a non-qualified stock option, depending on the terms of the award. A non-qualified stock option granted under the Plan (and an ISO, to the extent there is a disqualifying disposition) will only qualify as performance-based compensation under Section 162(m) if the exercise price is not less than the fair market value of the Common Stock on the date of grant and certain other requirements are met. Any stock options granted with an exercise price that is less than the fair market value of the Common Stock on the date of grant generally will be subject to the Section 162(m) limitation. Compensation arising from restricted stock awards under the Plan generally will not qualify as performance-based compensation under the Regulations; therefore, the Company generally will be subject to the Section 162(m) limitation for compensation attributable to an award of restricted stock. Deductions may also be disallowed if they are excess parachute payments as discussed below.

#### 7. *Effect of Change in Control*

The Plan provides generally for the acceleration of vesting of stock options and restricted stock awards in connection with certain events that may constitute a change in ownership or effective control of the Company or sale of a substantial portion of the Company's assets. In that event and depending upon the individual circumstances of the participant, certain amounts with respect to such awards may constitute excess parachute payments under the golden parachute provisions of the Code. Pursuant to these provisions, a participant will be subject to a 20% excise tax on any excess parachute payments and the Company will be denied any deduction with respect to such payments.

#### **Benefits Under the Plan**

As of March 31, 2005, there were approximately 7,500 employees and Directors of the Company and Related Companies eligible to participate in the Plan. The benefits that will be received by or allocated to various participants in the Plan, including the Company's executive officers and Directors, is not currently determinable. Since the Plan does not specify a minimum exercise price for options or minimum purchase price for awards of restricted stock, for federal income tax purposes the maximum compensation payable under the Plan to participants, during the term of the Plan and awards granted thereunder, is equal to the number of shares of Common Stock with respect to which awards may be issued thereunder, multiplied by the value of such shares on the date such compensation is measured. On April 15, 2005, the closing sale price of the Common Stock was \$52.62.

## EXECUTIVE COMPENSATION

### Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board of Directors consists of Messrs. Richardson and Hodges and Ms. Nathanson Juris. None of the members is or was an employee or officer or a former employee or officer of the Company or its subsidiaries.

### Report of the Compensation Committee on Executive Compensation

The Compensation Committee of the Board of Directors administers the Company's stock incentive plans pursuant to which employees of the Company (including its executive officers) may receive stock option and restricted stock grants. The Compensation Committee also determines salaries and other compensation of the executive officers of the Company and determines which employees of the Company are eligible to participate in the Company's Deferred Compensation Plan. None of the actions or recommendations of the Compensation Committee in 2004 were modified or rejected by the Board of Directors.

#### *General Compensation Philosophy*

The Compensation Committee tries to compensate the Company's executive officers in a fashion that will attract, retain, motivate and appropriately reward those individuals who are responsible for the Company's profitability and growth. The compensation of executive officers has historically been determined primarily on subjective factors and competitive requirements.

Compensation for the Company's executive officers in 2004 consisted principally of salary, a cash bonus and the award of stock options. Executive officers also participated in benefit plans available to employees generally, including a medical plan, a 401(k) plan and group life insurance, as well as certain benefit plans available solely to highly compensated employees, including a supplemental medical plan and the Deferred Compensation Plan.

In 2004, the Compensation Committee retained Frederic W. Cook & Co., Inc. ( FWC ), an independent compensation consulting firm, to review the compensation and benefit arrangements for the Company's executive officers. Based on the recommendation of FWC, the Compensation Committee set each officer's total target cash compensation (base salary plus target annual bonus described below) near the median of total target cash compensation paid by a peer group of 15 publicly traded gaming companies identified by FWC: Alliance Gaming Corporation; Argosy Gaming Company; Aztar Corporation; Boyd Gaming Corporation; Caesars Entertainment, Inc.; Dover Downs Gaming & Entertainment, Inc.; Harrah's Entertainment, Inc.; Isle of Capri Casinos, Inc.; Mandalay Resort Group; MGM MIRAGE; Monarch Casino & Resort, Inc.; MTR Gaming Group, Inc.; Penn National Gaming, Inc.; Pinnacle Entertainment, Inc.; and Station Casinos, Inc. (the Peer Group ). In making its determinations as to base salary, the Compensation Committee also took into account certain other factors, including the compensation paid to the executive officers in prior years, the responsibilities of each executive officer and the Chief Executive Officer's subjective assessment of each executive officer's contributions to the Company during 2004. No specific weight was assigned to any particular factor.

For 2004, each of the executive officers was awarded a cash bonus as set forth in the Summary Compensation Table below. The Compensation Committee determined the cash bonuses to be paid to corporate senior management pursuant to the annual bonus program approved in March 2004 and the performance-based bonus plan previously approved by the Company's stockholders for the Company's Chief Executive Officer. The senior management bonus program set forth: (1) a target bonus, expressed as a percentage of base salary, for each member of senior management based on a target level of consolidated earnings before interest, taxes, depreciation and amortization expense ( EBITDA ) expected to be achieved by the Company in 2004; and (2) a formula pursuant to which such executive's actual bonus would be determined as a percentage (not to exceed 200%) of his or her target bonus based on the actual EBITDA achieved by the Company in 2004 and such executive's merit performance grade. While the Compensation Committee retained discretion under the senior management bonus program to adjust each executive's actual

bonus upward or downward from the amount determined by applying the formula, the Compensation Committee did not exercise such discretion in 2004.

The Compensation Committee believes it is both appropriate and important that the long-term economic interests of its executive officers and key employees be aligned with those of the Company's stockholders. In 2004, the Compensation Committee adopted the recommendation of FWC to make annual stock option awards by targeting approximately the median annual fair-value transfer of the Company's Peer Group. Using this methodology, in December 2004, the Compensation Committee awarded to eligible employees, including all executive officers, stock options having a total Black-Scholes grant-date value equal to approximately 1% of the Company's market capitalization. The options were allocated among eligible employees based on each employee's level and base salary. A total of 217,000 options were awarded to the Company's five executive officers, as set forth in the Option Grants in 2004 table below. All options were granted at the market price of the Common Stock on the date of grant (\$42.60), with a term of seven years and annual installment vesting over five years. Prior to the 2004 annual grants, the Company's practice had been to grant options with a term of 10 years.

The Company also maintains a Deferred Compensation Plan, a non-qualified plan that allows highly compensated employees selected by the Compensation Committee (or the Chairman of the Committee acting on delegated authority) to defer a portion of their salary and bonus. The Company matches the first 5% of a participant's salary deferrals and the first 5% of a participant's bonus deferrals, which matching contributions vest over the employee's first five years of participation in the plan. There are currently approximately 65 employees who are participants in the Deferred Compensation Plan, including each of the executive officers.

#### ***Section 162(m) of the Internal Revenue Code***

Section 162(m) of the Code disallows a deduction for federal income tax purposes of most compensation exceeding \$1,000,000 in any year paid to the chief executive officer and the four other most highly compensated executive officers of a publicly traded corporation. The Company was not impacted by Section 162(m) in 2004. The Compensation Committee takes into account the effect of Section 162(m) if the potential compensation payable to any executive officer approaches \$1,000,000, and the Compensation Committee has done so in adopting the Performance-Based Bonus Plan for Craig H. Neilsen, which was approved by the Company's stockholders in 2002 (the Bonus Plan). The Bonus Plan is a qualifying performance-based plan and, as a result, amounts awarded under the Bonus Plan are not subject to the deductibility limitation of Section 162(m). However, the fact that compensation in excess of \$1,000,000 may not be deductible for federal income tax purposes will not necessarily preclude the award of such compensation if the Compensation Committee believes it is otherwise justified.

