STATION CASINOS INC
Form 10-K/A
April 27, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A
Amendment No. 1

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 2006

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from to .

Commission file number 000-21640

STATION CASINOS, INC.

(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	**88-0136443** (I.R.S. Employer Identification No.)

2411 West Sahara Avenue, Las Vegas, Nevada 89102

(Address of principal executive offices, Zip Code)

Registrant s telephone number, including area code: **(702) 367-2411**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 Par Value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated file. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the voting stock held by non-affiliates (all persons other than executive officers or directors) of the registrant as of June 30, 2006, based on the closing price per share of $68.08 as reported on the New York Stock Exchange was $3,163,811,105.

As of January 31, 2007, the registrant has 57,260,989 shares of common stock outstanding.

Documents Incorporated by Reference

None.

EXPLANATORY NOTE

The registrant filed with the Securities and Exchange Commission (the SEC) an Annual Report on Form 10-K for the year ended December 31, 2006 (Form 10-K) on March 1, 2007, pursuant to which it incorporated by reference into Part III thereof portions of its definitive Proxy Statement for its 2007 Annual Meeting of Stockholders (Proxy Statement) to be subsequently filed with the SEC. The registrant has determined to amend the Form 10-K to include such Part III information in this Amendment No. 1 on Form 10-K/A rather than incorporating it into the Form 10-K by reference to the Proxy Statement. Accordingly, Part III, Items 10 through 14, on the Form 10-K are hereby amended along with the cover page to remove the Documents Incorporated by Reference. In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), new certifications by our principal executive officer and principal financial officer are being filed or furnished as exhibits to this Amendment No. 1 on Form 10-K/A under Item 15 of Part IV hereof.

No attempt has been made in this Amendment No. 1 on Form 10-K/A to modify or update the other disclosures presented in the Form 10-K. This Amendment No. 1 on Form 10-K/A does not reflect events occurring after the filing of the Form 10-K or modify or update those disclosures. Accordingly, this Amendment No. 1 on Form 10-K/A should be read in conjunction with the Form 10-K and our other filings with the SEC.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

DIRECTORS AND EXECUTIVE OFFICERS

The Company s Articles and Bylaws require that the number of directors on the Board of Directors be not less that three nor more than fifteen. Currently, the Board of Directors has fixed the number of directors at six. The directors are evenly divided into three classes. Class I consists of Lowell H. Lebermann, Jr. and Robert E. Lewis whose terms expire in 2009. Class II consists of Lorenzo J. Fertitta and James E. Nave, D.V.M. whose terms expire in 2007. Class III consists of Frank J. Fertitta III and Lee S. Isgur whose terms expire in 2008. All directors hold their positions until their terms expire and until their respective successors are elected and qualified. Executive officers are elected by and serve at the discretion of the Board of Directors. The following table sets forth the directors and executive officers of the Company as of December 31, 2006 and provides their respective ages and positions with the Company.

Name	Age	Position
Frank J. Fertitta III(*)	45	Chairman of the Board and Chief Executive Officer
Lorenzo J. Fertitta(*)	38	Vice Chairman of the Board and President
Glenn C. Christenson(**)	57	Executive Vice President, Chief Financial Officer, Chief Administrative Officer and Treasurer
William W. Warner	42	Executive Vice President and Chief Operating Officer
Scott M Nielson	49	Executive Vice President and Chief Development Officer
Richard J. Haskins	43	Executive Vice President, General Counsel and Secretary
Lee S. Isgur	69	Director
Lowell H. Lebermann, Jr.	67	Director
Robert E. Lewis	61	Director
James E. Nave, D.V.M.	62	Director

(*) Frank J. Fertitta III and Lorenzo J. Fertitta are brothers.

(**) On March 29, 2007, the Company and Mr. Christenson entered into a Separation Agreement and General Release, pursuant to which Mr. Christenson s employment with the Company terminated effective March 30, 2007.

Set forth below is a description of the backgrounds, including business experience, for each of our directors and executive officers as of December 31, 2006.

