

AMERISTAR CASINOS INC
Form DEFR14A
May 19, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.1)

Filed by the Registrant x

Filed by a Party other than the Registrant o

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AMERISTAR CASINOS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(3) Filing Party: _____

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AMERISTAR CASINOS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on July 18, 2003

To the Stockholders of Ameristar Casinos, Inc.

The Annual Meeting of Stockholders of Ameristar Casinos, Inc. will be held at 2:00 p.m. (local time) on Friday, July 18, 2003, at the Venetian Hotel, 3355 Las Vegas Boulevard South, Las Vegas, Nevada 89109, for the following purposes:

1. To elect two Class B Directors to serve for a three-year term;
2. To approve an amendment to the Company's Amended and Restated 1999 Stock Incentive Plan; and
3. To transact any other business which may properly come before the meeting or any adjournments or postponements thereof.

A proxy statement containing information for stockholders is annexed hereto and a copy of the Annual Report of the Company for the fiscal year ended December 31, 2002 is enclosed herewith.

The Board of Directors has fixed the close of business on May 20, 2003, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting.

Whether or not you expect to attend the meeting in person, please date and sign the accompanying proxy card and return it promptly in the envelope enclosed for that purpose.

By order of the Board of Directors

CRAIG H. NEILSEN
President and Chief Executive Officer

Las Vegas, Nevada
May 19, 2003

AMERISTAR CASINOS, INC.

3773 Howard Hughes Parkway
Suite 490 South
Las Vegas, Nevada 89109
(702) 567-7000

PROXY STATEMENT

GENERAL INFORMATION

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Ameristar Casinos, Inc. (ACI or the Company), a Nevada corporation, for use only at its Annual Meeting of Stockholders to be held on Friday, July 18, 2003, or any adjournments or postponements thereof (the Annual Meeting). It is anticipated that this proxy statement and accompanying proxy card will first be mailed to stockholders on or about June 3, 2003.

Shares may not be voted unless the signed proxy card is returned or other specific arrangements are made to have shares represented at the meeting. Any stockholder of record giving a proxy may revoke it at any time before it is voted by filing with the Secretary of ACI a notice in writing revoking it, by duly executing a proxy bearing a later date, or by attending the Annual Meeting and expressing a desire to revoke the proxy and vote the shares in person. Stockholders whose shares are held in street name should consult with their brokers or other nominees concerning procedures for revocation. Subject to such revocation, all shares represented by a properly executed proxy card will be voted as directed by the stockholder on the proxy card. **If no choice is specified, proxies will be voted for the persons nominated by the Board of Directors and for the approval of the amendment to the Company s Amended and Restated 1999 Stock Incentive Plan.**

In addition to soliciting proxies by mail, Company officers, Directors and other regular employees, without additional compensation, may solicit proxies personally or by other appropriate means. The total cost of solicitation of proxies will be borne by ACI. Although there are no formal agreements to do so, it is anticipated that ACI will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding any proxy soliciting materials to their principals.

Only stockholders of record at the close of business on May 20, 2003 are entitled to receive notice of and to vote at the Annual Meeting. As of April 22, 2003, the Company had 26,283,620 shares of Common Stock outstanding, which constituted all of the outstanding voting securities of the Company. Each share outstanding on the record date is entitled to one vote on each matter. A majority of the shares of Common Stock outstanding on the record date and represented at the Annual Meeting in person or by proxy will constitute a quorum for the transaction of business.

Directors are elected by a plurality of votes cast. Stockholders may not cumulate their votes in the election of directors. Under Nevada law, the affirmative vote of a majority of the votes actually cast on the proposal to approve the amendment to the Amended and Restated 1999 Stock Incentive Plan and generally on any other proposal that may be presented at the Annual Meeting will constitute the approval of the stockholders. Such approval will also satisfy the requirements of The Nasdaq Stock Market, Inc. for the continued designation of the Common Stock as a National Market Security and the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended, applicable to the deductibility of certain compensation paid to executive officers.