#### ***Compensation of Chief Executive Officer***

In 2004, the Chief Executive Officer's annual salary was \$750,000, the same as it was in 2003. In determining not to increase Mr. Neilsen's salary for 2004, the Compensation Committee considered the fact that his salary had been increased in 2002 from \$375,000 to \$750,000, the responsibilities of Mr. Neilsen, the other elements of his compensation package and Mr. Neilsen's recommendation. No specific weight was assigned to any particular factor. Mr. Neilsen was also paid \$180,288 in 2004 for unused vacation time accrued in 2003 and 2004 and for which Mr. Neilsen was entitled to be cashed-out pursuant to the Company's policy. Effective January 1, 2005, the Compensation Committee amended the paid time off policy to provide that executive officers may not be cashed-out for unused vacation time prior to termination of employment, except with the prior approval of the Compensation Committee.

In December 2004, the Compensation Committee increased Mr. Neilsen's annual salary to \$850,000, effective January 1, 2005. Consistent with the methodology used for the other executive officers as described above, the Compensation Committee established Mr. Neilsen's total target cash compensation at approximately the median of total target cash compensation paid to chief executive officers by the Company's Peer Group.

Mr. Neilsen was awarded a cash bonus of \$740,324 for 2004. In determining Mr. Neilsen's 2004 bonus, the Compensation Committee implemented the Bonus Plan previously adopted for him. Under the Bonus Plan, the Compensation Committee established: (1) a target bonus for Mr. Neilsen based on a target level of EBITDA expected to be achieved by the Company in 2004; and (2) a formula pursuant to which Mr. Neilsen's actual bonus would be determined as a percentage (not to exceed 200%) of his target bonus, based on the actual EBITDA achieved by the Company in 2004. Under the Bonus Plan, the Compensation Committee retains discretion to adjust Mr. Neilsen's actual bonus downward (but not upward) from the amount determined by applying the formula. The Compensation Committee did not exercise such discretion in 2004.

Prior to 2004, Mr. Neilsen, who owns approximately 56% of the outstanding stock of the Company, had never been granted awards under the Company's stock incentive plans. In December 2004, the Compensation Committee approved the inclusion of Mr. Neilsen in the Company's annual stock option grant program at approximately the median allocation of annual fair-value transfer to chief executive officers by the Company's Peer Group, as determined by FWC. Accordingly, Mr. Neilsen was awarded 105,000 options at the market price of the Common Stock on the date of grant with a term of seven years, as set forth in the Option Grants in 2004 table below.

After reviewing all elements of Mr. Neilsen's compensation with the assistance of FWC, the Compensation Committee believes that his total compensation package is reasonable and appropriate.

*Compensation Committee*

J. William Richardson, Chairman

Larry A. Hodges

Leslie Nathanson Juris

**Summary of Compensation of Named Executive Officers**

The following table sets forth information concerning the annual and long-term compensation earned by the Named Executive Officers for services rendered in all capacities to the Company and its subsidiaries for the fiscal years ended December 31, 2004, 2003 and 2002. The Named Executive Officers include the Chief Executive Officer and the other four executive officers of the Company at December 31, 2004.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation(1)			Long-Term Compensation Awards(4)	All Other Compensation (\$)(5)
		Salary \$(2)	Bonus (\$)	Other Annual Compensation \$(3)	Shares Underlying Options (#)	
Craig H. Neilsen, Chairman of the Board, President and Chief Executive Officer	2004	\$ 930,288	\$740,324		105,000	\$ 93,133
	2003	\$1,110,577	\$914,060		0	\$110,734
	2002	\$ 739,904	\$562,500		0	\$ 74,454
Gordon R. Kanofsky, Executive Vice President(6)	2004	\$ 407,404	\$342,682		41,900	\$ 45,407
	2003	\$ 382,596	\$397,212		24,170	\$ 46,793
	2002	\$ 357,692	\$150,000		27,830	\$ 33,150
Thomas M. Steinbauer, Senior Vice President of Finance and Chief Financial Officer	2004	\$ 314,481	\$198,222		19,800	\$ 33,239
	2003	\$ 309,410	\$219,457		24,770	\$ 33,947
	2002	\$ 331,910	\$125,000		0	\$ 30,291
Peter C. Walsh, Senior Vice President and General Counsel(7)	2004	\$ 325,731	\$241,569		24,400	\$ 35,261
	2003	\$ 310,846	\$261,849		13,140	\$ 35,431
	2002	\$ 218,077	\$103,500		181,240	\$ 18,140
Angela R. Frost, Senior Vice President of Operations	2004	\$ 325,000	\$251,203		25,900	\$ 35,796
	2003	\$ 313,558	\$264,419		13,550	\$ 35,636
	2002	\$ 302,245	\$ 92,000		56,400	\$ 21,628

- (1) Amounts shown include cash compensation earned for the periods reported, whether paid or accrued in such periods.
- (2) Salary includes base salary plus amounts paid in respect of earned but unused vacation time. As of March 31, 2005, the current annual salary levels for the Named Executive Officers were: Mr. Neilsen \$850,000; Mr. Kanofsky \$450,000; Mr. Steinbauer \$330,000; Mr. Walsh \$360,000; and Ms. Frost \$375,000.
- (3) During 2004, 2003 and 2002, the Named Executive Officers received certain personal benefits, including complimentary food, lodging and entertainment at properties owned or leased by the Company, the aggregate amounts of which for each Named Executive Officer did not exceed the lesser of \$50,000 or 10% of the total of the salary and bonus reported for such Named Executive Officer in such years.
- (4) The Named Executive Officers did not receive any restricted stock awards or long-term incentive plan payouts in 2004, 2003 or 2002.

(5) All Other Compensation includes the following amounts:

Name	Year	Company match under 401(k) Plan	Company match under Deferred Comp. Plan	Medical and term life insurance premiums
Craig H. Nielsen	2004	\$4,100	\$ 83,531	\$5,502
	2003	\$4,000	\$101,232	\$5,502
	2002	\$4,000	\$ 65,120	\$5,334
Gordon R. Kanofsky	2004	\$4,100	\$ 37,504	\$3,803
	2003	\$4,000	\$ 38,990	\$3,803
	2002	\$4,000	\$ 25,385	\$3,765
Thomas M. Steinbauer	2004	\$4,100	\$ 25,635	\$3,504
	2003	\$4,000	\$ 26,443	\$3,504
	2002	\$4,000	\$ 22,845	\$3,446
Peter C. Walsh	2004	\$4,100	\$ 28,365	\$2,796
	2003	\$4,000	\$ 28,635	\$2,796
	2002	\$ 0	\$ 14,983	\$3,157
Angela R. Frost	2004	\$4,100	\$ 28,810	\$2,886
	2003	\$4,000	\$ 28,899	\$2,737
	2002	\$4,000	\$ 15,112	\$2,516

(6) Mr. Kanofsky was promoted to Executive Vice President in March 2002. Mr. Kanofsky previously served as the Company's Senior Vice President of Legal Affairs.

(7) Mr. Walsh joined the Company as Senior Vice President and General Counsel in April 2002.

#### Option Grants

The following table sets forth information with respect to grants of stock options to the Named Executive Officers during 2004. All of the stock options described below were non-qualified stock options awarded on December 16, 2004 under the Company's Amended and Restated 1999 Stock Incentive Plan. All of the options vest at the rate of 20% per year on the day immediately preceding each anniversary of the date of grant, expire on the seventh anniversary of the date of grant and have a per-share exercise price equal to the fair market value of the Common Stock on the date of grant. No stock appreciation rights were granted by the Company in 2004.

