

CEDAR FAIR L P
Form DEF 14A
April 30, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

CEDAR FAIR, L.P.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(4) Date Filed:

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One Cedar Point Drive

Sandusky, Ohio 44870-5259

NOTICE OF ANNUAL MEETING OF LIMITED PARTNER UNITHOLDERS

TO BE HELD ON JUNE 7, 2010

The annual meeting of the limited partner unitholders of Cedar Fair, L.P. will be held on Monday, June 7, 2010 at 9:00 a.m. (Eastern Time) at the Sandusky State Theatre in Sandusky, Ohio. All unitholders of record on April 23, 2010 are invited to attend the meeting. The meeting is called for the following purposes:

1. To consider and vote upon the election of three Directors of the general partner for a three-year term expiring in 2013.
2. To confirm the appointment of Deloitte & Touche LLP as our independent registered public accounting firm.
3. To transact such other business as may properly come before the meeting.

Only limited partners that held units as of the close of business on April 23, 2010, are entitled to notice of and to vote at the annual meeting and at any adjournments or postponements of the meeting. If you plan to attend the annual meeting, please bring the admission ticket that you received with these proxy materials; admission will be by ticket only.

CEDAR FAIR MANAGEMENT, INC.

Richard L. Kinzel

Chairman, President and Chief Executive Officer

Sandusky, Ohio

April 30, 2010

Your vote is important and we encourage you to vote promptly, even if you plan to attend the annual meeting. You may vote your units via a toll-free telephone number or over the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. If you attend the meeting, you may revoke the proxy and vote in person on all matters brought before the meeting.

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THE ANNUAL MEETING

General

This proxy statement is furnished in connection with the solicitation of proxies from the limited partner unitholders of Cedar Fair, L.P. (the Partnership) by the Board of Directors of its general partner, Cedar Fair Management, Inc. (CFMI or the Company), for use at the annual meeting. We intend to mail a printed copy of this proxy statement and proxy card to our unitholders of record entitled to vote at the annual meeting on or about April 30, 2010.

Time and Place

The annual meeting will be held at the Sandusky State Theatre located at 107 Columbus Avenue in Sandusky, Ohio, on Monday, June 7, 2010, at 9:00 a.m. (Eastern Time). All unitholders of record on April 23, 2010 are invited to attend the meeting and are requested to present their admission ticket, which is enclosed with these proxy materials, to gain admittance to the meeting.

Matters to be Considered

At the annual meeting, the limited partners will be asked to:

elect three (3) Directors for a term expiring in 2013;

confirm the appointment of Deloitte & Touche LLP as our independent registered public accounting firm; and

vote on any other matters that may be properly raised at the annual meeting.

It is not anticipated that any other matters will be raised at the annual meeting.

Important Notice Regarding Availability of Proxy Materials For the Unitholders Meeting to be held June 7, 2010

The proxy statement and our annual report on Form 10-K are available free of charge at www.cedarfair.com/ir/proxy.

Voting Process

You may vote in person at the annual meeting or through a proxy. However, even if you plan to attend the annual meeting in person, the Board urges you to submit your vote as soon as possible by mail, telephone or the Internet. The telephone and Internet voting procedures are designed to authenticate votes cast by use of a personal identification number. These procedures allow unitholders to appoint a proxy to vote their units and to confirm that their instructions have been properly recorded. Instructions for voting by telephone and over the Internet are included on the proxy card. All of the Partnership units represented by proxies properly received prior to or at the annual meeting and not revoked will be voted in accordance with the instructions indicated in the proxies. If you own units directly and do not provide voting instructions on your proxy, the units represented by your proxy will be voted in favor of each of the proposals.

If you hold units indirectly in a stock brokerage account or through a bank or other nominee, you are considered to be the beneficial owner of units held in street name and these proxy materials are being forwarded to you by your broker or nominee. As the beneficial owner, you have the right to direct your broker how to vote. **Under the New York Stock Exchange rules, your broker is not permitted to vote your units on the election of a director unless you furnish specific voting instructions. This is a change from the rules in**

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effect in prior years. Your broker is permitted to vote your units on the appointment of our independent registered public accountant, even if you do not furnish voting instructions. If your units are held in street name, your broker or other nominee may have procedures that will permit you to vote by telephone or electronically through the Internet.

Any proxy given on the accompanying form or through the Internet or telephone may be revoked by the person giving it at any time before it is voted. Proxies may be revoked, or the votes reflected in the proxy changed, by submitting a properly executed later-dated proxy to our Corporate Secretary at One Cedar Point Drive, Sandusky, Ohio 44870, before the vote is taken at the annual meeting or attending the annual meeting and voting in person. If your units are voted through your broker or other nominee, you must follow directions received from your broker or other nominee to change your voting instructions.

If you have more questions about the proposals or if you would like additional copies of this document you should call or write:

Morrow & Co., Inc.

470 West Avenue

Stamford, CT 06902

Please call: (203) 658-9400 or

Call toll free at: (800) 662-5200 or (800) 607-0088

Record Date; Voting Right; Quorum; Vote Required

CFMI has fixed the close of business on April 23, 2010, as the record date for unitholders entitled to notice of and to vote at the annual meeting. Only holders of record of units on the record date are entitled to notice of the annual meeting and to vote at the annual meeting. Each holder of record of limited partner units as of the record date is entitled to cast one vote per unit on each of the proposals.

The presence in person or by proxy of holders of a majority of the units entitled to vote at the annual meeting will constitute a quorum for the transaction of any business. In case a quorum is not present, the meeting may be adjourned without notice other than an announcement at the time of the adjournment of the date, time and place of the adjourned meeting. If a quorum is present, the nominees for Director who receive the greatest number of votes cast for the election of Directors by the units represented at the annual meeting in person or by proxy and entitled to vote will be elected. The affirmative vote of a majority of the units represented at the annual meeting in person or by proxy is required to confirm the Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2010. Abstentions will be counted for purposes of establishing a quorum at the annual meeting, will be counted as votes cast and will have the effect of a vote against a proposal. Broker non-votes will be counted for purposes of establishing a quorum but will not be counted as votes cast.

As of April 23, 2010, there were approximately 55,324,273 units outstanding and entitled to vote at the annual meeting, held by approximately 8,000 holders of record. As of April 16, 2010, the Directors and executive officers of the general partner and their affiliates beneficially owned 2,263,151 units (which includes 298,600 vested options), or approximately 4.1% of the total units outstanding on that date. See Security Ownership of Certain Beneficial Owners and Management.

PROPOSAL ONE. ELECTION OF DIRECTORS

The Board of Directors of CFMI is comprised of seven directors. The Directors are divided into three classes: Class I, Class II, and Class III. Class I consists of three Directors, and Classes II and III each consist of two Directors. At this meeting, three Class I Directors are to be elected to serve for three-year terms expiring in 2013 and until their respective successors are duly elected and qualified. The Nominating and Corporate Governance Committee has recommended, and the Board of Directors has approved, the nomination of these nominees.

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All of the nominees have agreed to stand for election. While the Partnership has no reason to believe that any of these nominees will be unable or unwilling to serve at the time of the annual meeting, in the unlikely event one of them does not stand for election, the Board will reduce the number of Directors standing for election. The nominees who receive the greatest number of votes cast for the election of Directors at the annual meeting by the units present in person or by proxy and entitled to vote will be elected Directors. Set forth below is biographical and other information about the directors and nominees, including information concerning the particular experience, qualifications, attributes and skills that led the Nominating and Corporate Governance Committee and the Board to determine that each should serve as a Director.

The Board of Directors recommends a vote FOR these nominees.

Nominees for election as Class I Directors to serve until 2013:

Richard S. Ferreira, age 69, is a retired executive vice president, chief financial officer and Board member of Golf Hosts, Inc., an SEC-reporting company that developed and managed nationally recognized resorts in Colorado and Florida. Mr. Ferreira was associated with Golf Hosts, Inc. for more than 27 years. He also has 17 years of experience as a prior board member of several regional banks. Mr. Ferreira is a member of the Compensation Committee and chair of the Audit Committee of CFMI and has been a Director since 1997. Mr. Ferreira's experience as an executive vice president, chief financial officer and board member of Golf Hosts, Inc. brings important knowledge of the resort and entertainment industry, valuable business and management insights and financial expertise to the Board. Through his thirteen years of service on the Board, Mr. Ferreira has extensive knowledge of the Partnership.

Richard L. Kinzel, age 69, has been president and chief executive officer of the Partnership's general partner since 1986 and a member of the Board of Directors since 1986, serving as chairman of the Board since 2003. Mr. Kinzel has been employed by the Partnership or its predecessor since 1972. Mr. Kinzel served on the Advisory Board of KeyCorp, a publicly traded company listed on the New York Stock Exchange, from 1989 to 2008. Mr. Kinzel has 38 years of experience with the Partnership, including many leadership roles in various aspects of the business. This experience and Mr. Kinzel's leadership and management skills provide valuable guidance and operational knowledge to the Board.

C. Thomas Harvie, age 67, is a retired senior vice president, general counsel and secretary of The Goodyear Tire & Rubber Company. Mr. Harvie had been with The Goodyear Tire & Rubber Company since 1995 until his retirement in 2009. Prior to his position at Goodyear, Mr. Harvie was vice president and associate general counsel at TRW Inc., where he had served since 1976. Mr. Harvie is a member of the Nominating and Corporate Governance Committee and the Compensation Committee and has served as a Director since 2008. Mr. Harvie brings extensive legal knowledge and expertise to the Board because of his experience counseling publicly traded global corporations. He also provides guidance on regulatory and compliance matters as well as experience in executive compensation matters.

Class II Directors serving until 2012:

Michael D. Kwiatkowski, age 62, is a real estate agent and has also been a consultant in the food industry since 1996. Prior to that he served as chairman of PCS, which owned and operated a chain of 11 restaurants, from 1986 to 1996. He has more than 30 years of experience in amusement parks and branded restaurant operations. Mr. Kwiatkowski is a member of the Nominating and Corporate Governance Committee and the Audit Committee and chair of the Compensation Committee of CFMI and has been a Director since 2000. Mr. Kwiatkowski is also the lead independent director for the Board. Mr. Kwiatkowski is qualified to serve on the Board of Directors primarily as a result of his experience as a consultant and chairman in the food industry, as well as his past experience within the amusement park industry. Mr. Kwiatkowski's experience in owning and managing his own companies brings additional financial knowledge to the Audit Committee.