A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal or matter, and so notifies the Company, because the nominee does not have discretionary voting power with respect to that proposal or matter and has not received voting instructions from the beneficial owner. Abstentions and broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business but will not be counted in any of the matters being voted upon at the Annual Meeting. Thus, abstentions and broker non-votes will have no effect on the

election of Directors or the vote on the proposal to approve the amendment to the Amended and Restated 1999 Stock Incentive Plan.

Craig H. Neilsen, the Chairman of the Board, President and Chief Executive Officer of the Company, owns 15,479,200 shares of the Company's Common Stock, which represented approximately 58.9% of the voting power of the Company as of April 22, 2003. Mr. Neilsen intends to vote all such shares for the election as Directors of the persons nominated by the Board of Directors and the approval of the amendment to the Amended and Restated 1999 Stock Incentive Plan. Mr. Neilsen's vote will be sufficient to cause the election of the Directors nominated by the Board of Directors and the approval of such amendment.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Information Concerning the Nominees

The Company's Articles of Incorporation provide that the Board of Directors shall be classified, with respect to the time for which the Directors severally hold office, into three classes, as nearly equal in number as possible as the total number of Directors constituting the entire Board permits. The authorized number of Directors is currently set at six. Of the six incumbent Directors, two are Class B Directors whose terms are expiring in 2003 and who have been nominated for re-election by the Company as described below. Biographical information concerning the nominees and the other Directors of the Company is set forth under the caption "Directors and Executive Officers." See "Security Ownership of Certain Beneficial Owners and Management" for information regarding each such person's holdings of Common Stock.

The Board of Directors has nominated each of the incumbent Class B Directors to be elected for a term expiring at the 2006 Annual Meeting of Stockholders and until such person's successor has been duly elected and qualified, or until his or her earlier death, resignation or removal. The incumbent Class B Directors nominated are Thomas M. Steinbauer and Leslie Nathanson Juris.

The Board of Directors has no reason to believe that its nominees will be unable or unwilling to serve if elected. However, should the nominees named herein become unable or unwilling to accept nomination or election, the persons named as proxies will vote instead for such other person(s) as the Board of Directors may recommend.

The Board of Directors recommends a vote FOR the election of the above-named nominees as Directors.

Directors and Executive Officers

The following sets forth certain information as of April 22, 2003 with regard to each of the Directors and executive officers of the Company. The terms of office of the Class A, B and C Directors expire in 2005, 2003 and 2004, respectively.

Name	Age	Position
Craig H. Neilsen	61	Chairman of the Board, President, Chief Executive Officer and Class C Director
Gordon R. Kanofsky	47	Executive Vice President
Thomas M. Steinbauer	52	Senior Vice President of Finance, Treasurer, Secretary and Class B Director
Angela R. Baker	38	Senior Vice President of Operations
Peter C. Walsh	46	Senior Vice President and General Counsel
Larry A. Hodges*	54	Class A Director
Joseph E. Monaly*	67	Class C Director
Leslie Nathanson Juris	56	Class B Director
W. Bruce Turner*	43	Class A Director

* Member of the Audit and Compensation Committees.

Mr. Neilsen has been Chairman of the Board of Directors, President and Chief Executive Officer of the Company since its inception in August 1993. Since May 1984, Mr. Neilsen has been the President and Chairman of the Board of Directors of Cactus Pete's, Inc., a predecessor and now a subsidiary of the Company. Mr. Neilsen has also been the President and sole director of each of the Company's other subsidiaries since its inception. Mr. Neilsen has been actively involved in the development and operation of all of the Company's properties for more than 15 years. Mr. Neilsen also owns a controlling interest in several other closely held entities, most of which are engaged in real estate development and management operations unrelated to the business of the Company. Since 1987, Mr. Neilsen has devoted substantially all of his business time to the affairs of the Company.