#### OPTION GRANTS IN 2004

Name	Number of Securities Underlying Options Granted(#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1)		
					0%(\$)	5%(\$)	10%(\$)
Craig H. Nielsen	105,000	11.21%	\$42.60	12/16/2011	0	\$ 1,820,960	\$4,243,612
Gordon R. Kanofsky	41,900	4.47%	\$42.60	12/16/2011	0	\$ 726,650	\$1,693,403
Thomas M. Steinbauer	19,800	2.11%	\$42.60	12/16/2011	0	\$ 343,381	\$ 800,224
Peter C. Walsh	24,400	2.61%	\$42.60	12/16/2011	0	\$ 423,156	\$ 986,135
Angela R. Frost	25,900	2.77%	\$42.60	12/16/2011	0	\$ 449,170	\$1,046,758

(1) These amounts represent the stated assumed rates of appreciation only. The actual value, if any, will depend on the future performance of the Common Stock.

**Option Exercises and Holdings**

The following table sets forth information with respect to the Named Executive Officers concerning the exercise of stock options during 2004 and unexercised options held as of the end of the year.

**AGGREGATED OPTION EXERCISES IN 2004 AND YEAR-END OPTION VALUES**

	Shares Acquired on Exercise(#)	Value Realized \$(1)	Number of Unexercised Options at Fiscal Year-End(#)		Value of Unexercised In-the-Money Options at Fiscal Year-End\$(2)	
			Unexercisable	Exercisable	Unexercisable	Exercisable
Craig H. Neilsen	0	\$ 0	105,000	0	\$ 40,950	\$ 0
Gordon R. Kanofsky	40,000	\$ 1,311,772	91,934	71,966	\$ 1,422,745	\$ 2,562,926
Thomas M. Steinbauer	33,170	\$ 687,501	36,946	4,954	\$ 422,579	\$ 123,108
Peter C. Walsh	0	\$ 0	143,656	75,124	\$ 2,446,755	\$ 1,537,510
Angela R. Frost	55,307	\$ 1,624,460	75,099	25,270	\$ 1,149,890	\$ 554,525

(1) The value realized represents the average of the high and low trading prices of the Company's Common Stock on the Nasdaq National Market on the date of exercise less the exercise price of the options.

(2) The values of unexercised in-the-money options have been determined based on the average of the high and low trading prices of the Company's Common Stock on the Nasdaq National Market on December 31, 2004 (\$42.99) less the exercise price of the options.

**Equity Compensation Plan Information**

The following table presents certain information regarding the Company's equity compensation plans as of December 31, 2004.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(a)	Weighted-average exercise price of outstanding options, warrants and rights(b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))(c)
Equity compensation plans approved by security holders	2,838,024	\$24.10	756,824(1)
Equity compensation plans not approved by security holders			
Total	2,838,024	\$24.10	756,824(1)

(1) Includes 196,370 shares of Common Stock remaining available for future issuance under the Company's 2002 Non-Employee Directors Stock Election Plan.

**Employment Agreements**

The Company and Mr. Kanofsky have entered into an amended and restated employment agreement. The annual term of the employment agreement is subject to automatic renewal at the end of each term unless terminated by either party at least 90 days prior to the expiration of the then-present term. The employment agreement includes a covenant not to compete for a period of two years after termination of Mr. Kanofsky's employment, unless Mr. Kanofsky's employment is terminated within 12 months following a change in control (as defined in the agreement), in which case the term of the covenant not to compete is 12 months. Subject to certain specific exceptions relating to the Las Vegas market, the covenant not to compete applies to competitive activities within a 50-mile radius of any location at which the Company or one of its subsidiaries

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operates a casino or has publicly announced in good faith an intention to operate a casino. The agreement provides that in the event Mr. Kanofsky's employment is terminated by the Company without cause (as defined in the agreement), or by Mr. Kanofsky for good reason, which includes a reduction in his duties or

compensation, he would be entitled to a severance payment in an amount equal to two times his annual base salary in effect at the time. In the event of a change in control of the Company (as defined), the Company must pay to Mr. Kanofsky an amount equal to two times his annual base salary in effect at the time of the change in control whether or not his employment is terminated. In addition, in the event that, within 12 months following a change in control, Mr. Kanofsky's employment is terminated by the Company without cause or by Mr. Kanofsky for good reason, he would be entitled to a severance payment in an amount equal to the greater of his annual base salary in effect at the time of his termination or his annual base salary at the time of the change in control.

The Company and Mr. Steinbauer entered into a three-year employment agreement commencing November 15, 1993, which is subject to automatic renewal for a two-year period at the end of each term unless terminated by either party with at least three months' prior written notice. The employment agreement, as subsequently amended in October 2001 and August 2002, includes a covenant not to compete for a term of one year after termination of his employment. This covenant applies only to competitive activities within a 90-mile radius of the operations of the Company. In the event that Mr. Steinbauer's employment is terminated by the Company without cause (as defined in the agreement), or by Mr. Steinbauer, he will be entitled to: (1) a severance payment of \$275,000; (2) an extension of the exercisability of all of his vested stock options until the later of one year following the termination of his employment or 90 days after the cessation of any qualifying relationship with the Company under the Company's stock option plans; and (3) continuation of his Company-paid primary and supplemental medical coverage for 18 months following his termination of employment.

The Company has entered into employment agreements with each of Mr. Walsh and Ms. Frost, each of which has a one-year term that is subject to automatic renewal at the end of each term unless terminated by either party at least 90 days prior to the expiration of the then-present term. The employment agreements include a covenant not to compete for a period of 12 months after termination of the executive's employment. Subject to certain specific exceptions relating to the Las Vegas market, the covenant not to compete applies to competitive activities within a 50-mile radius of any location at which the Company or one of its subsidiaries operates a casino or has publicly announced in good faith an intention to operate a casino. Each agreement provides that in the event the executive's employment is terminated by the Company without cause (as defined in the agreement), or by the executive for good reason, which includes a reduction in his or her duties or compensation, the executive would be entitled to a severance payment in an amount equal to his or her annual base salary in effect at the time. In the event of a change in control of the Company (as defined), the Company must pay to the executive an amount equal to his or her annual base salary in effect at the time of the change in control whether or not his or her employment is terminated. In addition, in the event that, within 12 months following a change in control, the executive's employment is terminated by the Company without cause or by the executive for good reason, he or she would be entitled to a severance payment in an amount equal to the greater of his or her annual base salary in effect at the time of his or her termination or his or her annual base salary at the time of the change in control.

The Company has entered into an indemnification agreement with each of its Directors and executive officers. These agreements require the Company, among other things, to indemnify such persons against certain liabilities that may arise by reason of their status or service as Directors or officers (other than liabilities arising from actions involving intentional misconduct, fraud or a knowing violation of law), to advance their expenses incurred as a result of a proceeding as to which they may be indemnified and to cover such persons under any directors' and officers' liability insurance policy maintained by the Company. These indemnification agreements are separate and independent of indemnification rights under the Company's Bylaws and are irrevocable.

**PERFORMANCE GRAPH**

The following graph presents a comparison of the performance of the Company's Common Stock with that of the Standard & Poor's 500 Stock Index and the Dow Jones U.S. Gambling Index as of the last trading day of each year from 1999 through 2004.