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Steven H. Tishman, age 53, has been a managing director at Rothschild, Inc., in New York, New York, since November 2002. He was a managing director of Robertson Stephens from November 1999 to November 2002, prior to which he was a senior managing director of Bear, Stearns & Co., Inc. Mr. Tishman is also a director of Odimo, Inc., and previously was a director of Claire's Stores, Inc., a publicly traded company. Mr. Tishman has been a Director since 2003. Mr. Tishman's career as an executive of major financial service firms gives him valuable experience in complex strategic transactions, including financings and mergers and acquisitions. This experience is an important contribution to the knowledge base of the Board and qualifies Mr. Tishman to serve as a Director.

Class III Directors serving until 2011:

Darrel D. Anderson, age 65, is currently involved with the management of private investments. He was a general partner of Knott's Berry Farm, Orange County, California's oldest theme amusement park, from 1960 to 1998 and served as chairman of the Knott family board. He is currently a director and chairman of the board of Olive Crest Treatment Centers, the largest provider of residential services for abused children in southern California. He is a member of the Audit Committee of CFMI and has been a Director since 2004. Mr. Anderson's prior involvement in managing Knott's Berry Farm, one of our largest parks, as well as his experience serving on boards of directors and audit committees give him the skills and qualifications to serve as a Director.

David L. Paradeau, age 67, is the owner of D.L. Paradeau Marketing, a consulting firm. He is also the past owner and chief executive officer of Minnesota Zephyr Limited and the Stillwater Grill in Stillwater, Minnesota. Mr. Paradeau was the founder and creator of that railroad dining and entertainment attraction, which was established in 1986 and closed in 2008. He has 45 years of experience in marketing and advertising in the brewing industry and in the amusement and entertainment business, including more than nine years in marketing at Valleyfair in Minneapolis, Minnesota. Mr. Paradeau is chair of the Nominating and Corporate Governance Committee of CFMI and has been a Director since 2003. Mr. Paradeau is qualified to serve on the Board of Directors primarily as a result of his expertise in marketing and his experience serving as chief executive officer of a dining and entertainment operation.

Q Funding III, L.P. and Q4 Funding, L.P. (collectively, "Q Funding"), our largest unitholder, has expressed to us its view that two independent directors should be added to our Board. We are in discussions with Q Funding regarding its view and we hope to arrive at a mutually agreeable solution.

BOARD MATTERS AND CORPORATE GOVERNANCE

Board of Directors

The Board met 24 times in 2009. Committees of the Board met from time to time upon call of the Chairman of the Board or individual Committee Chairs. During 2009, each Director attended at least 75% of all of the meetings of the Board and the committees on which he served. All Directors attended last year's annual meeting. Directors are expected to attend all meetings of the Board, meetings of the Committees on which they serve and the annual meeting.

Executive sessions of non-employee Directors are regularly scheduled and were held nine times during 2009. Executive sessions are attended by non-employee Directors only, and the lead independent director presides at each meeting. In addition, at least one time per year an executive session of all independent, non-employee Directors is scheduled. One such meeting was held in 2009.

The Board has affirmatively determined that current Board members Darrel D. Anderson, Richard S. Ferreira, Michael D. Kwiatkowski, David L. Paradeau, and C. Thomas Harvie meet the independence criteria of the New York Stock Exchange (NYSE) listing standards. The Board has determined that Mr. Tishman is not independent because his firm, Rothschild, Inc., has served as an advisor to the Partnership in the past and may do so again in the future. Mr. Kinzel is also not independent because he is an executive officer of the Partnership.

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Communication with the Board

Unitholders and interested parties may communicate directly with the Board by sending communications to the attention of Brenda Lakner, One Cedar Point Drive, Sandusky, Ohio 44870-5259. The correspondence will be forwarded to the Chair of the Nominating and Corporate Governance Committee who will review the correspondence and take action accordingly.

CFMI has a toll-free hotline that is available to anyone, including unitholders, who wishes to bring a matter to the attention of the non-employee Directors. The telephone number of the hotline is 800-650-0716. The Audit Committee of the Board of Directors is charged with reviewing information received and taking appropriate action as necessary.

Board Leadership Structure and Risk Oversight

The members of the Board possess considerable experience and unique knowledge of the challenges and opportunities the Partnership faces, and the Board believes that the most effective leadership structure for the Partnership is for Mr. Kinzel to serve as both Chairman and Chief Executive Officer. The Board believes that this combined role promotes unified leadership and a clear focus for management to execute the Partnership's strategies and business plans. Mr. Kinzel has served in this capacity since 2003, and his employment agreement states that he will continue to serve as chairman through 2011, assuming he is elected to the Board. In 2009 the Board created the position of lead independent director, and Mr. Kwiatkowski currently serves in this capacity. Mr. Kwiatkowski chairs executive sessions of the Board. The Board believes that the Partnership has a strong governance structure in place with sufficient processes to provide for independent discussion among directors and for independent evaluation of, and communication with, many members of senior management.

The Board administers its risk oversight role through its committee structure and the committees' reports to the Board. The Board regularly reviews information regarding credit, liquidity and operational risk, and management identifies and prioritizes other material risks. The Audit Committee meets frequently during the year (five times in 2009) and discusses with management and the Partnership's independent registered public accountant: (1) current business trends affecting the Partnership; (2) major risks facing the Partnership; (3) steps management has taken to monitor and control such risks; and (4) adequacy of internal controls that could significantly affect the Partnership's financial statements. The Audit Committee also reviews the Partnership's enterprise risk management process for identification of and response to major risks. The Audit Committee Chairperson provides the Board with regular reports concerning its risk oversight activities. In addition, the Compensation Committee annually assesses the Partnership's compensation programs to ensure they do not encourage excessive risk taking by employees which could result in a material adverse impact on the Partnership. The Board of Directors is kept abreast of the Compensation Committee's risk oversight and other activities via regular reports of the Committee Chairperson to the full Board.

Board Committees

The Board has three committees: an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. Each Committee is composed entirely of independent Directors, as that term is defined in the NYSE listing standards, and each member of the Audit Committee is independent as required under Section 301 of the Sarbanes-Oxley Act of 2002. Each Committee's charter, the Corporate Governance Guidelines and the Code of Conduct and Ethics are available on the Partnership's website at www.cedarfair.com and available in print to any unitholder upon request. Each Committee conducts an annual evaluation of its performance, and the Nominating and Corporate Governance Committee annually conducts an evaluation of the Board.

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The members of the Board and the committees of the Board on which they serve as of the date of this proxy statement are identified below.

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Darrel D. Anderson	*		
Richard S. Ferreira	**	*	
Richard L. Kinzel			
Michael D. Kwiatkowski	*	**	*
Steven H. Tishman			
David Paradeau			**
C. Thomas Harvie		*	*

* Member

** Chair

The Audit Committee is responsible for appointing and meeting with the Partnership's independent registered public accounting firm and for assisting the Board in its oversight of the financial statement reporting, internal audit and risk management functions. The Audit Committee met five times in 2009. The Board has determined that each Committee member is financially literate, and Richard S. Ferreira, the chair of the Committee, is the designated financial expert. The Audit Committee's report is at page 37 of this proxy statement.

The Compensation Committee is responsible for reviewing the Partnership's compensation and employee benefit policies and programs, and recommending related actions, as well as executive compensation decisions, to the Board of Directors. The Compensation Committee met one time in 2009. The Compensation Committee Report is at page 34 of this proxy statement. Compensation decisions for the chief executive officer are made by the Compensation Committee, together with the Board of Directors, based upon its review of his performance and the performance of the Partnership. The Committee makes recommendations to the Board of Directors with respect to non-CEO compensation, incentive compensation plans and equity-based compensation based on discussions with and recommendations of the chief executive officer. On an annual basis, the chief executive officer reviews all of his direct reports, including the other named executive officers, and all of the regional vice presidents and park general managers. See Compensation Discussion and Analysis - Determining Executive Compensation for additional detail.

The Nominating and Corporate Governance Committee is responsible for recommending criteria for service as a director, identifying qualified Director nominees to enhance the Board, for recommending the fees paid to the Directors and Board Committee members for services in those capacities, and for playing a leadership role in shaping the governance of CFMI. The Committee considers diversity of experience and background when selecting candidates. The Committee believes candidates for the Board should have the ability to exercise objectivity and independence in making informed business decisions; the highest integrity; extensive knowledge, experience and judgment; loyalty to the interests of the Partnership and its unitholders; and a willingness to devote the extensive time necessary to fulfill a Director's duties. Although CFMI does not have a formal policy on diversity in the selection of candidates for the Board, the Committee considers diversity in its nominating process, including factors such as education, career and professional experience, independence, skills and personal characteristics, and understanding of and experiences in management, finance and marketing in the Partnership's industry as well as other industries. The Committee reviews these factors as well as the other qualifications outlined above and strives to create a Board of Directors with a variety of complementary skills.

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and experiences, both personal and professional. The Committee conducts all necessary and appropriate inquiries into the background and qualifications of Board candidates meeting these criteria. In 2009, the Nominating Committee met one time.

Due to Cedar Fair's limited partnership structure, there is currently no procedure by which unitholders can nominate Directors. This is consistent with the general governance of other limited partnerships.

Compensation Committee Interlocks and Insider Participation

None of our Directors who served on the Compensation Committee during 2009 was a current or former officer or an employee of the Partnership or had any relationship with us that would be required to be disclosed by us under applicable related party requirements. There are no interlocking relationships between the Partnership's executive officers or Directors and the board or compensation committee of another entity.

PROPOSAL TWO. APPOINTMENT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed Deloitte & Touche LLP (Deloitte) as our independent registered public accounting firm to audit our consolidated financial statements for 2010 and requests that our unitholders confirm that appointment. Deloitte audited our consolidated financial statements and our internal control over financial reporting for 2009. A representative of Deloitte will be present at the annual meeting and will be given an opportunity to make a statement and to respond to appropriate questions.