Frank J. Fertitta III. Mr. Fertitta has served as Chairman of the Board of the Company since February 1993 and Chief Executive Officer since July 1992. Mr. Fertitta also served as President of the Company from 1989 until July 2000. He has held senior management positions since 1985, when he was named General Manager of Palace Station. He was elected a director of the Company in 1986, at which time he was also appointed Executive Vice President and Chief Operating Officer.

Lorenzo J. Fertitta. Mr. Fertitta was appointed Vice Chairman of the Board of the Company in December 2003. Mr. Fertitta has served as President of the Company since July 2000 and has served as a director since 1991. From 1991 to 1993, he served as Vice President of the Company. Mr. Fertitta served as President and Chief Executive Officer of Fertitta Enterprises, Inc. from June 1993 to July 2000, where he was responsible for managing an investment portfolio consisting of marketable securities and real property. Mr. Fertitta currently serves as the first President of the Nevada Resort Association and a member of its Board of Directors and serves as a director of the American Gaming Association. Mr. Fertitta served as a commissioner on the Nevada State Athletic Commission from November 1996 until July 2000.

Glenn C. Christenson. Mr. Christenson was appointed Chief Administrative Officer in March 1997 and has served as Executive Vice President of the Company since February 1994. From 1989 to 1993, he served as Vice President of the Company. He has served as Chief Financial Officer since 1989, as Treasurer since 1992 and as a director of the Company from 1993 to December 2003. Mr. Christenson is a Certified Public Accountant. From 1983 to 1989, he was a partner of the international accounting firm of Deloitte Haskins & Sells (now Deloitte & Touche), where he served as partner-in-charge of audit services for the Nevada practice and National Audit partner for the Hospitality Industry. He currently serves as a director of the National Center for Responsible Gaming and is Chairman of the Audit Committee. He is a member of the Board of Trustees of the Nevada Development Authority and is a member of the Board of Directors for the Las Vegas Convention and Visitors Authority and the Nevada State College Foundation Board. On March 29, 2007, the Company and Mr. Christenson entered into a Separation Agreement and General Release, pursuant to which Mr. Christenson s employment with the Company terminated effective March 30, 2007.

William W. Warner. Mr. Warner was appointed Chief Operating Officer of the Company in July 2004 and has been an Executive Vice President of the Company since March 2002. He served as Chief Development Officer from March 2002 to July 2004, Vice President of Finance of the Company from January 1996 to March 2002 and Director of Finance from August 1993 to January 1996.

Scott M Nielson. Mr. Nielson was appointed Chief Development Officer of the Company in July 2004 and has been an Executive Vice President of the Company since June 1994. He served as Chief Legal Officer from March 2002 to July 2004 and General Counsel from 1991 to March 2002. In 1992, he was appointed Secretary of the Company and served in that position until July 2004. From 1991 through June 1994, he served as Vice President of the Company. From 1986 to 1991, Mr. Nielson was in private legal practice as a partner in the Las Vegas firm of Schreck, Jones, Bernhard, Woloson & Godfrey (now Brownstein Hyatt Farber Schreck, P.C.), where he specialized in gaming law and land use planning and zoning. Mr. Nielson is a member of the American Bar Association, the Nevada Bar Association and the International Association of Gaming Attorneys.

Richard J. Haskins. Mr. Haskins was appointed Executive Vice President and Secretary of the Company in July 2004 and has served as General Counsel of the Company since April 2002. He previously served as Assistant Secretary from September 2003 to July 2004, as Vice President and Associate General Counsel from November 1998 to March 2002 and as General Counsel of Midwest Operations from November 1995 to October 1998. From 1990 to October 1995, Mr. Haskins was in private legal practice, most recently as a partner in the Kansas City, Missouri law firm of Rose Brouillette & Shapiro P.C. Mr. Haskins is a member of the American Bar Association, Kansas Bar Association, Missouri Bar Association and Nevada Bar Association.