	Value of \$100 Investment(1)					
	12/99	12/00	12/01	12/02	12/03	12/04
Ameristar Casinos, Inc. Common Stock	\$ 100	\$ 134.43	\$ 657.05	\$ 369.84	\$ 641.84	\$ 1,148.04
S&P 500 Stock Index	100	90.90	80.09	62.39	80.29	89.02
Dow Jones U.S. Gambling Index(2)	100	109.34	120.49	132.59	205.04	272.89

- (1) The graph assumes \$100 invested in the Company's Common Stock, the Standard & Poor's 500 Stock Index and the Dow Jones U.S. Gambling Index on December 31, 1999. The comparison assumes that all dividends are reinvested.
- (2) The Dow Jones U.S. Gambling Index is a published stock price index of certain United States gaming companies weighted on a market capitalization basis.

**REPORT OF AUDIT COMMITTEE**

In conjunction with its activities during the Company's 2004 fiscal year, the Audit Committee has reviewed and discussed the Company's audited financial statements with management of the Company. The members of the Audit Committee have also discussed with the Company's independent accountants the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU Section 380). The Audit Committee has received from the Company's independent accountants the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with the independent accountants their independence. Based on the foregoing review and discussions, the Audit Committee recommended to the Board of Directors

of the Company that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

*Audit Committee*

Joseph E. Monaly, Chairman  
J. William Richardson  
W. Bruce Turner

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Company's independent registered public accounting firm for the fiscal year ended December 31, 2004 was Deloitte & Touche LLP (Deloitte & Touche).

On April 11, 2005, the Company dismissed Deloitte & Touche and engaged the services of Ernst & Young LLP (Ernst & Young) as its new independent registered public accounting firm. The Company's Audit Committee approved the decision to dismiss Deloitte & Touche and to engage Ernst & Young. A representative of Ernst & Young is expected to be present at the Annual Meeting with the opportunity to make a statement if he or she so desires and to respond to appropriate questions. A representative of Deloitte & Touche is not expected to be present at the Annual Meeting.

The reports of Deloitte & Touche on the financial statements of the Company for the fiscal years ended December 31, 2003 and 2004 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the Company's fiscal years ended December 31, 2003 and 2004 and for the period January 1, 2005 through April 11, 2005, there were no disagreements between the Company and Deloitte & Touche on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte & Touche, would have caused Deloitte & Touche to make reference to the subject matter thereof in its report on the Company's financial statements for such periods.

During the Company's fiscal years ended December 31, 2003 and 2004 and for the period January 1, 2005 through April 11, 2005, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K).

At the Company's request, on April 14, 2005, Deloitte & Touche furnished a letter addressed to the Securities and Exchange Commission stating that it agrees with the statements made in the four immediately preceding paragraphs (except for the second and third sentences of the first such paragraph, as to which Deloitte & Touche has no basis to agree or disagree). A copy of such letter is filed as Exhibit 16.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 15, 2005.

During the Company's fiscal years ended December 31, 2003 and 2004 and for the period January 1, 2005 through April 11, 2005, the Company did not consult with Ernst & Young regarding the matters described in, and required to be disclosed pursuant to, Item 304(a)(2)(i) or Item 304(a)(2)(ii) of Regulation S-K.

In addition to performing the audit of the Company's consolidated financial statements, Deloitte & Touche provided various other services to the Company and its subsidiaries during 2004. The aggregate fees

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billed in 2004 and 2003 for each of the following categories of services rendered by Deloitte & Touche are set forth below:

	2004	2003
Audit Fees	\$ 373,516	\$ 572,122
Audit-Related Fees	\$ 766,629(1)	\$ 204,289(3)
Tax Fees	\$ 386,663(2)	\$ 461,246(2)
All Other Fees	\$ 0	\$ 0
Total	\$1,526,808	\$1,237,657

- 
- (1) Includes fees paid in connection with: (i) a Sarbanes-Oxley Act Section 404 readiness project; (ii) the assessment and testing of the Company's internal control over financial reporting and audit of the effectiveness of the Company's internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act; (iii) an employee benefit plan audit; (iv) regulatory compliance audits; and (v) consents and other services related to a Securities and Exchange Commission filing.
  - (2) Includes fees paid in connection with: (a) the preparation of tax returns and claims for refunds; (ii) technical tax research and consultation; (iii) tax planning; (iv) tax advice; and (v) assistance with tax audits and appeals. Of the tax fees paid for 2003, 3.3% were approved by the Audit Committee pursuant to Rule 2-01(c)(7)(1) of the Securities and Exchange Commission's Regulation S-X.
  - (3) Includes fees paid in connection with: (i) a Sarbanes-Oxley Act Section 404 readiness project; (ii) an employee benefit plan audit; (iii) regulatory compliance audits; and (iv) consents and other services related to a Securities and Exchange Commission filing. Of these audit-related fees, 0.8% were approved by the Audit Committee pursuant to Rule 2-01(c)(7)(1) of the Securities and Exchange Commission's Regulation S-X.

The Audit Committee has concluded that the provision of non-audit services by the Company's auditor is compatible with maintaining auditor independence.

### CERTAIN TRANSACTIONS

Craig H. Neilsen employs an around-the-clock staff at his residence who perform, among other things, various administrative and clerical services for Mr. Neilsen relating to Company business matters (such as placing and answering phone calls, reading, drafting and organizing letters, memos and other documents, filing materials, assisting with business meetings conducted by Mr. Neilsen, including arranging meals and beverages, making photocopies and providing other support services). If such services were not performed by Mr. Neilsen's personal staff, the Company would need to hire dedicated executive assistants to provide such administrative support to Mr. Neilsen and the Company. Accordingly, in 2004, the Audit Committee authorized the Company to reimburse Mr. Neilsen for his actual out-of-pocket cost for these business-related services, up to a maximum amount that was established by the Audit Committee based on the cost the Company would incur if it were required to hire executive assistants to perform these administrative services for Mr. Neilsen. In 2004, the Company reimbursed Mr. Neilsen \$328,000 for such expenses incurred by Mr. Neilsen in 2004. It is expected that this reimbursement will continue in 2005 at a maximum level of \$356,375.

Ray Neilsen, the Senior Vice President and General Manager of Ameristar Vicksburg, is the son of Craig H. Neilsen. Ray Neilsen has held various other positions with the Company for the past 13 years. Ray Neilsen received salary and bonus compensation of \$344,058 in 2004, as well as perquisites and other employee benefits.

The Company has adopted a policy requiring transactions with affiliates to be on terms no less favorable to the Company than could be obtained from unaffiliated parties. Each of the transactions described above has been approved by the Company's Board of Directors or Audit Committee. In the opinion of management, the terms of the above transactions were at least as fair to the Company as could have been obtained from unaffiliated parties.

#### **FORM 10-K**

The Company will furnish without charge to each stockholder, upon written request addressed to Ameristar Casinos, Inc., 3773 Howard Hughes Parkway, Suite 490 South, Las Vegas, Nevada 89109, Attention: Corporate Controller, a copy of its Annual Report on Form 10-K for the year ended December 31, 2004 (excluding the exhibits thereto), as filed with the Securities and Exchange Commission. The Company will provide a copy of the exhibits to its Annual Report on Form 10-K for the year ended December 31, 2004 upon the written request of any beneficial owner of the Company's securities as of the record date for the Annual Meeting and reimbursement of the Company's reasonable expenses. Such request should be addressed to Ameristar Casinos, Inc. as specified above.