If our unitholders do not confirm our appointment of Deloitte, the Audit Committee will reconsider whether to retain Deloitte, and may retain that firm or another firm without re-submitting the matter to our unitholders. In all cases, the Audit Committee retains its right to appoint a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and the interests of our unitholders. The affirmative vote of a majority of the units represented in person or by proxy at the annual meeting is required for ratification.

The Board of Directors recommends a vote FOR Proposal Two to confirm the Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2010.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes our compensation philosophy and objectives, our methods for determining executive compensation, the elements of executive compensation and the reasons that we have elected to pay these particular elements of compensation. Throughout this proxy statement the individuals listed in the summary compensation table on page 15 are referred to as the named executive officers.

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Summary

Although some of our Partnership-level performance objectives were not achieved in 2009 as a result of the challenging economic and weather conditions, the Compensation Committee recognized that our named executive officers accomplished a number of important objectives that enhanced our 2009 results and dealt with nearer term debt maturity and covenant compliance concerns. For example, over the course of the year our named executive officers and their teams reduced operating expenses by \$27 million from the amount that we budgeted for 2009. In addition, management led initiatives that reduced debt by approximately \$110 million and addressed our capital structure by negotiating an amendment to our credit agreement to extend \$900 million of our term debt. Finally, our data demonstrates that, while our 2009 results were below the record results we achieved in 2008, we still outperformed our competitors in the amusement park industry during 2009 and produced strong operating margins. In recognition of our named executive officers' achievement of these objectives and their efforts in managing the Partnership through poor market conditions and operating challenges, we provided appropriate bonuses for the 2009 year. We also provided long-term incentive awards designed to retain these individuals through the 2010 season and beyond, and to incentivize these executives for long-term value creation.

Compensation Philosophy and Objectives

Our compensation program is designed to incentivize our key employees to drive superior results, to give key employees a proprietary and vested interest in our growth and performance, and to enhance our ability to attract and retain exceptional managerial talent upon whom, in large measure, our sustained growth, progress and profitability depend. Our compensation structure rewards successful individual performance and considers the operating results of the Partnership as well as the operating results on a park-by-park basis. Our compensation structure is flexible and allows us to respond to changes in our industry and business environment.

The objectives of our compensation program are:

To provide compensation that motivates and encourages hard work among employees;

To retain those employees with a track record of strong performance;

To compete on a national level for qualified individuals that can institute our system of managing amusement parks throughout our 17 locations;

To structure competitive compensation packages to recruit those individuals to the Partnership; and

To tie compensation to the achievement of long-term value for all stakeholders.

We believe that our compensation levels are effective at retaining and attracting top executives. For example, the five named executive officers have an aggregate of more than 110 years of service with us. Each has held various positions and been elevated within the Partnership. We continually reassess our compensation levels, benefits and incentive opportunities as we consider the best methods to recruit, reward and retain key personnel.

Because we mix different types of compensation, consider various factors in assessing performance and retain, at the Compensation Committee level, discretion in certain compensation matters, we believe that our compensation program does not encourage our executives to take unreasonable risks with respect to our business.

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Determining Executive Compensation

The Compensation Committee and the chief executive officer work together to individualize compensation levels and elements for our executive officers. We combine the compensation elements discussed below in a manner that we believe will optimize the executive's contribution to the Partnership. In general, we work within ranges of base salary commensurate with the executive's scope of responsibilities and use our cash bonus and phantom unit award programs to challenge the executive to achieve superior annual and long-term results. We do not adhere to a mechanical application of a system of compensation tied solely to annual results, recognizing that there are many factors to consider in assessing an individual's value to the Partnership.

Although our Board, upon recommendation from the Compensation Committee, makes the final compensation decisions for the named executive officers, the process of determining compensation is a collaborative process between the Compensation Committee and the chief executive officer. From time to time, we have consulted nationally recognized independent consulting firms to review and analyze our compensation program, including the compensation levels, the compensation structure and the mix of long-term and short-term compensation for certain of our named executive officers, as compared to compensation of senior management of comparable companies. Our chief executive officer dedicates time annually to review all of his direct reports, including the other named executive officers, as well as all of the park general managers. He reviews each individual against budget targets, operational targets and individual performance objectives established before the operating season begins and makes recommendations to the Compensation Committee regarding the compensation of each individual. The Committee then makes compensation determinations, exercising its discretion to modify the chief executive officer's recommendations to higher or lower levels when determined to be appropriate. Decisions regarding the chief executive officer's compensation are made by the Compensation Committee, together with the Board of Directors, based upon its review of his performance and the Partnership's performance.

Our annual compensation arrangements are made in early March, prior to the beginning of the operating season. At that time, the Board approves the budget for the current fiscal year and establishes preliminary potential cash bonus percentages and the related performance objectives for the upcoming season. The types of objectives established for each individual vary in accordance with his or her position. The cash bonus percentage is determined at the Compensation Committee's discretion. The Committee also makes long-term incentive awards, usually in the form of phantom unit awards, that may be subject to performance criteria and vesting requirements discussed below in the Long-Term Incentive Compensation section.

The Board reviews compensation matters after the seasonal parks have closed for the season and the financial results for the season are available. The chief executive officer finalizes his evaluations of the other named executive officers, among others, and prepares recommendations with respect to cash bonus and phantom unit awards, as well as salary adjustments for the coming year. The chief executive officer generally presents this report to the Compensation Committee in October and to the Board at the November Board meeting. Based on Partnership performance, park performance and individual performance, the Compensation Committee makes final recommendations with regard to cash bonuses, phantom unit awards and any salary adjustments, subject to Board approval.

We have historically expected the Partnership's performance to exceed market median, and accordingly have provided a potential compensation package that, if performance objectives are met, will exceed market median. Because a portion of this compensation is dependent on performance results, an executive's actual total direct compensation could vary considerably if we have a year that exceeds or fails to meet expectations. We believe that this is a fair result and appropriately motivates our executives to achieve peak corporate and park level performance over the long term. Those executive officers with expertise that is specific to our amusement park operations and industry will be compensated at levels that we believe are necessary to maintain that expertise. The range of targeted compensation is position dependent and may reflect how difficult we believe it would be to replace that particular person.

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Elements of 2009 Executive Compensation

Compensation Mix

In light of the objectives and philosophy set forth above, we have determined that a mix of the following components of compensation for our named executive officers in 2009 was appropriate:

Base salary;

Annual bonus;

Long-term equity incentive compensation;

Retirement benefits; and

Perquisites and other welfare benefits.

We balance the total direct compensation for executives among fixed and variable cash compensation, long-term unit awards and perquisites in a manner designed to achieve our overall compensation objectives. In structuring the appropriate compensation mix for each executive, we consider the executive's existing ownership position in our units, the level of impact that executive has on our performance overall and terms required under an existing employment agreement. For our three most highly compensated executives, fixed compensation (in the form of salary, benefits and perquisites) represented approximately 30-35% of their overall compensation in 2009, and variable compensation in the form of cash bonuses and long-term incentive awards represented 65-70% of their overall compensation. These executives make business decisions that directly impact our financial results and performance, and their compensation awards are weighted therefore more heavily on the variable and long-term compensation component. Mr. Zimmerman and Mr. Bender are responsible for supervising the management at five and six of our parks, respectively, and do not have partnership level decision making responsibility. Their compensation is therefore more evenly weighted between the fixed and variable compensation components, with approximately 50% of their compensation fixed and 50% variable.

Base Salary

We use base salaries to provide a guaranteed amount of compensation commensurate with the executive's scope of responsibilities, performance, current compensation levels and career with the Partnership. We do not consider the earnings of prior long-term incentive grants or retirement plans when determining base salary compensation, as awards earned in prior years were earned for prior performance and should not be a factor in current compensation. Base salaries may be adjusted on an annual basis. Messrs. Kinzel, Falfas and Cragge each have base salaries that are derived from amounts agreed to when we negotiated employment agreements with them in 2007. Based on the factors identified above, the Board, or the Compensation Committee, as the case may be, has typically increased on an annual basis the annual base salary for each of the named executive officers.

All of our named executive officers received merit increases in base salary for 2009 reflecting their dedication and commitment to our success in a difficult business environment and the strong year-over-year performance of the Partnership in 2008 as compared to 2007. Specifically, attendance at our properties, net revenues and adjusted EBITDA all increased year-over-year in 2008 despite the economic difficulties that prevailed in our operating markets. Each named executive officer met or exceeded our expectations and specific objectives related to his position. For 2010, the Compensation Committee increased the base salary for our named executive officers, though the salary increases for 2010 are proportionately lower than we have traditionally provided in the past. Our decision to provide these salary increases was based on the commitment and effort of our executives in facing the continuing business and operational challenges of the Partnership, the scope of each executive's responsibilities, and the desire to retain these individuals through the 2010 season and beyond.

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Mr. Kinzel, our chief executive officer since 1986, had a base salary in 2009 of \$1,300,000 that reflected a 4.0% merit increase over his 2008 base salary. Mr. Kinzel's salary for 2010 is \$1,340,000, representing a 3.1% increase from 2009.

Mr. Falfas, our chief operating officer since 2005, had a base salary in 2009 of \$645,000 that reflected a 3.2% merit increase over his 2008 base salary. Mr. Falfas's salary for 2010 is \$665,000, representing a 3.1% increase from 2009.

Mr. Crage, our vice president of finance and chief financial officer since 2005, had a base salary in 2009 of \$450,000 that reflected a 5.9% merit increase over his 2008 base salary. Mr. Crage's salary for 2010 is \$470,000, representing a 4.4% increase from 2009.

Mr. Zimmerman, one of our regional vice presidents since June 2006, supervises the management of five of our parks. Mr. Zimmerman's had a 2009 base salary of \$310,000 that reflected a 3.3% merit increase over his 2008 base salary. Mr. Zimmerman's salary for 2010 is \$315,000, representing a 1.6% increase from 2009.