Lee S. Isgur. Mr. Isgur has served as a director of the Company since December 2003 and serves on the Audit and Governance and Compensation Committees. Mr. Isgur has been the Managing Partner of Corporate Counselors, a research and investment banking consulting firm, since 1997 and has served on the Board of Directors of eDiets since 1999, where he serves as chair of the Audit Committee and as a member of the Governance and Compensation committees. From 1994 to 1997, Mr. Isgur was a Managing Director of Jefferies & Company, an investment banking firm. Prior to that, he was a partner at Volpe Welty & Company, a research and investment banking firm.

Lowell H. Lebermann, Jr. Mr. Lebermann has served as a director of the Company since October 1993 and is Chairman of the Governance and Compensation Committee and serves on the Audit Committee. He is Chairman of Centex Beverage, Inc., a wholesale distributor of Miller beer and imported beverages. He is a director of Patton Medical, Inc. and DoggettData, Inc., of Austin, Texas. Mr. Lebermann is a former director of Valero Energy Corporation, San Antonio and of Franklin Federal Bancorp, Austin (acquired by Norwest) and a founding member of the Board of Directors of the Texas

Workers Compensation Fund. From 1993 to 1999, he was a member of the Board of Regents of The University of Texas System and was a Council Member on the Austin City Council from 1971 to 1977.

Robert E. Lewis. Mr. Lewis has served as a director of the Company since May 2004 and serves on the Audit and Governance and Compensation Committees. Mr. Lewis has served as president of the Nevada Division of Lewis Operating Corp. since December 1999. Mr. Lewis became the president of the Nevada Region of Kaufman and Broad Home Corporation upon the merger of Lewis Homes Management Corp. and Kaufman and Broad Home Corporation in January 1999. He served in that capacity until December 1999. Prior to the merger, Mr. Lewis ran the Nevada operations of the Lewis Homes group of companies and its affiliates for 25 years. He has served as a director for the National Association of Home Builders and as a director and President of the Southern Nevada Home Builders Association. Mr. Lewis is also on the Executive Committee and served as Secretary and Legislative Chairman for the Nevada Development Authority, he is a Past Chairman of the Las Vegas District Council of the Urban Land Institute and served on the Clark County Community Growth Task Force.

James E. Nave, D.V.M. Dr. Nave has served as a director of the Company since March 2001 and is Chairman of the Audit Committee and serves on the Governance and Compensation Committee. Dr. Nave has been an owner of the Tropicana Animal Hospital since 1974 and has been the owner and manager of multiple veterinary hospitals since 1976. Dr. Nave has also served on the Board of Directors of Bank West of Nevada since 1994, where he also serves as Chairman of the Site Committee. Dr. Nave has served on the Board of Directors of Western Alliance Bancorporation since 2003, where he also serves as a member of the Audit and Compensation Committees. Dr. Nave is also the Globalization Liaison Agent for Education and Licensing for the American Veterinary Medical Association and is Chairperson of the National Commission for Veterinary Economics Issues. In addition, Dr. Nave is a member and past President of the Nevada Veterinary Medical Association, the Western Veterinary Conference and the American Veterinary Medical Association. He is also a member of the Clark County Veterinary Medical Association, the National Academy of Practitioners, the American Animal Hospital Association and the Executive Board of the World Veterinary Association. Dr. Nave was a member of the University of Missouri, College of Veterinary Medicine Development Committee from 1984 to 1992. He was also a member of the Nevada State Athletic Commission from 1988 to 1999 and served as its chairman from 1989 to 1992 and from 1994 to 1996.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company s executive officers and directors and persons who own more than 10% of the Company s common stock to file reports of ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission (the SEC). Executive officers, directors and 10% stockholders are required by the SEC to furnish the Company with copies of all Forms 3, 4 and 5 they file.

Based solely on the Company s review of the copies of such forms it has received, the Company believes that all of its executive officers, directors and greater than 10% beneficial owners complied with all of the filing requirements applicable to them with respect to transactions during 2006.