#### **FUTURE STOCKHOLDER PROPOSALS**

Any stockholder proposal intended to be presented at the 2006 Annual Meeting of Stockholders must be submitted sufficiently far in advance so that it is received by ACI not later than January 20, 2006. In the event that any stockholder proposal is presented at the 2006 Annual Meeting of Stockholders other than in accordance with the procedures set forth in Rule 14a-8 under the Exchange Act, proxies solicited by the Board of Directors for such meeting will confer upon the proxy holders discretionary authority to vote on any matter so presented of which the Company does not have notice prior to April 3, 2006.

#### **OTHER MATTERS**

Neither the Board of Directors nor management knows of matters other than those stated above to be voted on at the Annual Meeting. However, if any other matters are properly presented at the Annual Meeting, the persons named as proxies are empowered to vote in accordance with their discretion on such matters.

The Annual Report to Stockholders of ACI for the year ended December 31, 2004 accompanies this proxy statement, but it is not to be deemed a part of the proxy soliciting material.

#### **PLEASE COMPLETE, SIGN AND RETURN**

#### **THE ENCLOSED PROXY PROMPTLY**

**AMERISTAR CASINOS, INC.**

By order of the Board of Directors

Craig H. Neilsen

*President and Chief Executive Officer*

Las Vegas, Nevada  
April 29, 2005

**APPENDIX A**

**AMERISTAR CASINOS, INC.**

**AMENDED AND RESTATED 1999 STOCK INCENTIVE PLAN**  
(Effective as of January 28, 2005)

**SECTION 1. Purposes.**

The purposes of the Ameristar Casinos, Inc. Amended and Restated 1999 Stock Incentive Plan (the *Plan*) are to (i) enable Ameristar Casinos, Inc. (the *Company*) and Related Companies (as defined below) to attract, motivate and retain top-quality directors, officers, employees, consultants, advisers and independent contractors (including without limitation dealers, distributors and other business entities or persons providing services on behalf of the Company or a Related Company), (ii) provide substantial incentives for such directors, officers, employees, consultants, advisers and independent contractors of the Company or a Related Company ( *Participants* ) to act in the best interests of the stockholders of the Company and (iii) reward extraordinary effort by Participants on behalf of the Company or a Related Company. For purposes of the Plan, a *Related Company* means any corporation, partnership, joint venture or other entity in which the Company owns, directly or indirectly, at least a twenty percent (20%) beneficial ownership interest.

**SECTION 2. Types of Awards.** Awards under the Plan may be in the form of (i) Stock Options or (ii) Restricted Stock.

**SECTION 3. Administration.**

3.1 Except as otherwise provided herein, the Plan shall be administered by the Compensation Committee of the Board of Directors of the Company (the *Board*) or such other committee of directors as the Board shall designate, which committee in either such case shall consist solely of not less than two non-employee directors (as such term is defined in Rule 16b-3 under the Securities Exchange Act of 1934 (the *Exchange Act*) or any successor rule ( *Rule 16b-3* )) who shall serve at the pleasure of the Board, each of whom shall also be an outside director within the meaning of Section 162(m) of the Internal Revenue Code and Section 1.162-27 of the Treasury Regulations or any successor provision(s) thereto ( *Section 162(m)* ); provided, however, that if there are not two persons on the Board who meet the foregoing qualifications, any such committee may be comprised of two or more directors of the Company, none of which is an officer (other than a non-employee Chairman of the Board of the Company) or an employee of the Company or a Related Company. If no such committee has been appointed by the Board, the Plan shall be administered by the Board, and the Plan shall be administered by the Board to the extent provided in the last sentence of this Section. Such committee as shall be designated to administer the Plan, if any, or the Board is referred to herein as the *Committee*. Notwithstanding any other provision of the Plan to the contrary, if such a committee has been designated to administer the Plan, all actions with respect to the administration of the Plan in respect of the members of such committee shall be taken by the Board.

3.2 The Committee shall have the following authority with respect to awards under the Plan to Participants: to grant awards to eligible Participants under the Plan; to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall deem advisable; to interpret the terms and provisions of the Plan and any award granted under the Plan; and to otherwise supervise the administration of the Plan. In particular, and without limiting its authority and powers, the Committee shall have the authority:

(a) to determine whether and to what extent any award or combination of awards will be granted hereunder;

(b) to select the Participants to whom awards will be granted;

(c) to determine the number of shares of the common stock of the Company, \$0.01 par value (the *Stock*), to be covered by each award granted hereunder, provided that no Participant will be granted Stock Options on or with respect to more than 1,000,000 shares of Stock in any calendar year;

(d) to determine the terms and conditions of any award granted hereunder, including, but not limited to, any vesting or other restrictions based on performance and such other factors as the Committee may determine, and to determine whether the terms and conditions of the award are satisfied;

(e) to determine the treatment of awards upon a Participant's retirement, disability, death, termination for cause or other termination of employment or other qualifying relationship with the Company or a Related Company;

(f) to determine that amounts equal to the amount of any dividends declared with respect to the number of shares covered by an award (i) will be paid to the Participant currently or (ii) will be deferred and deemed to be reinvested or (iii) will otherwise be credited to the Participant, or that the Participant has no rights with respect to such dividends;

(g) to determine whether, to what extent, and under what circumstances Stock and other amounts payable with respect to an award will be deferred either automatically or at the election of a Participant, including providing for and determining the amount (if any) of deemed earnings on any deferred amount during any deferral period;

(h) to provide that the shares of Stock received as a result of an award shall be subject to a right of first refusal, pursuant to which the Participant shall be required to offer to the Company any shares that the Participant wishes to sell, subject to such terms and conditions as the Committee may specify;

(i) to amend the terms of any award, prospectively or retroactively; provided, however, that no amendment shall impair the rights of the award holder without his or her consent; and

(j) to substitute new Stock Options for previously granted Stock Options, or for options granted under other plans, in each case including previously granted options having higher option prices.

3.3 All determinations made by the Committee pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and all Participants.

3.4 The Committee may from time to time delegate to one or more officers of the Company any or all of its authorities granted hereunder except with respect to awards granted to persons subject to Section 16 of the Exchange Act. The Committee shall specify the maximum number of shares that the officer or officers to whom such authority is delegated may award, and the Committee may in its discretion specify any other limitations or restrictions on the authority delegated to such officer or officers.

#### SECTION 4. *Stock Subject to Plan.*

4.1 The total number of shares of Stock reserved and available for distribution under the Plan shall be 7,000,000 (subject to adjustment as provided in Section 4.3); provided, however, that no award of a Stock Option or Restricted Stock may be made at any time if, after giving effect to such award, (i) the total number of shares of Stock issued upon the exercise of options under the Plan and the Company's Management Stock Option Incentive Plan, as amended and restated through September 4, 1996 (the Prior Plan) plus (ii) the total number of shares of Stock issuable upon exercise of all outstanding options of the Company under the Plan and the Prior Plan plus (iii) the total number of shares of Stock underlying awards of Restricted Stock under the Plan (whether or not the applicable restrictions have lapsed) would exceed 7,000,000 shares (subject to adjustment as provided in Section 4.3). Shares of Stock issuable in connection with any award under the Plan may consist of authorized but unissued shares or treasury shares.

4.2 To the extent a Stock Option terminates without having been exercised, or shares awarded are forfeited, the shares subject to such award shall again be available for distribution in connection with future awards under the Plan, subject to the limitations set forth in Section 4.1, unless the forfeiting Participant received any benefits of ownership such as dividends from the forfeited award.