Mr. Bender, one of our regional vice presidents since June 2006, supervises the management of six of our parks. Mr. Bender had a 2009 base salary of \$271,500 that reflected a 3.4% merit increase over his 2008 base salary. Mr. Bender's salary for 2010 is \$277,000, representing a 2.0% increase from 2009.

Annual Bonus Program

Our cash bonus awards provide a component of compensation that is contingent on the achievement of annual performance objectives and is designed to reward achievement of short-term financial and operational goals. In March of each year, the Compensation Committee determines performance objectives for each executive. The performance objectives are individualized for each position and individual and may be expressed in multiple measures of performance, including individual, business unit, management unit and Partnership performance, weighted differently as between positions and individuals. For example, corporate vice presidents' performance objectives relate to various aspects of Partnership performance. Park general managers may have performance objectives related to capital projects or reducing particular expenses at the parks they manage.

At the same meeting at which it determines performance objectives, the Compensation Committee also establishes a percentage of base salary that may be earned as a cash bonus for that year. The 2009 target award opportunities for the named executive officers, reflected as a percentage of base salary, were as follows: Kinzel 100%; Falfas 70%; Crage 65%; Zimmerman 40% and Bender 60%. The Compensation Committee has discretion to decrease or increase the award, but no increase can result in an award in excess of 150% of the award target.

The continuation of poor economic conditions during 2009 affected our business and we faced other non-operational challenges during the year. These factors resulted in our named executive officers receiving annual cash bonuses that were less than their bonus opportunities established for 2009. In considering the level of cash bonuses to be paid for 2009, the Compensation Committee reviewed the various performance objectives that had been established for each individual in March 2009, the extent to which those objectives were satisfied in 2009 for each individual, and if not fully satisfied, the reasons for any shortfall. Although a number of the Partnership and park level performance objectives were not achieved in 2009 as a result of the challenging general economic conditions, the Compensation Committee recognized that the named executive officers were responsible for achieving a number of important objectives during the year. For example, based upon data available to it, the Compensation Committee believes that, even though 2009 results were below the record results of 2008, we outperformed competitors in the amusement park business during 2009. In addition, management was able to reduce operating expenses by \$27 million from our 2009 budgeted level and maintain strong operating margins. Finally, management was able to accomplish a number of strategic objectives, including amending our credit facility to extend the maturity date of \$900 million of our term debt and selling unused land owned in Canada for approximately \$60 million.

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In recognition of the commitment and efforts of our named executive officers in managing our operations in the face of continuing poor economic conditions and in addressing strategic non-operational issues that face the Partnership, the Compensation Committee concluded it was appropriate to award cash bonuses for 2009 performance in the amounts and percentages set forth below:

Executive Officer	2009 Cash Bonus	Bonus as Percentage of 2009 Salary
Kinzel	\$1,196,000	92%
Falfas	\$ 415,380	64%
Crage	\$ 269,100	60%
Zimmerman	\$ 111,228	36%
Bender	\$ 149,868	54%

From December 16, 2009 until April 6, 2010, we were party to a merger agreement with affiliates of Apollo Global Management. Due to restrictions imposed on us by that agreement and the uncertainty related to the proposed merger, the Compensation Committee did not set 2010 target bonus opportunities in March, but expects to do so prior to the beginning of the core operating season.

Long-Term Incentive Compensation

We provide long-term incentive compensation awards to senior management under our 2008 Omnibus Incentive Plan. These long-term incentive awards, together with current salary and cash bonus compensation, should achieve the total direct compensation level determined by the Board. Our 2008 Omnibus Incentive Plan allows us to grant options, units, unit appreciation rights and other types of performance awards. For the past five years we have relied primarily on our phantom unit grants to provide long-term incentives to our executive officers. We believe that phantom unit awards give key employees a proprietary and vested interest in our growth and performance and align key employees' interests with that of our unitholders, while providing a cost effective means of compensation for us.

We granted phantom unit awards and performance based unit awards in 2009; we did not grant any option awards in 2009. We believe that the vesting schedule for these awards aids us in retaining executives and motivates superior performance over the long term because the awards are forfeited if the executive voluntarily leaves prior to the vesting date. Our strong management team possesses vast operations experience and a deep knowledge of our markets and customers and that knowledge is important to our ability to improve results, particularly as we fine tune our product offerings to appeal to budget-conscious consumers in 2010. We anticipate that these long-term incentive awards will encourage these executives to remain in our employ for the next several years and motivate them to achieve superior results.

Annual Performance-Based Phantom Unit Awards

Performance-based phantom unit awards are intended to provide rewards for the achievement of established performance objectives. In March of each year, the Board approves annual objectives for executives that relate either to park or corporate-level performance or some combination of both. Although the 2008 Omnibus Incentive Plan contains guidelines relative to the percentages that must be achieved and the awards to be granted, the Compensation Committee has the discretion to grant the phantom unit awards as it deems appropriate.

The phantom awards are payable in either units of a cash equivalent, or a combination of both, as determined by the Board, in two equal installments at the third- and fourth-year anniversary dates of the grant, to the extent earned on the basis of the performance achieved during the relevant annual period and as long as the executive is in our employ at those dates. The phantom unit awards accrue additional phantom units on the date of each quarterly distribution paid by us, if any, calculated at the NYSE closing price on that date.

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In March 2009, we made the following performance-based phantom unit awards to Messrs. Kinzel, Falfas and Crage: 166,167; 65,333; and 52,778, respectively. The performance objective that was established in order for the executives to receive payment of 90% of these awards was the generation by the Partnership in 2009 of \$135.2 million of cash available for distribution to unitholders. Based upon the actual cash available for distribution to unitholders for 2009, Messrs. Kinzel, Falfas and Crage earned performance-based phantom units of 26,667; 10,453; and 8,444, respectively, or approximately 16% of their full awards, in accordance with the provisions of the phantom unit awards. The phantom units earned will be payable in two equal installments in March 2012 and March 2013, assuming the executive remains in our employ at those times.

Due to restrictions imposed on us by our prior agreement with affiliates of Apollo Global Management and uncertainty related to the proposed merger, the Compensation Committee did not approve annual objectives for performance-based phantom units in March, but expects to do so prior to the beginning of the core operating season.

Time-Based Phantom Unit Awards

Time-based phantom unit awards are intended to assist in retaining our executive team in order to accomplish our strategic and long-term objectives. In October 2009, we made time-based phantom unit awards to Messrs. Kinzel, Falfas and Crage. These awards will vest in two equal installments in March 2012 and March 2013, assuming the executive continues in our employ. These awards accrue additional phantom units and are paid out in the same manner as the performance-based phantom units. In 2009, Messrs. Kinzel, Falfas and Crage received the following time-based phantom unit grants: 127,530; 59,798; and 50,506, respectively.

Multi-Year Performance Unit Awards

In 2009 we made multi-year performance unit awards to certain vice presidents and mid-level employees. Each award is made in accordance with the terms of the 2008 Omnibus Incentive Plan, but the terms of each award are specific to each employee. Messrs. Zimmerman and Mr. Bender each received a performance unit award that is based on certain performance objectives from 2009 through 2012. The performance unit awards vest in the third and fourth year after grant, assuming performance objectives are achieved and they have remained in our employ. If all performance objectives are met over the performance period, Mr. Zimmerman will receive a value equal to 16,667 units and Mr. Bender will receive a value equal to 14,556 units, payable in a cash equivalent at the time of payment or units, or a combination of both, as determined by the Compensation Committee.

Change-in-Control Arrangements

We have a change-of-control plan in place for certain executives and key employees, and some of our executives are employed under employment agreements that contain change-in-control provisions. If an executive that would otherwise be covered by the change-of-control plan has change in control provisions in his employment agreement, then the executive does not participate in the change-of-control plan while the employment agreement is in effect, except for specified benefit plans. The executives that would be covered by the change-of-control plan (absent a relevant employment agreement) include the chief executive officer, the chief operating officer, the chief financial officer and the regional vice president. Our Board of Directors also has discretion to add other key executive employees to the plan.

During 2007, we entered into amended and restated employment agreements with Messrs. Kinzel, Falfas, and Crage, each of which provides for certain benefits in change-in-control situations. As such, Messrs. Kinzel, Falfas and Crage would be entitled to the benefits provided for in their respective employment agreements in a change-in-control situation and would not be entitled to benefits under the change-of-control plan. Messrs. Zimmerman and Bender do not currently have employment agreements with us and so they are entitled to benefits under our change-of-control plan in a change-in-control situation. In addition, certain of our

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incentive plans contain change-in-control provisions. We believe that the change-in-control provisions help ensure that, if a change-in-control situation develops, our management team will act in the best interest of unitholders. The change-of-control plan as well as the other agreements are discussed in more detail under *Potential Payments Upon Termination or Change-in-Control* below.

Retirement Programs

Our named executive officers participate in our tax-qualified Cedar Fair Retirement Savings Plan. This plan, or a similar plan, is available to all of our employees and contains a 401(k) matching program as well as a profit sharing component. The annual amount of the profit sharing contribution is determined at our sole discretion. Our contributions to this plan for our named executive officers are included in the *All Other Compensation* column of the Summary Compensation Table below. In addition, Messrs. Kinzel and Falfas participate in our Amended and Restated Supplemental Retirement Program described on page 22. Additional contributions to this plan were discontinued on May 2004, and we do not intend to have any other executive officers participate in this plan. In February 2008, we adopted the 2008 Supplemental Retirement Plan to provide retirement benefits to a broader group of executives, which is described on page 23. Messrs. Falfas and Crage participate in the plan. Messrs. Falfas' s and Crage' s accounts were credited with \$100,000 for the 2009 and 2010 plan years respectively.

Perquisites

We provide perquisites to our named executive officers that we believe are reasonable, competitive and consistent with our overall compensation philosophy. We believe that these benefits generally allow our executives to work more efficiently and represent a small percentage of overall compensation. We provide the following perquisites to our named executive officers: automobile and gas allowance, discount on Partnership products and limited spousal travel expenses. Mr. Kinzel also receives an annual physical exam and the premium payment on a life insurance policy and dues for one club membership. The incremental costs of the perquisites provided to the named executive officers are contained in the *All Other Compensation* column of the Summary Compensation Table below.