CODE OF ETHICS

The Company has adopted a Code of Business Conduct and Ethics (the Code of Ethics) that applies to all of its directors, officers (including its principal executive officer and principal financial officer) and employees. The Code of Ethics and any waivers or amendments to the Code of Ethics are available on the Company s website at www.stationcasinos.com. Printed copies are also available to any person without charge, upon request directed to the Company s Corporate Secretary, 2411 West Sahara Avenue, Las Vegas, Nevada 89102.

CORPORATE GOVERNANCE GUIDELINES

The Company has adopted Corporate Governance Guidelines that are available on its website at www.stationcasinos.com. Printed copies are also available upon request directed to the Company s Corporate Secretary.

STOCKHOLDER COMMUNICATIONS WITH DIRECTORS

Stockholders may communicate with the Board of Directors, including the non-management directors, by sending a letter to Station Casinos, Inc. Board of Directors, c/o Corporate Secretary, 2411 West Sahara Avenue, Las Vegas, Nevada 89102. The Corporate Secretary has the authority to disregard any inappropriate communications or to take other actions with respect to any such inappropriate communications. If deemed an appropriate communication, the Corporate Secretary will submit the correspondence to the Chairman of the Board or to any specific director to whom the correspondence is directed.

MEETINGS AND COMMITTEES

The Board of Directors met 14 times during 2006. None of the members of the Board of Directors attended less than 75% of the meetings of the Board of Directors held, or of the total number of meetings held by all committees of the Board of Directors on which various members served during 2006.

All of the members of the Board of Directors were in attendance, with the exception of Mr. Lebermann at the 2006 annual stockholders meeting which included Frank J. Fertitta III, Lorenzo J. Fertitta, Dr. Nave and Messrs. Isgur and Lewis. It is the Company s policy that all members of the Board of Directors are expected to attend the annual stockholders meeting.

In order to promote open discussion among the non-management directors, the Board of Directors holds executive sessions at least four times each year, in which those directors meet without management participation. The Chairman of each executive session rotates between the chairpersons of the Company s Audit Committee and Governance and Compensation Committee, depending upon the primary subject matter of the meeting. During 2006, the non-management directors met four times without management participation following Audit Committee or Governance and Compensation Committee meetings.

The Audit Committee

The Board of Directors has a separately designated standing Audit Committee that was established in accordance with Section 3(a) (58) (A) of the Exchange Act. The current members of the Audit Committee are Dr. Nave, Chairman and Messrs. Lebermann, Isgur and Lewis.

The Audit Committee, comprised solely of independent directors (as independence is defined in Section 303A.02 of the New York Stock Exchange (NYSE) listing standards), meets periodically with the Company s independent auditors, management, internal auditors and legal counsel to discuss accounting principles, financial and accounting controls, the scope of the annual audit, internal controls, regulatory compliance and other matters. The Audit Committee also advises the Board of Directors on matters related to accounting and auditing and selects the Company s independent auditors. The independent auditors and the internal auditors have complete access to the Audit Committee without management present to discuss results of their audit and their opinions on adequacy of internal controls, quality of financial reporting and other accounting and auditing matters. The responsibilities of the Audit Committee are outlined in a written charter, which is available on the Company s website at www.stationcasinos.com. Printed copies are also available upon request directed to the Company s Corporate Secretary.

Audit Committee Financial Expert

The Board of Directors has determined that all Audit Committee members are financially literate under the current listing standards of the NYSE. The Board of Directors has also determined that Lee S. Isgur qualifies as an audit committee financial expert as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002. Mr. Isgur is an independent director (as independence is defined in Section 303A.02 of the NYSE listing standards).

REPORT OF AUDIT COMMITTEE(1)

The Audit Committee of the Board of Directors developed a charter for the Committee that was approved by the Board of Directors. The Audit Committee has adopted a policy that requires advance approval of all audit-related, tax services and other services performed by the independent auditors. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditors are engaged to perform it. The Audit Committee has delegated to the Chairman of the Audit Committee authority to approve permitted services provided that the Chairman reports any decisions to the Committee at its next scheduled meeting.