Mr. Kanofsky has been Executive Vice President of the Company since March 2002. Prior to that time, Mr. Kanofsky served as the Company's Senior Vice President of Legal Affairs since September 1999. Mr. Kanofsky was in private law practice in Washington, D.C. and Los Angeles, California from 1980 to September 1999. While in private practice, Mr. Kanofsky represented the Company beginning in 1993. Mr. Kanofsky also represented several other gaming industry clients while in private practice. Mr. Kanofsky is a graduate of the Duke University School of Law and holds an undergraduate degree from Washington University in St. Louis.

Mr. Steinbauer has been Senior Vice President of Finance of the Company since 1995 and Treasurer and a Director since its inception. Mr. Steinbauer was appointed as Secretary of the Company in June 1998. He served as Vice President of Finance and Administration and Secretary of the Company from its inception until 1995. Mr. Steinbauer has more than 20 years of experience in the gaming industry in Nevada and elsewhere. From April 1989 to January 1991, Mr. Steinbauer was Vice President of Finance for Las Vegas Sands, Inc., the owner of the Sands Hotel & Casino in Las Vegas. From August 1988 to April 1989, he worked for McClaskey Enterprises as the General Manager of the Red Lion Inn & Casino, handling the day-to-day operations of seven different hotel and casino properties in northern Nevada. Mr. Steinbauer was Property Controller of Bally's Reno from 1987 to 1988. Prior to that time, Mr. Steinbauer was employed for 11 years by the Hilton Corporation and rose from an auditor to be the Casino Controller of the Flamingo Hilton in Las Vegas and later the Property Controller of the Reno Hilton. Mr. Steinbauer holds Bachelor of Science degrees in Business Administration and Accounting from the University of Nebraska-Omaha. Mr. Steinbauer has previously announced his intention to leave the Company at an unspecified date and the Company is seeking a replacement for him.

Ms. Baker was promoted to Senior Vice President of Operations of the Company in January 2002 and is responsible for overseeing the Company's operations as well as the operational aspects of the Company's construction projects. Ms. Baker has been with the Company or its predecessor, Cactus Pete's, Inc., in various capacities since 1984. Most recently, Ms. Baker was Vice President of Hotel Operations since joining the corporate office in January 2001. Ms. Baker was also instrumental in assisting with the operational transition of the Missouri properties upon their acquisition by the Company in December 2000. Ms. Baker served as the Senior Vice President and General Manager of The Reserve Hotel & Casino in Henderson, Nevada from 1997 until its sale by the Company in January 2001, and was the General Manager of the Company's Jackpot properties from 1995 until moving to The Reserve in 1997. Ms. Baker served in various capacities at the Jackpot properties prior to becoming the General Manager.

Mr. Walsh joined the Company as Senior Vice President and General Counsel in April 2002. From June 2001 to April 2002, he was in private law practice in Las Vegas, Nevada. Mr. Walsh was Assistant General Counsel of MGM MIRAGE from June 2000 to June 2001, also serving as Vice President of that company from December 2000 to June 2001. He was Assistant General Counsel of Mirage Resorts, Incorporated from 1992 until its acquisition by MGM MIRAGE in May 2000. Mr. Walsh is a graduate of UCLA School of Law and holds an undergraduate degree from Loyola Marymount University in Los Angeles.

Mr. Hodges became a Director of the Company in March 1994. Mr. Hodges has more than 30 years' experience in the retail food business. He was President and Chief Executive Officer of Mrs. Fields Original Cookies, Inc. from April 1994 to May 2003, after serving as President of Food Barn Stores, Inc. from July 1991 to March 1994. From February 1990 to October 1991, Mr. Hodges served as president of his own company, Branshan Inc., which engaged in the business of providing management consulting services to food makers and retailers. Earlier, Mr. Hodges was with American Stores Company for 25 years, where he rose to the position of President of two substantial subsidiary corporations. Mr. Hodges' first management position was Vice President of Marketing for Alpha Beta Co., a major operator of grocery stores in the West. Mr. Hodges is also a director of Successories Inc., a manufacturer of motivational home and office décor.