4.3 In the event of any merger, reorganization, consolidation, sale of substantially all assets, recapitalization, Stock dividend, Stock split, spin-off, split-up, split-off, distribution of assets or other change in corporate structure affecting the Stock, a substitution or adjustment, as may be determined to be appropriate by the Committee in its sole discretion, shall be made in the aggregate number of shares reserved for issuance

under the Plan, the number of shares subject to outstanding awards and the amounts to be paid by award holders or the Company, as the case may be, with respect to outstanding awards; provided, however, that no such adjustment shall increase the aggregate value of any outstanding award. In the event any change described in this Section 4.3 occurs and an adjustment is made in the outstanding Stock Options, a similar adjustment shall be made in the maximum number of shares covered by Stock Options that may be granted to any employee pursuant to Section 3.2(c).

SECTION 5. *Eligibility.*

Participants under the Plan shall be selected from time to time by the Committee, in its sole discretion, from among those eligible.

SECTION 6. *Stock Options.*

6.1 The Stock Options awarded to officers and employees under the Plan may be of two types: (i) Incentive Stock Options within the meaning of Section 422 of the Internal Revenue Code or any successor provision thereto ( Section 422 ); and (ii) Non-Qualified Stock Options. If any Stock Option does not qualify as an Incentive Stock Option, or the Committee at the time of grant determines that any Stock Option shall be a Non-Qualified Stock Option, it shall constitute a Non-Qualified Stock Option. Stock Options awarded to any Participant who is not an officer or employee of the Company or a Related Company shall be Non-Qualified Stock Options.

6.2 Subject to the following provisions, Stock Options awarded to Participants under the Plan shall be in such form and shall have such terms and conditions as the Committee may determine:

(a) *Option Price.* The option price per share of Stock purchasable under a Stock Option shall be determined by the Committee.

(b) *Option Term.* The term of each Stock Option shall be fixed by the Committee, but in no event longer than one hundred twenty (120) months after the date of grant of such Stock Option.

(c) *Exercisability.* Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee. If the Committee provides that any Stock Option is exercisable only in installments, the Committee may waive such installment exercise provisions at any time in whole or in part.

(d) *Method of Exercise.* Stock Options may be exercised in whole or in part at any time during the option period by giving written notice of exercise to the Company specifying the number of shares to be purchased, accompanied by payment of the purchase price. Payment of the purchase price shall be made in such manner as the Committee may provide in the award, which may include cash (including cash equivalents), delivery of shares of Stock acceptable to the Committee already owned by the optionee or subject to awards hereunder, any other manner permitted by law as determined by the Committee, or any combination of the foregoing. The Committee may provide that all or part of the shares received upon the exercise of a Stock Option which are paid for using Restricted Stock shall be restricted in accordance with the original terms of the award in question.

(e) *No Stockholder Rights.* An optionee shall have no rights to dividends or other rights of a stockholder with respect to shares subject to a Stock Option until the optionee has given written notice of exercise and has paid for such shares.

(f) *Surrender Rights.* The Committee may provide that Stock Options may be surrendered for cash upon any terms and conditions set by the Committee.

(g) *Non-Transferability; Limited Transferability.* A Stock Option Agreement may permit an optionee to transfer the Stock Option to his or her children, grandchildren or spouse ( Immediate Family ), to one or more trusts for the benefit of such Immediate Family members, or to one or more partnerships or limited liability companies in which such Immediate Family members are the only partners or members if (i) the agreement setting forth such Stock Option expressly provides that such Stock Option may be transferred only with the express written consent of the Committee, and (ii) the

optionee does not receive any consideration in any form whatsoever for such transfer other than the receipt of an interest in the trust, partnership or limited liability company to which the non-qualified option is transferred. Any Stock Option so transferred shall continue to be subject to the same terms and conditions as were applicable to such Stock Option immediately prior to the transfer thereof. Any Stock Option not (x) granted pursuant to any agreement expressly allowing the transfer of such Stock Option or (y) amended expressly to permit its transfer shall not be transferable by the optionee otherwise than by will or by the laws of descent and distribution, and such Stock Option shall be exercisable during the optionee's lifetime only by the optionee.

(h) *Termination of Relationship.* If an optionee's employment or other qualifying relationship with the Company or a Related Company terminates by reason of death, disability, retirement, voluntary or involuntary termination or otherwise, the Stock Option shall be exercisable to the extent determined by the Committee; provided, however, that unless employment or such other qualifying relationship is terminated for cause (as may be defined by the Committee in connection with the grant of any Stock Option), the Stock Option shall remain exercisable (to the extent that it was otherwise exercisable on the date of termination) for (A) at least six (6) months from the date of termination if termination was caused by death or disability or (B) at least ninety (90) days from the date of termination if termination was caused by other than death or disability. The Committee may provide that, notwithstanding the option term fixed pursuant to Section 6.2(b), a Stock Option which is outstanding on the date of an optionee's death shall remain outstanding for an additional period after the date of such death.

(i) *Option Grants to Participants Subject to Section 16.* If for any reason any Stock Option granted to a Participant subject to Section 16 of the Exchange Act is not approved in the manner provided for in clause (d)(1) or (d)(2) of Rule 16b-3, neither the Stock Option (except upon its exercise) nor the Stock underlying the Stock Option may be disposed of by the Participant until six months have elapsed following the date of grant of the Stock Option, unless the Committee otherwise specifically permits such disposition.

6.3 Notwithstanding the provisions of Section 6.2, no Incentive Stock Option shall (i) have an option price which is less than one hundred percent (100%) of the Fair Market Value (as defined below) of the Stock on the date of the award of the Stock Option (or less than one hundred ten percent (110%) of the Fair Market Value of the Stock on the date of award of the Stock Option if the Participant owns, or would be considered to own by reason of Section 424(d) of the Internal Revenue Code or any successor provision thereto, more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any parent or subsidiary of the Company at the time of the grant of the Stock Option), (ii) be exercisable more than ten (10) years after the date such Incentive Stock Option is awarded (five (5) years after the date of award if the Participant owns, or would be considered to own by reason of Section 424(d) of the Internal Revenue Code or any successor provision thereto, more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any parent or subsidiary of the Company at the time of the grant of the Stock Option), (iii) be awarded more than ten (10) years after the effective date of the Plan (or the latest restatement of the Plan) or (iv) be transferable other than by will or by the laws of descent and distribution. In addition, the aggregate Fair Market Value (determined as of the time a Stock Option is granted) of Stock with respect to which Incentive Stock Options granted after December 31, 1986 are exercisable for the first time by a Participant in any calendar year (under the Plan and any other plans of the Company or any subsidiary or parent corporation) shall not exceed \$100,000. For purposes of the Plan, Fair Market Value in relation to a share of the Stock means, if the Stock is publicly traded, the mean between the highest and lowest quoted selling prices of the Common Stock on such date or, if not available, the mean between the bona fide bid and asked prices of the Common Stock on such date. In any situation not covered above, the Fair Market Value shall be determined by the Committee in accordance with one of the valuation methods described in Section 20.2031-2 of the Federal Estate Tax Regulations (or any successor provision thereto).

SECTION 7. *Restricted Stock.*

Subject to the following provisions, all awards of Restricted Stock to Participants shall be in such form and shall have such terms and conditions as the Committee may determine:

(a) The Restricted Stock award shall specify the number of shares of Restricted Stock to be awarded, the price, if any, to be paid by the recipient of the Restricted Stock and the date or dates on which, or the conditions upon the satisfaction of which, the Restricted Stock will vest. The vesting of Restricted Stock may be conditioned upon the completion of a specified period of service with the Company or a Related Company, upon the attainment of specified performance goals or upon such other criteria as the Committee may determine.