Table of Contents**SUMMARY COMPENSATION TABLE FOR 2009**

The table below summarizes the total compensation paid to or earned by each of the named executive officers for the fiscal year ended December 31, 2009. The table also summarizes, for each of our named executive officers the total compensation paid to or earned by the officer for the fiscal year ended December 31, 2008 and 2007.

(a) (b) (c) (d) (e) (f) (g)

Transactions Involving Gregory L. Hrcir

In March 2003, G&EG Nevada purchased an outstanding loan made by Gregory L. Hrcir to Innovative Gaming Corporation of America, or IGCA, in the original principal amount of \$125,000 in consideration for the assignment by Mr. Hrcir of all rights as a secured creditor to certain assets of IGCA. The purchase involved the issuance of a promissory note by G&EG Nevada in favor of Mr. Hrcir in the original principal amount of \$133,657, the then outstanding principal and interest on the original loan. The original loan was made in contemplation of a Merger and Plan of Reorganization Agreement entered into in February 2002 by and between G&EG Nevada and IGCA. The note has been repaid in full.

On December 1, 2003, Gregory L. Hrcir, our President and a director, loaned \$10,000 to G&EG Nevada. The loan is evidenced by a promissory note bearing simple interest at the rate of eight percent per annum. The promissory note matured on January 31, 2004 and has been repaid in full.

Transactions Involving Gaming & Entertainment Group, Ltd.

On October 28, 2003, Gaming & Entertainment Group, Ltd., an Australian corporation and an investor in G&EG Nevada, or G&E Ltd., loaned G&EG Nevada \$100,000 in the form of a convertible promissory note. The convertible promissory note provided for a \$10,000 interest payment, payable in cash or in-kind. G&E Ltd. had the right, at its sole election, to convert the outstanding principal and accrued interest into common stock and warrants of G&EG Nevada. In addition, G&EG Nevada issued G&E Ltd. a

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warrant to purchase 100,000 shares of common stock, exercisable for a period of one (1) year at \$1.50 per share.

Following the consummation of our reorganization transaction with G&EG Nevada in January 2004, the warrant was converted into a warrant to purchase shares of our common stock on a one-for-one basis. The note matured in February 2004 and has been repaid in full.

On December 23, 2003, G&E Ltd. loaned G&EG Nevada \$50,000 in the form of a convertible promissory note. The convertible promissory note provided for a \$5,000 interest payment, payable in cash or in-kind. G&E Ltd. had the right, at its sole election, to convert the outstanding principal and accrued interest into common stock and warrants of G&EG Nevada. In addition, G&EG Nevada issued G&E Ltd. a warrant to purchase 50,000 shares of common stock, exercisable for a period of one (1) year at \$1.50 per share. Following the consummation of our reorganization transaction with G&EG Nevada in January 2004, the warrant was converted into a warrant to purchase shares of our common stock on a one-for-one basis. The note matured in February 2004 and has been repaid in full.

Indemnification of Directors and Officers

We have provided for indemnification to the fullest extent permitted by the provisions of Utah law in our articles of incorporation and bylaws. Although we do not currently maintain a directors and officers liability insurance policy, we will be inquiring as to the costs, terms and conditions for such a policy.

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

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our reporting directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file initial reports of ownership and reports of changes in ownership of our common stock and other equity securities with the Securities and Exchange Commission, or the Commission. Executive officers, directors and stockholders holding more than 10% of the class of stock are required to furnish us with copies of all Section 16(a) forms they file with the Commission.

To our knowledge, based solely on review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2003, all reports required under Section 16(a) were filed as required with the Commission with the exception of Form 3, 4 and 5 filings for Mr. Sanet. We have been informed that Mr. Sanet failed to file Form 4 in connection with transactions that occurred during the fiscal years 1999 through 2003.

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EXECUTIVE COMPENSATION**Summary Compensation Table**

The following table sets forth the compensation awarded to, earned by or paid to, our chief executive officer and our president and secretary for fiscal years ended 2003, 2002, and 2001.

Annual Compensation					
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Long-Term Compensation (Stock/Options)	All Other Compensation
Jay Sanet, Chief Executive Officer ¹	2003	0	0	120,712	0
	2002	0	0	0	0
	2001	0	0	0	0
Tibor N. Vertes, Chief Executive Officer ²	2003	97,874	0		
	2002	41,474	0		
	2001	0	0		
Gregory L. Hrcncir, President and Secretary ³	2003	15,000	0	800,000	62,500
	2002	0	0		29,400
	2001	0	0		

¹ Mr. Sanet has served as our Chief Executive Officer until his resignation on January 16, 2004 as part of our reorganization with Gaming & Entertainment Group, Inc., a Nevada corporation, or G&EG Nevada. In lieu of salary and bonus, we issued 120,712 shares of our common stock to Mr. Sanet in 2003 for his services.

² Mr. Vertes was appointed our Chief Executive Officer on January 16, 2004, the effective date of our reorganization. The amounts in this table represent the compensation paid to Mr. Vertes for the fiscal years 2003, 2002 and 2001, by G&EG Nevada prior to it becoming our subsidiary as a part of the reorganization. Mr. Vertes accrued salary from the inception of G&EG Nevada until 2003, at which time he converted such accrual into 477,707 shares of G&EG Nevada common stock and a warrant to purchase an identical amount of G&EG Nevada common stock. The original 477,707 shares of G&EG Nevada common stock have been converted into 583,746 shares of our common

stock. The warrant was converted, on a one-for-one basis, into a warrant to purchase shares of our common stock.

³Mr. Hrcir was appointed our President and Secretary on January 16, 2004, the effective date of our reorganization. The amounts in this table represent the compensation paid to Mr. Hrcir, for the fiscal years 2003, 2002 and 2001, by G&EG Nevada prior to it becoming our subsidiary as a part of the reorganization. In 2003, G&EG Nevada issued Mr. Hrcir an option to purchase 800,000 shares of common stock that was converted into an option to purchase 800,000 shares of our common stock.

Option Grants in 2003

We did not grant any stock options to our named executive officers in 2003. G&EG Nevada issued options to purchase 800,000 shares of common stock to its executive officers. In addition, our named executive officers did not exercise any stock options in 2003. Notwithstanding the foregoing, on January 16, 2004, we issued an option to purchase 800,000 post-split shares of our common stock to Mr. Hrcir in exchange for an outstanding option to purchase an equivalent number of shares of common stock of G&EG Nevada. On January 16, 2004, we issued Jay Sanet an option to purchase 25,000 shares of common stock.

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EQUITY COMPENSATION PLAN INFORMATION

With respect to equity compensation plans, on April 17, 2000, our board of directors authorized a stock option plan for the issuance to key personnel options to purchase up to 2,000,000 shares of common stock (approximately 80,474 shares on a post-reverse split basis). Since the stock option plan was not submitted to our stockholders for approval and since no options had been issued pursuant to the stock option plan, we have elected to terminate the stock option plan as of December 31, 2003. Accordingly, we did not have any options outstanding as of December 31, 2003.

Subsequent to December 31, 2003, we consummated the transactions contemplated by our reorganization transaction with G&EG Nevada. As a result, all of the outstanding options issued by G&EG Nevada were converted into options to purchase shares of our common stock on a one-for-one basis. As of May 10, 2004, we have outstanding options to purchase 2,681,896 shares of common stock with a weighted average exercise price of \$0.78 per underlying share. The conversion of the options was approved by our stockholders as part of the reorganization.

EMPLOYMENT AGREEMENTS

In August 2003, G&EG Nevada entered into employment agreements with Tibor N. Vertes, Gregory L. Hrcir and William McMaster. As a result of the reorganization with G&EG Nevada, we assumed these employment agreements.

The employment agreements with Messrs. Vertes and Hrcir were for four years and the employment agreement with Mr. McMaster was for two years, all subject to earlier termination under certain circumstances. In terms of salary, the employment agreement for Mr. Vertes provides for an annual salary of \$185,000, which may be increased by the board of directors, and an annual cash bonus of \$35,000 to \$100,000 if certain performance goals are met. The employment agreement for Mr. Hrcir provides for an annual salary of \$175,000, which may be increased by the board of directors, an allowance of \$1500 per month for health care related expenses and an annual cash bonus of \$35,000 to \$100,000 if certain performance goals are met. The employment agreement for Mr. McMaster provides for an annual salary of \$120,000, which may be increased by

the board of directors, and an annual cash bonus if certain performance goals are met. The employment agreements with Messrs. Vertes, Hrcir and McMaster contain provisions relating to confidentiality, non-competition and non-solicitation of employees during employment and for a period following termination. In addition, the employment agreements provide for the assignment of all rights to personal inventions during employment and for a period following termination.

We have the right to terminate the employment of Messrs. Vertes, Hrcir and McMaster with cause or in the event of permanent disability. We also have the right to terminate the employment of Messrs. Vertes and Hrcir without cause. Cause is defined as substantial failure to perform duties, willful misconduct injurious to the company, conviction of a felony or breach of certain confidentiality, non-competition or non-solicitation provisions. Permanent Disability is defined as failure to perform his duties for 90 days due to physical or mental illness. If the employment of either Mr. Vertes or Mr. Hrcir is terminated for any reason other than death, permanent disability or cause, we must continue to pay the greater of the base salary for the previous calendar year or the remaining base salary payable over the remaining term of the employment agreement.

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**STOCKHOLDER PROPOSALS FOR THE 2005 ANNUAL MEETING OF
STOCKHOLDERS**

We must receive proposals of stockholders intended to be presented at our next annual meeting prior to January 18, 2005, to be considered for inclusion in our proxy statement relating to that meeting. Our board of directors will review any proposals from eligible stockholders that it receives by that date and will make a determination whether any such proposals will be included in our proxy materials

GENERAL INFORMATION

Our 2003 Annual Report on Form 10-KSB, containing audited financial statements but without exhibits, accompanies this proxy statement. The Form 10-KSB, as filed with the Commission, including exhibits, is available through the website maintained by the Commission at www.sec.gov. Stockholders may also obtain a copy of our Form 10-KSB, without charge, upon written request to:

GAMING & ENTERTAINMENT GROUP, INC.