Mr. Monaly became a Director of the Company in April 2001. Mr. Monaly retired in 1989 as an audit partner with Arthur Andersen LLP where he had international responsibility for the firm's gaming industry practice. He has over 20 years' experience in auditing and consulting with gaming companies. He co-authored with leaders of the industry the first authoritative audit and accounting guide for gaming under the auspices of the American Institute of Certified Public Accountants. He has served on various commissions and municipal task forces since his retirement from public accounting. Mr. Monaly is a graduate of the University of Southern California where he earned a Bachelor of Science degree in Accounting.

Ms. Nathanson Juris was elected by the Board of Directors as a Director of the Company in May 2003 to fill a vacancy on the Board. She has over 23 years of experience as a consultant in the areas of implementing strategy and managing complex organizational change. She works with executives to develop strategy, structure, succession, culture and practices to improve organizational performance. Since June 1999, she has been President of Nathanson/Juris Consulting, where she advises executives of both publicly and privately held companies in a broad range of industries. From 1994 to June 1999, she was Managing Partner of Roberts, Nathanson & Wolfson Consulting, Inc. (now known as RNW Consulting), a management consulting firm. Ms. Nathanson Juris holds a Bachelor of Science degree from Tufts University, a Master of Arts degree specializing in management and education from Northwestern University and a Ph.D. degree specializing in organizational behavior from Northwestern University. She is also a director of Successories Inc. and Chas. Levy Company LLC, a nationwide distributor of books and magazines.

Mr. Turner became a Director of the Company in May 2001. Since October 1999, Mr. Turner has served as a director of GTECH Holdings Corporation, a supplier of online lottery systems and services, including serving as its Chairman of the Board from June 2000 through August 2002 and its interim CEO from July 2000 through March 2001. In August 2002, Mr. Turner was appointed as the President and Chief Executive Officer of GTECH, and he also served as the President, Chief Executive Officer and Chief Operating Officer of GTECH from July 2000 to March 2001. Prior to joining GTECH, Mr. Turner worked as an investment analyst in the gaming and leisure industry. Mr. Turner was most recently a Managing Director with Salomon

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Smith Barney (previously Salomon Brothers), which he joined in 1994 as a Vice President of Equity Research. Prior to joining Salomon Smith Barney, Mr. Turner served as the Director of Leisure Equity Research with Raymond James & Associates, a regional financial institution in St. Petersburg, Florida. Mr. Turner is a graduate of the U.S. Military Academy at West Point. He also received a Masters degree in Management and Supervision from Central Michigan University and a Masters in Business Administration degree from the University of Tampa.

Officers serve at the discretion of the Board of Directors.

Key Personnel

The table below sets forth information about key management personnel of the Company.

Name	Age	Position
Ursula Conway	47	Chief Information Officer
Richard deFlon	49	Senior Vice President of Design
Paul Eagleton	39	Vice President of Marketing
Thomas Malone	44	Vice President and Controller
Alan Rose	54	Senior Vice President of Construction

Ms. Conway joined the Company in 2000 as Vice President of Information Technology and was promoted to Chief Information Officer in November 2002. In this position, she is responsible for overseeing the information technology needs of the Company and its subsidiaries. Ms. Conway led the information technology systems conversion of Ameristar Casino Hotel Kansas City and Ameristar Casino St. Charles following the acquisition of those properties in 2000 and also played an integral role in the opening of the new Ameristar Casino St. Charles in August 2002. Prior to joining the Company, Ms. Conway held several positions with Mirage Resorts, Incorporated and consulted with Resources Connection, Arthur Young and Coopers & Lybrand. In her previous positions, Ms. Conway led major software development efforts, restructured IT service organizations, opened major gaming properties (Treasure Island and Bellagio), and prepared tactical and strategic technology plans for an assortment of companies. Ms. Conway, a certified public accountant, holds a Bachelor of Science degree in Management Information Systems from the University of Arizona where she now serves on the MIS Department Board of Advisors.