In conjunction with its activities during the Company s year, the Audit Committee has reviewed and discussed the Company s audited financial statements with management of the Company. The members of the Audit Committee have also discussed with the Company s independent auditors the matters required to be discussed by Statement of Auditing Standards 61 (Codification of Statements on Auditing Standards, AU Section 380), as amended. The Audit Committee has received from the Company s independent auditors the written disclosures and the letter required by Independence Standards Board Standard No. 1, and has discussed with the independent auditors the independent auditors independence. Based on the foregoing review and discussions, the Audit Committee recommended to the Board of Directors of the Company that the audited financial statements be included in the Company s Annual Report on Form 10-K for the Company s year ended December 31, 2006.

Respectfully Submitted,
James E. Nave, D.V.M., Chairman
Lowell H. Lebermann, Jr.
Lee S. Isgur
Robert E. Lewis

(1) Notwithstanding anything to the contrary set forth in any of the Company s previous or future filings under the Securities Act or the Exchange Act, this Report of Audit Committee shall not be incorporated by reference in any such filings.

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ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This section provides an overview and analysis of our compensation program and policies, the material compensation decisions we have made under those programs and policies and the role of the Governance and Compensation Committee of the Board of Directors in setting compensation programs and policies. This section also discusses the material elements of the compensation of each of the executive officers as of December 31, 2006 identified below, whom we refer to as our Named Executive Officers :

- Frank J. Fertitta III, Chairman of the Board and Chief Executive Officer;
- Lorenzo J. Fertitta, Vice Chairman of the Board and President;
- Glenn C. Christenson, Executive Vice President, Chief Financial Officer, Chief Administrative Officer and Treasurer;
- William W. Warner, Executive Vice President and Chief Operating Officer; and
- Scott M Nielson, Executive Vice President and Chief Development Officer.

This section is intended to help you understand the detailed information provided in the compensation tables and related disclosures set forth below and to help you put that information into context within our overall compensation program.

As discussed elsewhere in this Amendment No. 1 on Form 10-K/A, the Company entered into an Agreement and Plan of Merger with Fertitta Colony Partners LLC (FCP) and FCP Acquisition Sub (Merger Sub) on February 23, 2007 (the Merger Agreement), pursuant to which Merger Sub will be merged with and into the Company, and as a result, the Company will continue as the surviving corporation (the Merger). In anticipation of the Merger there have been no increases in annual salaries for the Named Executive Officers, no additional stock options or restricted stock awards granted to the Named Executive Officers and no changes to the compensation plans and policies for 2007. See Certain Relationships and Related Transactions, and Director Independence Merger Agreement below for additional information regarding the Merger Agreement.

On March 29, 2007, the Company and Mr. Christenson entered into a Separation Agreement and General Release, pursuant to which Mr. Christenson s employment with the Company terminated effective March 30, 2007. See Summary Compensation Table Discussion of Summary Compensation Table and Grant of Plan-Based Awards Table Separation Agreement and Release with Mr. Christenson for additional information. On March 28, 2007, Thomas M. Friel was appointed as Executive Vice President, Chief Accounting Officer and Treasurer of the Company, effective March 30, 2007. Upon the effectiveness of the termination of Mr. Christenson s employment, Mr. Friel succeeded Mr. Christenson as the principal financial officer and principal accounting officer of the Company.

Governance and Compensation Committee

The Governance and Compensation Committee, currently comprised solely of independent directors (as independence is defined in Section 303A.02 of the NYSE listing standards), meets periodically to discuss matters relating to the nomination of directors and corporate governance policies in addition to compensation matters which include reviewing and taking action regarding terms of compensation, employment contracts, pension matters that concern officers and key employees of the Company and grants of stock options and restricted stock awards to employees.

The current members of the Governance and Compensation Committee are Lowell H. Lebermann, Jr., Chairman, James E. Nave, D.V.M., Lee S. Isgur and Robert E. Lewis, who comprise all of the independent members of the Board. Per the Governance and Compensation Committee s charter, members are appointed by the Board of Directors. The Governance and Compensation Committee s chairperson is designated by the full Board of Directors. Mr. Lebermann has served as the Chairman of the Governance and Compensation Committee since 2001. The Governance and Compensation Committee met seven times during 2006.