(b) Stock certificates representing the Restricted Stock awarded to an employee shall be registered in the Participant's name, but the Committee may direct that such certificates be held by the Company on behalf of the Participant. Except as may be permitted by the Committee, no share of Restricted Stock may be sold, transferred, assigned, pledged or otherwise encumbered by the Participant until such share has vested in accordance with the terms of the Restricted Stock award. At the time Restricted Stock vests, a certificate for such vested shares shall be delivered to the Participant (or his or her designated beneficiary in the event of death), free of all restrictions.

(c) The Committee may provide that the Participant shall have the right to vote or receive dividends, or both, on Restricted Stock. The Committee may provide that Stock received as a dividend on, or in connection with a stock split of, Restricted Stock shall be subject to the same restrictions as the Restricted Stock.

(d) Except as may be provided by the Committee, in the event of a Participant's termination of employment or other qualifying relationship with the Company or a Related Company before all of his or her Restricted Stock has vested, or in the event any conditions to the vesting of Restricted Stock have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the award, the shares of Restricted Stock which have not vested shall be forfeited, and the Committee may provide that the lower of (i) any purchase price paid by the Participant and (ii) the Restricted Stock's aggregate Fair Market Value on the date of forfeiture shall be paid in cash to the Participant.

(e) The Committee may waive, in whole or in part, any or all of the conditions to receipt of, or restrictions with respect to, any or all of the Participant's Restricted Stock.

(f) If for any reason any Restricted Stock awarded to a Participant subject to Section 16 of the Exchange Act is not approved in the manner provided for in clause (d)(1) or (d)(2) of Rule 16b-3, the Restricted Stock may not be disposed of by the Participant until six months have elapsed following the date of award of the Restricted Stock, unless the Committee otherwise specifically permits such disposition.

SECTION 8. *Election to Defer Awards.*

The Committee may permit a Participant to elect to defer receipt of an award for a specified period or until a specified event, upon such terms as are determined by the Committee.

SECTION 9. *Tax Withholding.*

9.1 Each Participant shall, no later than the date as of which the value of an award first becomes includible in such person's gross income for applicable tax purposes, pay to the Company, or make arrangements satisfactory to the Committee (which may include delivery of shares of Stock already owned by the optionee or subject to awards hereunder) regarding payment of, any federal, state, local or other taxes of any kind required by law to be withheld with respect to the award. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company (and, where applicable, any Related Company), shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant.

9.2 To the extent permitted by the Committee, and subject to such terms and conditions as the Committee may provide, a Participant may elect to have the withholding tax obligation, or any additional tax obligation with respect to any awards hereunder, satisfied by (i) having the Company withhold shares of Stock otherwise deliverable to such person with respect to the award or (ii) delivering to the Company shares of unrestricted Stock.

SECTION 10. *Amendments and Termination.*

No awards may be granted under the Plan more than ten (10) years after the date of approval of the Plan by the stockholders of the Company. The Board may discontinue the Plan at any earlier time and may amend it from time to time. No amendment or discontinuation of the Plan shall adversely affect any award previously granted without the award holder's written consent. Amendments may be made without stockholder approval except (i) if and to the extent necessary to satisfy any applicable mandatory legal or regulatory requirements (including the requirements of any stock exchange or over-the-counter market on which the Stock is listed or qualified for trading and any requirements imposed under any state securities laws or regulations as a condition to the registration of securities distributable under the Plan or otherwise), or (ii) as required for the Plan to satisfy the requirements of Section 162(m), Section 422 or any other non-mandatory legal or regulatory requirements if the Board of Directors deems it desirable for the Plan to satisfy any such requirements.

SECTION 11. *Acceleration of Vesting in Certain Circumstances.*

11.1 Notwithstanding any other provision of the Plan, unless otherwise determined by the Committee and expressly set forth in the agreement evidencing the Stock Option or Restricted Stock award, in the event of a Change in Control, (i) each Stock Option outstanding under the Plan which is not otherwise fully vested or exercisable with respect to all of the shares of Stock at that time subject to such Stock Option shall automatically accelerate so that each such Stock Option shall, immediately upon the effective time of the Change in Control, become exercisable for all the shares of Stock at the time subject to such Stock Option and may be exercised for any or all of those shares as fully vested shares of Stock, and (ii) all shares of Restricted Stock outstanding under the Plan which are not otherwise fully vested shall automatically accelerate so that all such shares of Restricted Stock shall, immediately upon the effective time of the Change in Control, become fully vested, free of all restrictions.

11.2 Notwithstanding any other provision of the Plan, unless otherwise determined by the Committee and expressly set forth in the agreement evidencing the Stock Option or Restricted Stock award, in the event of a Corporate Transaction, (i) each Stock Option outstanding under the Plan which is not otherwise fully vested or exercisable with respect to all of the shares of Stock at that time subject to such Stock Option shall automatically accelerate so that each such Stock Option shall, immediately prior to the effective time of the Corporate Transaction, become exercisable for all the shares of Stock at the time subject to such Stock Option and may be exercised for any or all of those shares as fully vested shares of Stock, and (ii) all shares of Restricted Stock outstanding under the Plan which are not otherwise fully vested shall automatically accelerate so that all such shares of Restricted Stock shall, immediately prior to the effective time of the Corporate Transaction, become fully vested, free of all restrictions.

11.3 As used in the Plan, a Change in Control shall be deemed to have occurred if:

(a) Individuals who, as of January 24, 2003, constitute the entire Board ( Incumbent Directors ) cease for any reason to constitute a majority of the Board; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by the Company's stockholders, was approved by the vote of a majority of the then Incumbent Directors (other than an election or nomination of an individual whose assumption of office is the result of an actual or threatened election contest relating to the election of directors of the Company), also shall be an Incumbent Director; or

(b) Any Person (as defined below) other than a Permitted Holder (as defined below) shall become the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of securities of the Company representing in the aggregate fifty percent (50%) or more of either (i) the then outstanding shares of Stock or (ii) the Combined Voting Power (as defined below) of

all then outstanding Voting Securities (as defined below) of the Company; provided, however, that notwithstanding the foregoing, a Change in Control shall not be deemed to have occurred for purposes of this clause (b) solely as the result of:

(A) An acquisition of securities by the Company which, by reducing the number of shares of Stock or other Voting Securities outstanding, increases (i) the proportionate number of shares of Stock beneficially owned by any Person to fifty percent (50%) or more of the shares of Stock then outstanding or (ii) the proportionate voting power represented by the Voting Securities beneficially owned by any Person to fifty percent (50%) or more of the Combined Voting Power of all then outstanding voting securities; or

(B) An acquisition of securities directly from the Company, except that this Paragraph (B) shall not apply to:

(1) any conversion of a security that was not acquired directly from the Company; or

(2) any acquisition of securities if the Incumbent Directors at the time of the initial approval of such acquisition would not immediately after (or otherwise as a result of) such acquisition constitute a majority of the Board.

11.4 As used in the Plan, Corporate Transaction means (a) any merger, consolidation or recapitalization of the Company (or, if the capital stock of the Company is affected, any subsidiary of the Company), or any sale, lease or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company (each of the foregoing being an Acquisition Transaction ) where (i) the stockholders of the Company immediately prior to such Acquisition Transaction would not immediately after such Acquisition Transaction beneficially own, directly or indirectly, shares representing in the aggregate more than fifty percent (50%) of (A) the then outstanding common stock of the corporation surviving or resulting from such merger, consolidation or recapitalization or acquiring such assets of the Company, as the case may be (the Surviving Corporation ) (or of its ultimate parent corporation, if any) and (B) the Combined Voting Power of the then outstanding Voting Securities of the Surviving Corporation (or of its ultimate parent corporation, if any) or (ii) the Incumbent Directors at the time of the initial approval of such Acquisition Transaction would not immediately after such Acquisition Transaction constitute a majority of the board of directors of the Surviving Corporation (or of its ultimate parent corporation, if any) or (b) the liquidation or dissolution of the Company.