Mr. deFlon joined the Company as Senior Vice President of Design in October 2001. He is responsible for overseeing all aspects of project design for the Company's properties and is also involved in various other development opportunities for the Company. Prior to joining the Company, Mr. deFlon was a principal partner of Devine deFlon Yaeger, Inc., an architectural firm. Prior to leading Devine deFlon Yaeger, Inc., Mr. deFlon served as a Vice President and Director of Sports Practice at the leading architectural and design firm Ellerbe Becket. Prior to his association with Ellerbe Becket, Mr. deFlon was a founding principal and Senior Vice President at the architectural and design firm HOK's Sports Facilities Group. In his previous positions, Mr. deFlon played a leading role in the design of such projects as the MGM Grand Garden Arena in Las Vegas, the Olympic Stadium in Atlanta, Georgia and Oriole Park at Camden Yards in Baltimore, Maryland. Mr. deFlon holds Bachelor of Science degrees in Architecture and Environmental Design from the University of Kansas.

Mr. Eagleton has been the Company's Vice President of Marketing since 1999. Before joining the Company, he served from 1995 to 1999 as Senior Vice President of Television Marketing for Rysher Entertainment, then a division of Cox Broadcasting. He has also held marketing and sales positions with ITC Entertainment (Polygram/ Universal), Fox Broadcasting and American Motors (Chrysler). Mr. Eagleton earned a Masters in Business Administration degree in Marketing from the University of Michigan, Ann Arbor, and an undergraduate degree from the University of California, Los Angeles.

Mr. Malone became the Company's Vice President and Controller in July 2002. In such capacity, he is responsible for the accounting and financial reporting functions of the Company and its subsidiaries. Mr. Malone joined the Company in June 2001 and served as Director of Internal Audit until his promotion.

Prior to joining the Company, he was a partner with KPMG, a big-four accounting and consulting firm with extensive international clientele. Mr. Malone has more than 15 years of domestic and international experience in audit and assurance-related services within the hospitality, construction and real estate industries. Mr. Malone has a Bachelor of Science degree in Accounting from the University of Illinois.

Mr. Rose joined the Company as Senior Vice President of Construction in May 2001 and is responsible for directing construction activities at all of the Company's properties. Mr. Rose has more than 30 years of construction management experience in the hospitality and entertainment industries. Prior to joining the Company, he was Vice President of Walt Disney Imagineering and managed major projects ranging in size from \$100 million to \$300 million. He has been involved in the concept, design and construction of hotels and resorts in Florida and California, including the Grand California Hotel and Downtown Disney, the Coronado Springs Hotel, City of Celebration, BoardWalk Inn and Villas, the Disney Institute and Villas at Vero Beach Resort, as well as the Hilton Head Island Resort in South Carolina. Mr. Rose has a Bachelor of Science degree in Civil Engineering from The Ohio State University.

Board of Directors and Committees

Directors are elected to serve staggered three-year terms and until their successors are duly elected and qualified. Each Director who is not employed by the Company (referred to as an Outside Director) receives an annual Director's fee of \$30,000, paid quarterly, plus \$1,000 for each Board meeting (and each Board committee meeting held other than in conjunction with a Board meeting) attended in person. The Chairman of the Audit Committee receives an additional annual fee of \$5,000 for service in such capacity. Pursuant to the Company's 2002 Non-Employee Directors' Stock Election Plan, each Outside Director may elect to be paid all or a portion of his Director's fee in shares of the Company's Common Stock in lieu of cash.

The Board has adopted a general policy of granting options to purchase 10,000 shares of Common Stock to each new Outside Director who joins the Board and options to purchase 7,500 shares of Common Stock to each Outside Director on the date of each annual meeting of stockholders so long as such Outside Director has held such position for at least six months. All options granted pursuant to the policy vest on the first anniversary of the grant date. The Company also reimburses each Outside Director for reasonable out-of-pocket expenses incurred in his capacity as a member of the Board or its committees. No payments are made for participation in telephonic meetings of the Board or its committees or actions taken in writing. The Board held four meetings during 2002.