The Governance and Compensation Committee operates under a written charter adopted by the Board of Directors and is responsible for shaping and maintaining the Company s compensation policy by (i) reviewing and approving all elements of the total compensation program for the Company, (ii) aligning the total compensation program with stockholders interests and the Company s business strategy and (iii) assuring stockholders that the compensation programs are effective, responsible and competitive when compared to similarly situated organizations.

Steps that are taken to fulfill the responsibility of the Governance and Compensation Committee in shaping and maintaining the Company s compensation philosophy are:

- reviewing and approving corporate goals and objectives relevant to the compensation of the Chief Executive Officer and the other executive officers;

- evaluating the performance of the Chief Executive Officer and the other executive officers in light of these goals and objectives;

- setting the compensation of the Chief Executive Officer and the other executive officers based on such evaluation;

- making recommendations to the Board of Directors with respect to the Company s incentive-compensation plans and equity-based plans; and

- reviewing the level and type of perquisites and other personal benefits provided to the Chief Executive Officer and other executive officers, taking into account their levels of salary and other compensation, the value of similar benefits provided at comparable companies and the value of such benefits given to such officers in past years.

In addition, the Governance and Compensation Committee evaluates and recommends candidates for election as directors, makes recommendations concerning the size and composition of the Board of Directors, implements the Company s corporate governance policies and assesses the effectiveness of the Board of Directors.

The Governance and Compensation Committee s written charter is available on the Company s website at www.stationcasinos.com. Printed copies are also available upon request directed to the Company s Corporate Secretary.

Compensation Philosophy and Objectives

The Company believes that it is necessary to establish compensation programs and related opportunities that are designed to attract and retain those individuals needed to successfully implement the Company s strategy and motivate individuals with a long-term vision for the Company. These programs and opportunities have to be balanced with the cost to the Company and its stockholders. In order to arrive at a proper balance, the Company has established the following compensation philosophy and guidelines:

- employment agreements determine the salary which provides the basic level of compensation for performing the job expected of the Named Executive Officers;

- cash bonus awards are used as an incentive for attainment of the Company s financial performance in a particular period; and

- restricted stock awards are used to provide a long-term incentive and align the interests of our executives with those of our stockholders.

The Governance and Compensation Committee s primary objectives in setting compensation policies are to develop a program designed to attract and retain those individuals needed to successfully implement the Company s strategy and to reward them relative to the Company s performance. The Governance and Compensation Committee sets compensation policies to promote profitable growth and to retain highly talented, motivated individuals with a long-term vision for the Company. The Governance and Compensation Committee also seeks to align the financial interest of the Company s executives with that of its stockholders. To achieve this goal, the Governance and Compensation Committee believes that a significant portion of the Company s executives compensation should be at risk and tied to the achievement of annual and long-term corporate performance criteria.

The Company s executive compensation program is designed to achieve the following objectives:

- attract and motivate experienced executives in light of the competitive realities of our industry;
- retain talented individuals;
- align our compensation strategy with our business objectives, including enhancing stockholder value; and
- support a culture of strong performance by rewarding employees for results.

These objectives underlie our compensation philosophy and all compensation-related decisions.

Each element of our compensation is intended to generally match, in cost and type, the corresponding component offered to executives in similar positions in similar organizations. Each of the elements of the Company s compensation and benefit programs are discussed and illustrated below. Unless otherwise stated, all elements are accrued as an expense and are deductible to the Company as compensation expense.

Compensation Program Design

The executive compensation program is designed with our executive compensation objectives in mind and is comprised of various cash and equity compensation methods over a short-term and long-term payment structure in order to recognize and reward executives for their contributions to the Company today and in the future.