Attn: Secretary

6757 Spencer Street, Las Vegas, Nevada

Las Vegas, Nevada 89119

As of the date of this proxy statement, our board of directors knows of no business which will be presented for consideration at the meeting other than the matters stated in the accompanying Notice of Annual Meeting of Stockholders and described in this proxy statement. If, however, any matter incident to the conduct of the meeting or other business properly comes before the meeting, the persons acting under the proxies intend to vote with respect to those matters or other business in accordance with their best judgment, and the proxy includes discretionary authority to do so.

BY ORDER OF THE BOARD OF DIRECTORS

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Gregory L. Hrcir

President and Secretary

Las Vegas, Nevada

May 12, 2004

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APPENDIX A

2004 STOCK OPTION AND INCENTIVE PLAN

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GAMING & ENTERTAINMENT GROUP, INC.

2004 STOCK OPTION AND INCENTIVE PLAN

As adopted by the Board of Directors on April 1, 2004

As approved by the Stockholders on _____, 2004

1. PURPOSE

The purpose of this Gaming & Entertainment Group, Inc. 2004 Stock Option and Incentive Plan (this Plan) is to further the interests of the Company, by providing selected employees, directors, independent contractors and advisors, upon whose judgment, initiative and effort the Company is largely dependent for the successful conduct of its business, the opportunity to participate in a stock option and incentive plan designed to reward them for their services and to encourage them to continue in the employ or service of the Company. This Plan provides for both the direct award or sale of Shares and for the grant of Options to purchase Shares. Options granted under this Plan may include Nonstatutory Options as well as Incentive Options intended to qualify under Section 422 of the Code.

2. DEFINITIONS

For all purposes of this Plan, the following definitions shall apply:

2.1. *Board* shall mean the Board of Directors of the Company, as constituted from time to time.

2.2. *Change in Control* shall mean the occurrence of either of the following events: (i) any person (as that term is used in Section 13(d) and 14(d) of the Exchange Act) becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities ordinarily having the right to vote at the election of directors; or (ii) individuals who constitute the Board on the date hereof (the Incumbent Board) cease for any reason to constitute at least a majority thereof, provided that any

person becoming a director subsequent to the date hereof whose election was approved by at least a majority of the then remaining directors comprising the Incumbent Board, or whose nomination or election was approved by a majority of the board of directors of the Company serving under an Incumbent Board, shall be, for purposes of this clause (ii), considered as if he or she were a member of the Incumbent Board; or (iii) the approval by the Company's stockholders of the merger or consolidation of the Company with any other corporation or business organization, the sale of all or substantially all the assets of the Company, or the liquidation or dissolution of the Company; or (iv) a proxy statement is distributed soliciting proxies from the stockholders of the Company seeking stockholder approval of a plan of reorganization, merger or consolidation of the Company with one or more corporations, as a result of which the outstanding shares of the Company's securities are actually exchanged for or converted into cash or property or securities not issued by the Company; or (v) at least a majority of the Incumbent Board who are in office immediately prior to any action proposed to be taken by the Company determine that such proposed action, if taken, would constitute a change of control of the Company and such action is taken. For purposes of Subsection 2.2(i) only, the term "person" shall not include Tibor N. Vertes and/or Gregory L. Hrnčir or their respective immediate families or any of their respective affiliates, or any employee benefit plan maintained by the Company.

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- 2.3. *Code* shall mean the Internal Revenue Code of 1986, as amended, together with the regulations promulgated thereunder.
- 2.4. *Committee* shall mean the committee designated by the Board, which is authorized to administer this Plan in accordance with Section 3 hereof. The Committee shall be composed solely of two or more Non-Employee Directors and otherwise have such membership composition which enables the Options or other rights granted under this Plan to qualify for exemption under Rule 16b-3 with respect to persons who are subject to Section 16 of the Exchange Act. Each member of the Committee shall serve at the pleasure of the Board. If no Committee is designated by the Board, the Board collectively shall act as the Committee and administer this Plan.
- 2.5. *Common Stock* shall mean the Company's common stock, \$.01 par value.
- 2.6. *Company* shall mean Gaming & Entertainment Group, Inc., a Utah corporation.
- 2.7. *Employee* shall mean any individual who is a full-time employee of the Company or a Subsidiary.
- 2.8. *Exchange Act* shall mean the Securities Exchange Act of 1934, as amended, or any successor rule.
- 2.9. *Exercise Price* shall mean the amount for which one Share may be purchased upon exercise of an Option, as specified by the Committee in the Option Grant.
- 2.10. *Fair Market Value* shall mean (i) the closing price of a Share on the principal exchange (including the Nasdaq Stock Market or a successor quotation system) on which Common Stock is trading or quoted, on the date on which the Fair Market Value is determined (if Fair Market Value is determined on a date which the principal exchange is closed, Fair Market Value shall be determined on the last immediately preceding trading day), or (ii) if Common Stock is not traded on an exchange or quoted on the Nasdaq

Stock Market or a successor quotation system, the fair market value of a Share as determined by the Committee in good faith. Notwithstanding any provision of this Plan to the contrary, no determination made with respect to the Fair Market Value of a Share subject to an Incentive Option shall be inconsistent with Section 422 of the Code.

2.11. *Immediate Family* shall mean, with respect to a particular Optionee, the Optionee's spouse, children or grandchildren (including adopted and step children and grandchildren).

2.12. *Incentive Option* shall mean an option granted under this Plan which is designated and qualified as an incentive stock option within the meaning of Section 422 of the Code. Neither the Committee, the Board nor the Company shall have any liability if an Option or any part thereof that is intended to be an Incentive Option does not qualify as such. An Option or any part thereof that does not qualify as an Incentive Option is referred to herein as a Nonstatutory Option.

2.13. *Non-Employee Director* shall have the meaning set forth in Rule 16b-3 promulgated by the Securities and Exchange Commission pursuant to the Exchange Act.

2.14. *Nonstatutory Option* shall mean an option (or warrant for any person other than an Employee or Non-Employee Director) granted under this Plan which is designated as a non-qualified stock option and which does not qualify as an incentive stock option within the meaning of Section 422 of the Code.

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2.15. *Offeree* shall mean any person who has been offered the right to acquire Shares under this Plan (other than upon exercise of an Option).

2.16. *Option* shall mean an Incentive Option or a Nonstatutory Option.

2.17. *Option Grant* shall mean the written instrument which contains the terms, conditions and restrictions pertaining to each Option granted to an Optionee.

2.18. *Optionee* shall mean any person who has been granted an Option under this Plan.

2.19. *Permanent Disability* shall mean a permanent and total disability within the meaning of Section 22(e)(3) of the Code.

2.20. *Plan* shall mean this Gaming & Entertainment Group, Inc. 2004 Stock Option and Incentive Plan, as amended from time to time.

2.21. *Purchase Price* shall mean the consideration for which one Share may be acquired under this Plan (other than upon exercise of an Option), as specified by the Committee in the Share Award.

2.22. *Relationship* shall mean any individual who is (i) an Employee of the Company or a Subsidiary, (ii) a member or a member designee of the Board or of the board of directors of a Subsidiary, or (iii) an independent contractor or advisor who performs services for the Company or a Subsidiary.

2.23. *Share* shall mean one share of Common Stock, as adjusted in accordance with Section 9 (if applicable).

2.24. *Share Award* shall mean the written instrument which contains the terms, conditions and restrictions pertaining to each award or sale of Shares to an Offeree.

2.25. *Subsidiary* shall mean any company or entity of which the Company owns, directly or indirectly, the majority of the combined voting power of all classes of stock.

2.26. *Termination for Cause* shall mean the termination of the employment or service of an individual with the Company, whether voluntary or involuntary, that is determined by the Committee, in its sole discretion, to have resulted from (i) the unauthorized use or disclosure of the confidential information or trade secrets of the Company, which use or disclosure causes harm to the Company, (ii) the conviction of, or plea of guilty or no contest to, a felony under the laws of the United States or any state thereof, (iii) willful misconduct, or (iv) continued failure to perform assigned duties after receiving written notification from the Board. The foregoing, however, shall not be deemed to be an exclusive list of all acts or omissions that the Committee may consider as grounds for Termination for Cause.

3. ADMINISTRATION

3.1. *Committee Procedures.* The Board shall designate one of the members of the Committee as chairman. The Committee may hold meetings at such times and places as it shall determine. The acts of a majority of the Committee members present at meetings at which a quorum exists, or acts reduced to or approved in writing by all Committee members, shall be valid acts of the Committee.

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3.2. *Committee Responsibilities.* Subject to the provisions of this Plan, the Committee shall have full authority and discretion to take the following actions:

3.2.1. To interpret this Plan and to apply its provisions;

3.2.2. To adopt, amend or rescind rules, procedures and forms relating to this Plan;

3.2.3. To authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of this Plan;

3.2.4. To determine when Shares are to be awarded or offered for sale and when Options are to be granted under this Plan;

3.2.5. To select the Offerees and Optionees;

3.2.6. To determine the number of Shares to be offered to each Offeree or to be made subject to each Option;

3.2.7. To prescribe the terms, restrictions and conditions of each award or sale of Shares, including, without limitation, the Purchase Price and the vesting of the award (including accelerating the vesting of awards);

3.2.8. To prescribe the terms, restrictions and conditions of each Option, including, without limitation, the Exercise Price and the vesting or duration of the Option (including accelerating the vesting of the Option), and to determine whether such Option is to be classified as an Incentive Option or as a Nonstatutory Option;

3.2.9. To amend any outstanding Share Award or Option Grant, subject to the limitations of this Plan;

3.2.10. To correct any defect, supply any omission, or reconcile any inconsistency in this Plan or any Option or other right granted under this Plan; and

3.2.11. To take any other actions or make any other determinations or interpretations deemed necessary or advisable for the administration of this Plan.

3.3. *Indemnification.* No member of the Committee shall be liable for any action that he has taken or has failed to take in good faith with respect to this Plan, any Option, or any right to acquire Shares under this Plan. Service on the Committee shall constitute service as a director of the Company so that a member of the Committee shall be entitled to indemnification and reimbursement as a director of the Company to the full extent allowable under its governing instruments and applicable law.