Mr. Monaly served as the Chairman, and Messrs. Hodges and Turner served as members, of the Audit Committee during 2002. Each of the members of the Audit Committee is independent, as such term is defined in Rule 4200(a)(14) of the National Association of Securities Dealers, Inc.'s listing standards. The Board of Directors adopted a written charter for the Audit Committee in May 2000, which it amended in June 2002. The Audit Committee Charter, as amended, is included as *Appendix A* hereto. The functions of the Audit Committee include selecting the Company's independent public accountants and approving the terms of their engagement, approving the terms of any other services to be rendered by the independent public accountants, discussing with the independent public accountants the scope and results of their audit, reviewing the Company's audited financial statements, considering matters pertaining to the Company's accounting policies, reviewing the adequacy of the Company's system of internal controls and providing a means for direct communication between the independent public accountants and the Board of Directors. The Audit Committee held five meetings during 2002.

Mr. Hodges served as the Chairman, and Messrs. Monaly and Turner served as members, of the Compensation Committee during 2002. The Board of Directors has adopted a written charter for the Compensation Committee, which is included as *Appendix B* hereto. The functions of the Compensation Committee include reviewing and approving compensation for the Chief Executive Officer and other executive officers, reviewing and making recommendations with respect to the executive compensation and benefits philosophy and strategy of the Company, administering the Company's stock-based incentive compensation plans and selecting participants for the Company's Deferred Compensation Plan. The Compensation Committee held seven meetings during 2002.

The Company has no nominating committee or committee performing similar functions.

In light of the addition of Ms. Nathanson Juris as an Outside Director, the Board expects to reconsider the composition of the Board committees following the Annual Meeting.

Each Director attended all of the meetings of the Board of Directors and each committee thereof on which such Director served during 2002, except that Mr. Turner did not attend one Audit Committee meeting and one Compensation Committee meeting.

The Company's Gaming Compliance Program requires one of the members of the Company's Compliance Committee to be an Outside Director of the Company. Mr. Hodges has been appointed by the Board of Directors as the chairman of the Compliance Committee. For these additional services as a Director, Mr. Hodges receives compensation of \$1,000 per meeting, whether attended in person or by telephone. The Compliance Committee held four meetings during 2002. Mr. Steinbauer is also a member of the Compliance Committee, but he does not receive any separate compensation for these services.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as of April 11, 2003 concerning beneficial ownership of the Common Stock, as that term is defined in the rules and regulations of the Securities and Exchange Commission, by: (i) all persons known by the Company to be beneficial owners of more than 5% of the outstanding Common Stock, (ii) each Director, (iii) each executive 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)	58.9%
Kornitzer Capital Management, Inc. Capital Research and Management Company	1,569,809(2) 1,388,140(3)	6.0% 5.3%
Gordon R. Kanofsky	54,600(4)	(5)
Thomas M. Steinbauer	26,200(6)	(5)
Angela R. Baker	55,323(7)	(5)
Peter C. Walsh	25,000(4)	(5)
Larry A. Hodges	40,500(4)	(5)
Joseph E. Monaly	18,000(8)	(5)
Leslie Nathanson Juris	0	
W. Bruce Turner	18,916(8)	(5)
All executive officers and Directors as a group (9 persons)	15,717,739	59.3%

- (1) Mr. Neilsen's mailing address is c/o Ameristar Casinos, Inc., 3773 Howard Hughes Parkway, Suite 490 South, Las Vegas, Nevada 89109.
- (2) Kornitzer Capital Management, Inc.'s mailing address is 5420 West 61st Place, Shawnee Mission, Kansas 66205. Information regarding Kornitzer Capital Management, Inc., a registered investment adviser, is as of December 31, 2002 and is derived from its Schedule 13G filed with the Securities and Exchange Commission.
- (3) Capital Research and Management Company's mailing address is 333 South Hope Street, Los Angeles, California 90071. Information regarding Capital Research and Management Company, a registered investment adviser, is as of December 31, 2002 and is derived from its Schedule 13G filed with the Securities and Exchange Commission.
- (4) Consists solely of shares which may be acquired within 60 days of April 11, 2003 upon exercise of stock options.