There is some variation in the overall mix of compensation paid directly to each Named Executive Officer. In order to determine the proper allocation and value, the Governance and Compensation Committee uses benchmarks to provide guidance. In order to establish the benchmarks, each year the Governance and Compensation Committee identifies a group of casino and gaming companies (the Peer Companies) that it believes are the Company s competition for executive level employees. For the year ended December 31, 2006, the Peer Companies consisted of Harrah s Entertainment Inc., MGM Mirage, Boyd Gaming Corp., Las Vegas Sands Corp., Penn National Gaming Inc., Trump Entertainment Resorts, Inc. and Wynn Resorts Ltd.

The Governance and Compensation Committee generally meets during the first quarter of each fiscal year to review and vote on the Named Executive Officers base salaries and equity grant awards, if any, for the current year. Bonus payments to be paid to the Named Executive Officers for the preceding year, which are administered pursuant to the Senior Executive Annual Bonus Plan described in more detail herein, are also evaluated, discussed and voted on at this first-quarter meeting. This timing corresponds with the Governance and Compensation Committee s annual performance reviews of our Chief Executive Officer and the other senior executives of the Company and also enables us to consider the Company s performance during the prior year, as well as our expectations for the current year. The Governance and

Compensation Committee approves the Named Executive Officers base salaries, equity grants and bonus awards after considering the recommendations presented by the Chief Executive Officer at this meeting.

Roles of Management in Compensation Decisions

Executive officers and other management play a significant role in the compensation-setting process. The Chief Executive Officer annually reviews the performance of our senior executives and, based on these reviews, recommends to the Governance and Compensation Committee compensation for all senior executives, other than his own. The Governance and Compensation Committee, however, has the discretion to modify the Chief Executive Officer s recommendations and makes the final decisions regarding material compensation to senior executives, including base salary, annual bonuses and equity awards. The Chief Executive Officer and other senior executives typically are invited to attend Governance and Compensation Committee meetings, from time to time, except when their own compensation is being discussed or determined.

Role of Outside Consultants in Establishing Compensation

The Governance and Compensation Committee has the authority to engage the services of independent legal counsel, consultants and subject matter experts in order to analyze, review and recommend actions with regard to director compensation, executive officer compensation or general compensation and plan provisions. The Company provides appropriate funding for any such services commissioned by the Governance and Compensation Committee. The Governance and Compensation Committee retains a nationally recognized human resources consulting firm, Towers Perrin, to assist with the design, implementation and communication of the Company s compensation program. The Committee will continue to engage external consultants for the purposes of determining the Chief Executive Officer s and other senior executive officers compensation.

The Governance and Compensation Committee utilizes outside consultants, such as Towers Perrin, to facilitate in the gathering of data regarding our Peer Companies from published executive compensation surveys and proxy statements filed with the SEC and to review the external competitiveness of the Company s executive compensation program. Data compiled by Towers Perrin regarding the Peer Companies is used to benchmark senior executive compensation, including base salary, bonus and long-term incentive pay. Due to the highly competitive nature of the gaming industry, the Company targets the higher end of the Peer Companies compensation practices in order to attract and retain the most talented executives.

During 2006, Towers Perrin was engaged to evaluate both existing senior executive total direct compensation and non-management director pay and their competitiveness against the Peer Companies. The results showed that the Company s top executives received compensation packages within the mid- to upper tercile range of practices of the Peer Companies. In addition, the results of their analysis showed that our current fee structure for members of the Board of Directors is within the upper tercile range of practices of the Peer Companies, depending on the comparative factors used.

The Governance and Compensation Committee has engaged Towers Perrin to provide similar services in 2007.

Elements of Compensation Program

The Company s executive compensation program consists of the following components: base salary, senior executive annual bonus plan, long-term incentives (including stock option grants, restricted stock awards and participation in long-term stay-on incentive plans), retirement and other benefits and perquisites.