3.4. *Other.* Subject to the requirements of applicable law, the Committee may designate persons other than members of the Committee to carry out its responsibilities and may prescribe such conditions and limitations as it may deem appropriate, except that the Committee may not delegate its authority with regard to the selection for participation of or the granting of Options or other rights under this Plan to persons subject to Section 16 of the Exchange Act. All decisions, interpretations and other actions of the Committee shall be final and binding on all Offerees, all Optionees, and all persons deriving their rights from an Offeree or Optionee.

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4. ELIGIBILITY

4.1. *General Rule.* Nonstatutory Options may be granted to any individual who has a Relationship with the Company or a Subsidiary. Incentive Options may be granted to any Employee of the Company or a Subsidiary.

4.2. *Non-Employee Directors.* Notwithstanding any provision of this Plan to the contrary, Non-Employee Directors shall only be eligible for the grant of Nonstatutory Options as described in this Section 4.2.

4.3. Reserved.

4.4. *Ten-Percent Stockholders.* An Employee who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company or any of its Subsidiaries shall not be eligible for the grant of an Incentive Option unless such grant satisfies the requirements of Section 422(c)(6) of the Code.

4.5. *Attribution Rules.* For purposes of Section 4.4 above, in determining stock ownership, an Employee shall be deemed to own the stock owned, directly or indirectly, by or for his brothers, sisters, spouse, ancestors and lineal descendants. Stock owned, directly or indirectly, by or for a company, corporation, partnership, estate or trust shall be deemed to be owned proportionately by or for its members, shareholders, partners or beneficiaries.

4.6. *Outstanding Stock.* For purposes of Section 4.4 above, outstanding stock shall include all stock actually issued and outstanding immediately after the grant. Outstanding stock shall not include shares authorized for issuance under outstanding options or similar rights held by the Employee or by any other person.

5. STOCK SUBJECT TO THIS PLAN

5.1. *Basic Limitation.* Shares offered under this Plan shall be authorized but unissued Shares or treasury Shares. Three million five hundred thousand (3,500,000.0) Shares have

been reserved for issuance under this Plan (upon exercise of Options or other rights to acquire Shares). The aggregate number of Shares which may be issued under this Plan shall at all times be subject to adjustment pursuant to Section 9. The number of Shares which are subject to Options or other rights outstanding at any time under this Plan shall not exceed the number of Shares which then remain available for issuance under this Plan. The Company, during the term of this Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of this Plan.

5.2. Additional Shares. In the event that any outstanding Option or other right for any reason expires or is canceled or otherwise terminated, the Shares allocable to the unexercised portion of such Option or other right shall again be available for the purposes of this Plan. If Shares are forfeited before any dividends have been paid with respect to the Shares, then such Shares shall again be available for award or sale under this Plan.

6. TERMS AND CONDITIONS OF OPTIONS

6.1. Option Grant. Each grant of an Option under this Plan shall be evidenced by an Option Grant approved by the Committee. Such Option shall be subject to all applicable terms and conditions of this Plan and may be subject to any other terms and conditions which are not inconsistent with this Plan and which the Committee deems appropriate for inclusion in an Option Grant. The provisions of the

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various Option Grants entered into under this Plan need not be identical. In no event shall the aggregate fair market value (determined as of the time the Incentive Option is granted) of the Shares with respect to which Incentive Options (granted under this Plan or any other plans of the Company) are exercisable for the first time by an Optionee in any calendar year exceed \$100,000. No Incentive Option shall be granted pursuant to this Plan after ten years from the earlier of the date of adoption of this Plan by the Board or the date of approval of this Plan by the Company's stockholders.

6.2. *Number of Shares.* Each Option Grant shall specify the number of Shares that are subject to the Option. The Option Grant shall also specify whether the Option is a Nonstatutory Option or an Incentive Option.

6.3. *Exercise Price.* Each Option Grant shall specify the Exercise Price. The Exercise Price of an Incentive Option shall not be less than 100% of the Fair Market Value of a Share on the date of grant, except as otherwise provided in Section 4.4. The Exercise Price of a Nonstatutory Option shall not be less than 85% of the Fair Market Value of a Share on the date of grant. Subject to the preceding two sentences, the Exercise Price under any Option shall be determined by the Committee at its sole discretion. The Exercise Price shall be payable in one of the forms described in Sections 8.1 and 8.2.

6.4. *Withholding Taxes.* As a condition to the exercise of an Option, the Optionee shall make such arrangements as the Committee may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with such exercise. The Optionee shall also make such arrangements as the Committee may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option.

6.5. *Exercisability and Term.* Each Option Grant shall specify the date when all or any installment of the Option is to become exercisable. An Option may be exercised only by delivery to the Company of a written notice of exercise signed by the proper person together with payment in full for the number of Shares which the Option is exercised. The Option Grant shall also specify the term of the Option. The term shall not exceed ten years from the date of grant (five years for Employees described in Section 4.2). Subject to the preceding three sentences, the Committee at its sole

discretion shall determine when all or any installment of an Option is to become exercisable and when an Option is to expire. Notwithstanding anything to the contrary herein, no Option will be exercisable (and any attempted exercise will be deemed null and void) if such exercise would create a right of recovery for short-swing profits under Section 16(b) of the Exchange Act. This Section 6.5 is intended to protect persons subject to Section 16(b) against inadvertent violations of Section 16(b) and shall not apply with respect to any particular exercise of an Option if the limitation in the preceding sentence of this Section 6.5 is expressly waived in writing by the Optionee at the time of such exercise.

6.6. *Termination of Relationship.* Except as the Committee may otherwise determine at any time with respect to any particular Nonstatutory Option granted hereunder:

6.6.1. If an Optionee ceases to have a Relationship for any reason other than his death or Permanent Disability, any Options granted to him shall terminate 90 days from the date on which such Relationship terminates. During the ninety day period, the Optionee may exercise any Option granted to him but only to the extent such Option was exercisable on the date of termination of his Relationship and provided that such Option has not previously expired by its own terms or otherwise terminated as provided herein. A leave of absence approved in writing by the Committee shall not be deemed a termination of Relationship for purposes of this Section 6.6, but no Option may be exercised during any such leave of absence, except during the first 90 days thereof.

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6.6.2. For purposes hereof, termination of an Optionee's Relationship for reasons other than death or Permanent Disability shall be deemed to take place upon the earliest to occur of the following: (i) the date of the Optionee's retirement from employment under the normal retirement policies of the Company; (ii) the date of the Optionee's retirement from employment with the approval of the Committee because of disability (other than Permanent Disability); (iii) the date the Optionee receives notice or advice that his employment or other Relationship is terminated; or (iv) the date the Optionee ceases to render the services which he was employed, engaged or retained to render to the Company (absences for temporary illness, emergencies and vacations or leaves of absence approved in writing by the Committee excepted). The fact that the Optionee may receive payment from the Company after termination for vacation pay, for services rendered prior to termination, for salary in lieu of notice or for other benefits shall not affect the termination date.

6.6.3. Notwithstanding anything in this Plan to the contrary, no Option may be exercised or claimed by Optionee following the termination of his Relationship as a result of a Termination for Cause, and no Option may be exercised or claimed while the Optionee is being investigated for a Termination for Cause.

6.7. *Death or Permanent Disability of Optionee.* Except as the Committee may otherwise determine at any time with respect to any particular Nonstatutory Option granted hereunder, if an Optionee shall die at a time when he is in a Relationship or if the Optionee shall cease to have a Relationship by reason of Permanent Disability, any Options granted to him shall terminate one year after the date of his death or termination of Relationship due to Permanent Disability unless by its terms it shall expire before such date or otherwise terminate earlier as provided herein, and shall only be exercisable to the extent that it would have been exercisable on the date of his death or his termination of Relationship due to Permanent Disability. In the case of death, the Option may be exercised by the person or persons to whom the Optionee's rights under the Option shall pass by will or by the laws of descent and distribution.

6.8. *Privileges of Stock Ownership.* No person entitled to exercise any Option granted under this Plan shall have any of the rights or privileges of a stockholder of the Company with respect to any Shares issuable upon exercise of such Option until such person has become the holder of record of such Shares. No adjustment shall be made for dividends or

distributions of rights in respect of such Shares if the record date is prior to the date on which such person becomes the holder of record, except as provided in Section 9 hereof.

6.9. *Amendment of Options.* The Committee may amend, modify, extend, renew or terminate outstanding Options or may accept the cancellation of outstanding Options (to the extent not previously exercised), whether or not granted hereunder, in return for the grant of new Options at the same or a different price. The Committee may shorten the vesting period, extend the exercise period, remove any or all restrictions or convert an Incentive Option to a Nonstatutory Option, if, in its sole discretion, the Committee determines that such action is in the best interests of the Company. The foregoing notwithstanding, the Optionee's consent to any such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Optionee.

6.10. *Restrictions on Transfer of Shares.* Any Shares issued upon exercise of an Option shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine. Such restrictions shall be set forth in the applicable Option Grant and shall apply in addition to any general restrictions that may apply to all holders of Shares. Each certificate representing any Shares issued upon exercise of an Option shall bear a legend making appropriate reference to the restrictions imposed on the Shares.

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7. TERMS AND CONDITIONS OF AWARDS OR SALES

7.1. *Share Award.* Each award or sale of Shares under this Plan (other than upon exercise of an Option) shall be evidenced by a Share Award approved by the Committee. Such award or sale shall be subject to all applicable terms and conditions of this Plan and may be subject to any other terms and conditions which are not inconsistent with this Plan and which the Committee deems appropriate for inclusion in a Share Award. The provisions of the various Share Awards entered into under this Plan need not be identical.

7.2. *Duration of Offers and Nontransferability of Rights.* Any right to acquire Shares under this Plan (other than an Option) shall automatically expire if not exercised by the Offeree within thirty days after the grant of such right was communicated to the Offeree by the Committee. Such right shall not be transferable and shall be exercisable only by the Offeree to whom such right was granted.

7.3. *Purchase Price.* The Purchase Price shall be determined by the Committee at its sole discretion. The Purchase Price shall be payable in one of the forms described in Sections 8.1, 8.2 or 8.3.