- (5) Consists of less than 1% of the outstanding shares of Common Stock.
- (6) Includes 25,700 shares which may be acquired within 60 days of April 11, 2003 upon exercise of stock options and 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.
- (7) Includes 55,123 shares which may be acquired within 60 days of April 11, 2003 upon exercise of stock options.
- (8) Includes 17,500 shares which may be acquired within 60 days of April 11, 2003 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 2002 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

In January 2003, 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 900,000. 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 Internal Revenue Code of 1986, as amended (the Code), or non-qualified stock options, or restricted stock.

As of April 11, 2003, there were options outstanding under the Plan and the Management Stock Option Incentive Plan, the Company's previous stock option plan, exercisable for 2,787,435 shares of Common Stock with per-share exercise prices ranging from \$2.64 to \$29.80 (with a weighted average exercise price of \$11.77) and with expiration dates ranging from 2003 to 2013. The Plan and the Management Stock Option Incentive Plan are collectively referred to below as the Plans. As of April 11, 2003, 1,018,204 shares of Common Stock had been issued upon the exercise of stock options granted 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 4,600,000 shares of Common Stock in connection with awards under the Plan, subject to a maximum of 4,600,000 shares issuable under both Plans. As amended, the Plan authorizes 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. Thus, the amendment increases the number of shares issuable under the Plan (and Plans) by 900,000 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 C* 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 5,500,000; 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 5,500,000.

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 which 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 the Company's 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 and 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, prior to the exercise of an option or acquisition of restricted stock, 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 long-term capital gain or loss; and (b) no deduction will be allowed to the employer corporation for federal income tax purposes. The Internal Revenue Service has

issued a notice stating that they are considering whether the exercise of an ISO or disposition of ISO shares is subject to withholding of federal income taxes or FICA taxes. This notice provides that any determination on these issues will be prospective only. Nevertheless, it is possible that the exercise of an ISO, or the disposition of ISO shares, will result in federal income tax and FICA withholding.

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 short-term or long-term capital gain, depending on whether the shares were held by the participant for more than one year, but such additional amounts will not be deductible by the employer corporation.

According to proposed Treasury Regulations, 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*

Except as noted below with respect to officers and directors subject to Section 16 of the Exchange Act (Insiders), with respect to non-qualified stock options: (a) no income is recognized by the participant at the time the option is granted; (b) generally 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 either as short-term or long-term capital gain or loss, depending on whether the shares were held by the participant for more than one year, 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 (except as noted below with respect to Insiders). 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.

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 holding period to determine whether the participant has long-term or short-term capital gain on a subsequent

disposition of the shares 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. *Special Rules Applicable to Insiders*

Insiders may be subject to special tax rules upon the exercise of an option if the sale of the underlying shares could give rise to liability under Section 16(b) of the Exchange Act, and the tax consequences of the award of restricted stock to an Insider may differ depending on whether the Insider makes an election under Section 83(b) of the Code.

5. *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.

6. *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.

7. *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.

8. *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 April 22, 2003, there were approximately 7,000 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 22, 2003, the closing sale price of the Common Stock was \$12.78.

EXECUTIVE COMPENSATION

Compensation Committee Interlocks and Insider Participation

In 2002, the Compensation Committee of the Board of Directors consisted of Messrs. Hodges, Monaly and Turner. None of the members is 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 (including the Management Stock Option Incentive Plan, as amended (which was terminated in June 1999) and the Amended and Restated 1999 Stock Incentive Plan), 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 2002 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 awarded in 2002 consisted principally of salary and a discretionary cash bonus. 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 to highly compensated employees, including a supplemental medical plan and the Deferred Compensation Plan.

In making its determinations as to the amount of cash compensation to be paid, the Compensation Committee considered, among other things, (i) the Company's financial results during 2002, (ii) the extraordinary services rendered by the executive officers during the year, including services in connection with

the construction and opening of the Company's new St. Charles casino and entertainment facility, (iii) the market performance of the Company's stock (see Performance Graph below), (iv) the compensation paid to the executive officers in prior years, (v) the recommendation of the Company's Chief Executive Officer and (vi) the amount of compensation paid by the Company's competitors to their executive officers. No specific weight was assigned to any particular factor. In 2002, each of the executive officers was awarded a cash bonus as set forth in the Summary Compensation Table below.