11.5 For purposes of this Section 11:

(a) Combined Voting Power shall mean the aggregate votes entitled to be cast generally in the election of directors of a corporation by holders of the then outstanding Voting Securities of such corporation;

(b) Permitted Holder shall mean (i) the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company, (ii) to the extent they hold securities in any capacity whatsoever, Craig H. Neilsen and Ray Neilsen and their respective estates, spouses, heirs, ancestors, lineal descendants, stepchildren, legatees and legal representatives, and the trustees of any bona fide trusts of which one or more of the foregoing are the sole beneficiaries or grantors thereof and (iii) any Person controlled, directly or indirectly, by one or more of the foregoing Persons referred to in the immediately preceding clause (ii), whether through the ownership of voting securities, by contract, in a fiduciary capacity, through possession of a majority of the voting rights (as directors and/or members) of a not-for-profit entity, or otherwise;

(c) Person shall mean any individual, entity (including, without limitation, any corporation (including, without limitation, any charitable corporation or private foundation), partnership, limited liability company, trust (including, without limitation, any private, charitable or split-interest trust), joint venture, association or governmental body) or group (as defined in Section 13(d)(3) or 14(d)(2) of the Exchange Act and the rules and regulations thereunder); provided, however, that Person shall not include the Company, any of its subsidiaries, any employee benefit plan of the Company or any of its

majority-owned subsidiaries or any entity organized, appointed or established by the Company or such subsidiary for or pursuant to the terms of any such plan; and

(d) Voting Securities shall mean all securities of a corporation having the right under ordinary circumstances to vote in an election of the board of directors of such corporation.

SECTION 12. *General Provisions.*

12.1 If the granting of any award under the Plan or the issuance, purchase or delivery of Stock thereunder shall require, in the determination of the Committee from time to time and at any time, (i) the listing, registration or qualification of the Stock subject or related thereto upon any securities exchange or over-the-counter market or under any federal or state law or (ii) the consent or approval of any government regulatory body, then any such award shall not be granted or exercised, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions, if any, as shall be acceptable to the Committee. In addition, in connection with the granting or exercising of any award under the Plan, the Committee may require the recipient to agree not to dispose of any Stock issuable in connection with such award, except upon the satisfaction of specified conditions, if the Committee determines such agreement is necessary or desirable in connection with any requirement or interpretation of any federal or state securities law, rule or regulation.

12.2 Nothing set forth in this Plan shall prevent the Board from adopting other or additional compensation arrangements. Neither the adoption of the Plan nor any award hereunder shall confer upon any employee of the Company, or of a Related Company, any right to continued employment, and no award under the Plan shall confer upon any director any right to continued service as a director.

12.3 Determinations by the Committee under the Plan relating to the form, amount, and terms and conditions of awards need not be uniform, and may be made selectively among persons who receive or are eligible to receive awards under the Plan, whether or not such persons are similarly situated.

12.4 No member of the Board or the Committee, nor any officer or employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made with respect to the Plan, and all members of the Board or the Committee and all officers or employees of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

SECTION 13. *Effective Date of Plan.*

The Plan shall be effective upon the approval of the Plan by (i) the Board of Directors of the Company and (ii) the stockholders of the Company acting by a majority of the votes cast at a duly held meeting of stockholders at which a quorum representing at least a majority of the outstanding shares is, either in person or by proxy, present and voting on the Plan.

The Plan was duly approved by the Board of Directors of the Company on December 8, 2000.

6 DETACH PROXY CARD HERE 6

1. Election of director

- AUTHORITY GIVEN** to vote for the nominee listed below (except as indicated to the contrary below)
- WITHHOLD AUTHORITY** to vote for the nominee

(Instructions: To withhold authority to vote for the nominee, check the **WITHHOLD AUTHORITY** box above or strike a line through the nominee's name below.)

Class A Director: **Larry A. Hodges**

2. Proposal to approve an amendment to the Company's Amended and Restated 1999 Stock Incentive Plan to increase the number of shares available for issuance thereunder to 7,000,000.

- FOR**
- AGAINST**
- ABSTAIN**

3. To transact such other business as may properly come before the Meeting or any adjournments or postponements thereof. Neither the Board of Directors nor management currently knows of any other business to be presented by or on behalf of the Company or the Board of Directors at the Meeting.

IF ANY OTHER BUSINESS IS PRESENTED AT THE MEETING, THIS PROXY SHALL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS.

I  DO  DO NOT  EXPECT TO ATTEND THE MEETING.

Number of Persons: \_\_\_\_\_

Dated: \_\_\_\_\_, 2005

\_\_\_\_\_  
(Please Print Name)

\_\_\_\_\_  
(Signature of Stockholder)

\_\_\_\_\_  
(Please Print Name)

(Signature of Stockholder)

Please date this Proxy and sign your name as it appears on your stock certificates. (Executors, administrators, trustees, etc., should give their full titles. All joint owners should sign.)

**6 Please Detach Here 6**

**You Must Detach This Portion of the Proxy Card  
Before Returning it in the Enclosed Envelope**

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**REVOCABLE PROXY**

**AMERISTAR CASINOS, INC.  
ANNUAL MEETING OF STOCKHOLDERS JUNE 17, 2005**

The undersigned stockholder(s) of Ameristar Casinos, Inc. (the Company ) hereby nominates, constitutes and appoints Craig H. Neilsen, Gordon R. Kanofsky and Thomas M. Steinbauer, and each of them, the attorney, agent and proxy of the undersigned, with full power of substitution, to vote all stock of Ameristar Casinos, Inc. which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held at the Venetian Hotel, 3355 Las Vegas Blvd. South, Las Vegas, Nevada 89109, at 2:00 p.m. (local time) on Friday, June 17, 2005, and any and all adjournments or postponements thereof (the Meeting ), with respect to the matters described in the accompanying Proxy Statement, and in their discretion, on such other matters that properly come before the Meeting, as fully and with the same force and effect as the undersigned might or could do if personally present thereat, as follows:

THE BOARD OF DIRECTORS RECOMMENDS (1) A VOTE OF **AUTHORITY GIVEN** FOR THE ELECTION OF THE NOMINEE AS DIRECTOR, AND (2) A VOTE OF **FOR** ON THE PROPOSAL TO APPROVE AN AMENDMENT TO THE COMPANY S AMENDED AND RESTATED 1999 STOCK INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES AVAILABLE FOR ISSUANCE THEREUNDER TO 7,000,000. THIS PROXY CONFERS AUTHORITY TO VOTE AND SHALL BE VOTED **AUTHORITY GIVEN** FOR THE ELECTION OF THE NOMINEE AS DIRECTOR AND **FOR** SUCH OTHER PROPOSAL UNLESS OTHER INSTRUCTIONS ARE INDICATED, IN WHICH CASE THIS PROXY SHALL BE VOTED IN ACCORDANCE WITH SUCH INSTRUCTIONS.

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS AND MAY BE REVOKED PRIOR TO ITS EXERCISE. PLEASE SIGN AND DATE ON THE REVERSE SIDE OF THIS PROXY.**