7.4. *Withholding Taxes.* As a condition to the receipt or purchase of Shares, the Offeree shall make such arrangements as the Committee may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with a recognition of income from such Shares (either on the date of grant or the date the restrictions lapse).

7.5. *Amendment of Share Awards.* The Committee may amend, modify or terminate any outstanding Share Awards. The Committee may shorten the vesting period or remove any or all restrictions if, in its sole discretion, the Committee determines that such action is in the best interests of the Company. The foregoing notwithstanding, the Offeree's consent to any such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Offeree.

7.6. *Restrictions on Transfer of Shares.* Any Shares awarded or sold under this Plan shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine. Such restrictions shall be set forth in the applicable Stock Purchase Agreement and shall apply in addition to any general restrictions that may apply to all holders of Shares. Each certificate representing any Shares awarded or sole under this Plan will bear a legend making appropriate reference to the restrictions imposed on the Shares.

8. PAYMENT FOR SHARES

8.1. *General Rule.* The entire Purchase Price or Exercise Price for the number of Shares being purchased and, if applicable, any federal, state or local withholding taxes required to be paid in accordance with Section 6.4 or 7.4 hereof, shall be payable in full, by cash or by certified or cashier's check payable to the order of the Company or equivalent thereof acceptable to the Company, at the time when such Shares are purchased, except as provided in Sections 8.2, 8.3 and 8.4 below. Notwithstanding the foregoing, the Company shall have the right to postpone the time of delivery of the Shares for such period as may be required for it to comply, with reasonable diligence, with any applicable listing requirements of any national securities exchange (including the Nasdaq Stock Market) or any federal, state or local law. If an Optionee or Offeree fails to accept delivery of or fails to pay for all or any portion of the Shares requested, the Committee shall have the right to terminate his Option (or other right to acquire Shares) with respect to the number of such Shares requested.

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8.2. *Surrender of Stock; Cashless Exercise.* At the discretion of the Committee, payment may be made in whole or in part with Shares which were acquired by the Optionee in the open market or which have already been owned by the Optionee or his representative for more than six months, and which certificate(s) representing the Shares is surrendered to the Company duly endorsed and in good form for transfer. Such Shares shall be valued at their Fair Market Value on the date when the new Shares are purchased under this Plan.

8.3. *Services Rendered.* At the discretion of the Committee, Shares may be awarded under this Plan in consideration of services rendered to the Company or a Subsidiary prior to the award. If Shares are awarded without the payment of a Purchase Price in cash, the Committee shall make a determination (at the time of the award) of the value of the services rendered by the Offeree and the sufficiency of the consideration to meet the requirements of this Section 8.3.

9. ADJUSTMENT OF SHARES

9.1. *General.* In the event of a subdivision of the outstanding Common Stock, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the value of Shares, a combination or consolidation of the outstanding Common Stock (by reclassification or otherwise) into a lesser number of Shares, a recapitalization or a similar occurrence, the Committee shall make at its sole discretion appropriate adjustments in one or more of: (i) the number of Shares available for future grants under Section 5; (ii) the number of Shares covered by each outstanding Option; (iii) the Exercise Price under each outstanding Option; (iv) the number of Shares covered by each outstanding award; or (v) the Purchase Price of each outstanding award.

9.2. *Reorganization.* In the event that the Company is a party to a merger or other reorganization, outstanding Options shall be subject to the agreement of merger or reorganization. Such agreement may provide for the assumption of outstanding Options by the surviving corporation or its parent or for their continuation by the Company (if the Company is a surviving corporation); *provided, however,* that if assumption or continuation of the outstanding Options is not provided by such agreement then the Committee shall have the option of offering the payment of a cash settlement equal to the difference between the amount to be paid for one Share under such

agreement and the Exercise Price, in all cases without the Optionees' consent.

9.3. *Reservation of Rights.* Except as provided in this Section 9, an Optionee or Offeree shall have no rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend or any other increase or decrease in the number of shares of stock of any class. Any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option. The grant of an Option pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

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10. CHANGE OF CONTROL

Notwithstanding any other section this Plan, in the event of a Change in Control, all restrictions on all awards or sales of Shares will lapse and vesting on all unexercised Options will accelerate to the Change in Control date.

11. LEGAL AND REGULATORY REQUIREMENTS

Shares shall not be issued under this Plan unless the issuance and delivery of such Shares complies with (or is exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations and the regulations of any stock exchange on which the Company's securities may then be listed.

12. NO EMPLOYMENT RIGHTS

Nothing contained in this Plan or in any right or Option granted under this Plan shall confer upon any Offeree or Optionee any right with respect to the continuation of his employment by or other Relationship with the Company or a Subsidiary. The Company and its Subsidiaries reserve the right to terminate any person's employment and/or Relationship at any time and for any reason, with or without notice.

13. DURATION AND AMENDMENTS

13.1. *Term of this Plan.* This Plan shall terminate automatically on March 31, 2014 and may be terminated on any earlier date pursuant to Section 13.2 below.

13.2. *Right to Amend, Suspend or Terminate this Plan.* The Board of Directors may amend, suspend or terminate this Plan at any time and from time to time. An amendment of this Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules.

13.3. *Effect of Termination.* No Shares shall be issued or sold under this Plan after the termination thereof, except upon exercise of an Option granted prior to such termination. The termination of this Plan shall not affect any Share previously issued or any Option previously granted under this Plan.

14. PLAN NOT A TRUST

Nothing contained in this Plan and no action taken pursuant to this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and any Offeree or Optionee, the executor, administrator or other personal representative, or designated beneficiary of such Offeree or Optionee, or any other persons. If and to the extent that any Offeree or Optionee or such Offeree's or Optionee's executor, administrator or other personal representative, as the case may be, acquires a right to receive any payment from the Company pursuant to this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.

15. NOTICES

Each Offeree or Optionee shall be responsible for furnishing the Committee with the current and proper address for the mailing of notices and delivery of agreements, Common Stock and cash pursuant to this Plan. Any notices required or permitted to be given shall be deemed given if directed to the person to

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whom addressed at such address and mailed by regular United States mail, first-class and prepaid. If any item mailed to such address is returned as undeliverable to the addressee, mailing will be suspended until the Offeree or Optionee furnishes the proper address. This provision shall not be construed as requiring the mailing of any notice or notification if such notice is not required under the terms of this Plan or any applicable law.

16. SEVERABILITY OF PROVISIONS

If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provisions had not been included.

17. PAYMENT TO MINORS, ETC.

Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Committee, the Company and other parties with respect thereto.

18. HEADINGS AND CAPTIONS

The headings and captions herein are provided for reference and convenience only, shall not be considered part of this Plan, and shall not be employed in the construction of this Plan.

19. CONTROLLING LAW

This Plan shall be construed and enforced according to the laws of the State of Nevada to the extent not preempted by federal law, which shall otherwise control.

20. STOCKHOLDER APPROVAL

The grant of Options under this Plan shall be subject to approval of this Plan by the stockholders of the Company within twelve months after the date this Plan was adopted by the Board. Such stockholder approval shall be obtained in the degree and manner required under applicable law. The Committee may grant Options under this Plan prior to approval by the stockholders, but until such approval is obtained, no such Option shall be exercisable.

21. EXECUTION

To record the adoption of this Plan by the Board effective as of April 1, 2004, the Company has caused its authorized officer to execute the same.

GAMING &
ENTERTAINMENT GROUP,
INC.

By: /s/ Gregory L.
Hrcir

Gregory L. Hrcir
Its: President

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**PROXY FOR ANNUAL MEETING OF
STOCKHOLDERS, JUNE 14, 2004**

SOLICITED BY THE BOARD OF DIRECTORS

The undersigned stockholder of Gaming & Entertainment Group, Inc. hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders, Proxy Statement and Annual Report on Form 10-KSB in connection with our annual meeting of stockholders to be held at our principal offices at 6757 Spencer Street, Las Vegas, Nevada, on Monday, June 14, 2004 at 10:00 o'clock in the morning, Pacific Time, and hereby appoints Gregory L. Hrcir as proxy, with power of substitution, to attend and to vote all shares the undersigned would be entitled to vote if personally present at said annual meeting and at any adjournment thereof. The proxy is instructed to vote as specified on the reverse side hereof:

(Continued and to be signed on the reverse side)

**ANNUAL MEETING OF STOCKHOLDERS OF
GAMING & ENTERTAINMENT GROUP,
INC.**

June 14, 2004

Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible.

V Please detach along perforated line and mail in the envelope
provided. V

**THE BOARD OF DIRECTORS RECOMMENDS A
VOTE FOR THE ELECTION OF DIRECTORS AND
FOR PROPOSALS 2, 3 AND 4. PLEASE SIGN, DATE
AND RETURN PROMPTLY IN THE ENCLOSED
ENVELOPE.**

**PLEASE MARK YOUR VOTE IN BLUE OR BLACK
INK AS SHOWN HERE x.**

1. Election of Directors:

<p>NOMINEES:</p> <p>FOR ALL NOMINEES</p> <p>WITHOUT AUTHORITY</p>	<p>“ Tibor N. Vertes</p> <p>“ Gregory L. Hrcir</p> <p>“ Jay Sanet</p>	<p>2. APPROVE OUR 2004 STOCK OPTION AND INCENTIVE PLAN</p>	<p>FOR</p> <p>AGAINST</p> <p>ABS</p> <p>“</p> <p>“</p>
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FOR ALL NOMINEES

<p>FOR ALL EXCEPT</p> <p>(See instructions below)</p>	<p>3. RATIFY THE APPOINTMENT OF J.H. COHN LLP AS OUR INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004</p> <p>4. IN THEIR DISCRETION, UPON SUCH OTHER MATTER AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING.</p>	<p>“</p> <p>“</p> <p>“</p> <p>“</p>
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INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the box next to each nominee you wish to withhold, as shown here: x

The shares represented by this proxy will be voted as specified. If no specification is made, the shares represented by this proxy will be voted in favor of the nominee listed, and in the discretion of the proxies, on other matters that may properly come before the annual meeting.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. “

Signature of Stockholder _____ Date _____

Signature of Stockholder _____ Date _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.