In 2002, the Compensation Committee, or the Chairman of the Compensation Committee acting on delegated authority, awarded stock options to 119 employees of the Company or its subsidiaries to purchase an aggregate of 1,264,220 shares of the Company's Common Stock. The per-share exercise price of these stock options ranged from \$12.12 to \$29.80, with a weighted average per-share exercise price of \$19.38. Of these options, a total of 265,470 options were awarded to three executive officers of the Company, Messrs. Kanofsky and Walsh and Ms. Baker, as set forth in the Option Grants in 2002 table below.

The Compensation Committee believes it is both appropriate and important that the long-term economic interests of its executive officers be aligned with those of the Company's stockholders. In 2002, following a review of the Company's equity compensation structure by an independent compensation consultant, the Compensation Committee adopted a new equity compensation program for the Company. This program provides for the annual award of stock options to all eligible employees, including executive officers, based primarily on the grant-date value of the options as a percentage of the employee's base salary. At the same time, the number of options awarded to new employees upon hire has been significantly reduced compared to the Company's prior practice. The Compensation Committee believes that the new program is more consistent with prevailing compensation practices and provides a more effective incentive to executive officers and other key employees to remain with the Company. The first annual awards under the new program were made in December 2002.

The Company also maintains its Deferred Compensation Plan, a non-qualified plan that allows highly compensated employees selected by the Compensation Committee 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 43 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 2002. In future years, the Compensation Committee intends to take into account the effect of Section 162(m) if the 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

The Company's Chief Executive Officer is in a unique compensation position in that he owns approximately 58.9% of the outstanding stock of the Company. He has not been granted any awards under the Company's stock incentive plans, and the Compensation Committee is not inclined to grant any such awards. The Compensation Committee believes that the long-term interests of the Chief Executive Officer are already aligned with those of the stockholders. In the opinion of the Compensation Committee, awards under the Company's stock incentive plans to the Chief Executive Officer would not provide a material incentive to him.

The Compensation Committee believes that the Chief Executive Officer should be compensated primarily by cash and deferred compensation.

In 2002, the Company's Chief Executive Officer's annual salary was increased from \$375,000 to \$750,000 and he was awarded a cash bonus of \$562,500. In determining Mr. Neilsen's salary, the Compensation Committee took into account the factors described above for the Company's executive officers generally, as well as the fact that Mr. Neilsen had not received a salary increase since 1990.

In determining Mr. Neilsen's bonus for 2002, the Compensation Committee implemented the Bonus Plan. Under the Bonus Plan, the Compensation Committee established: (1) a target bonus for Mr. Neilsen based on a target level of consolidated earnings before interest, taxes, depreciation and amortization expense (EBITDA) expected to be achieved by the Company in 2002; and (2) a formula pursuant to which Mr. Neilsen's actual bonus would be determined as a percentage of his target bonus (not to exceed 200%) based on the actual EBITDA achieved by the Company in 2002. Under the Bonus Plan, the Compensation Committee also retains discretion to adjust Mr. Neilsen's actual bonus downward (but not upward) from the amount determined by applying the formula. After applying the formula to determine the preliminary bonus amount for Mr. Neilsen, the Compensation Committee used its discretion to reduce Mr. Neilsen's actual bonus for 2002 to \$562,500. The decision to reduce Mr. Neilsen's actual bonus was based on the factors described above with respect to the other executive officers of the Company, with particular focus on the Company's financial results during 2002 and the impact this had on annual bonuses paid to the Company's other executive officers.

Compensation Committee

Larry A. Hodges, Chairman

Joseph E. Monaly

W. Bruce Turner

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, 2002, 2001 and 2000. The Named Executive Officers include the Chief

Executive Officer of the Company the other four most highly compensated executive officers of the Company at December 31, 2002.

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. Nielsen, Chairman of the Board, President and Chief	2002	\$739,904	\$562,500		0	\$74,454
	2001	\$375,000	\$375,000		0	\$22,576
	2000	\$375,000				