The Company targets overall compensation levels competitive with our Peer Companies. The various components of executive compensation reflect the following elements:

Base Salary

As part of its strategy to attract and retain high quality executive employees, the Governance and Compensation Committee has established a policy to pay executive base salaries based on competitive base salaries paid by the Peer Companies, with the Company s salaries being at or near the high end of the range. Actual salaries are determined based upon an assessment of the individual s contribution and value to the organization and the competitive market for that position. The annual base salary for each Named Executive Officer is set forth in his employment agreement with the Company. Base salaries are reviewed annually and may be adjusted (for increase but not for decrease) based on an evaluation of the executive s performance in conjunction with a review of compensation received by individuals holding similar positions at the Peer Companies.

Adjustments in base salary may be attributable to any of the following factors:

- merit increases as a reward for meeting or exceeding objectives;
- market increases as a result of a competitive market analysis or in coordination with a long-term plan to pay a position at a more competitive level;
- promotional increases as a result of increased responsibilities associated with a change in position or organizational change; and/or
- retention increases as a result of senior executives being recruited by or offered a position by another competitor.

The amount of a Named Executive Officer s base salary is the reference point for determining the other elements of his compensation package. For example, the relative range of potential annual incentive awards to each Named Executive Officer is based on a percentage of such Named Executive Officer s base salary. In addition, base salary is a component of the contribution formula under the Company s retirement plans and is the key component in determining change-in-control-related payments under the Named Executive Officers employment agreements.

Effective April 1, 2006, the base salaries for the Named Executive Officers under their respective employment agreements are as follows: $2,250,000 for Frank J. Fertitta III, $1,740,000 for Lorenzo J. Fertitta, $1,200,000 for Mr. Warner, $1,020,000 for Mr. Christenson and $960,000 for Mr. Nielson. In anticipation of the Merger, the Governance and Compensation Committee determined that the 2007 annual base salaries for the Named Executive Officers would remain the same as the salaries paid to such Named Executive Officers in 2006.

Senior Executive Annual Bonus Plan

The Senior Executive Annual Bonus Plan was approved by the Company s stockholders in 2004 to provide participating executive officers incentive compensation, through additional cash or equity, for their significant contributions toward improved profitability and growth of the Company as determined by the achievement of pre-established performance goals. The Senior Executive Annual Bonus Plan is designed to ensure that annual incentive awards paid to participating executive officers will be fully taxable as performance-based compensation, as defined by the regulations under Section 162(m) of the Internal Revenue Code of 1986, as amended. Each year, the Governance and Compensation Committee approves which executive officers will participate in the Senior Executive Annual Bonus Plan prior to, or at the time of, the establishment of the Company s performance goals for the year. In 2006, each of the Named Executive Officers was a participant in the Senior Executive Annual Bonus Plan.

The purpose of the Senior Executive Annual Bonus Plan is to focus each executive on the attainment of financial objectives that the Governance and Compensation Committee believes are primary determinants of the Company s share price over time. Each year specific goals based on objectives contained in the Senior Executive Annual Bonus Plan are approved by the Governance Compensation Committee. For 2006, a specific goal based on earnings before interest, taxes, depreciation and amortization (EBITDA) are approved by the Governance and Compensation Committee under the Senior Executive Annual Bonus Plan. The amount of the target award is determined by comparison of actual EBITDA versus the Company s EBITDA goal. The actual award may vary from zero to 233% of each Named Executive Officer s base salary. The Governance and Compensation Committee has retained the ability to award a discretionary bonus.

For 2006, the Governance and Compensation Committee set an EBITDA goal of $545 million to $565 million for the Named Executive Officers. If this goal was reached, the Chief Executive Officer would have received a target bonus of 200% of his base salary, Lorenzo J. Fertitta would have received 150% of his base salary and the other Named Executive Officers would have received 100% of their base salary. For the year ended December 31, 2006, the EBITDA goal set by the Governance and Compensation Committee was not reached, and as a result, the Named Executive Officers did not receive their target bonuses as described above.

Each Named Executive Officer did receive a bonus which was 50% of his target bonus described above; these bonus awards were established by the Governance and Compensation Committee based on a review of each Named Executive Officer s individual performance and other factors, including the Company s performance and assessments of the individual executive s contribution to the success of the Company during 2006. The Governance and Compensation Committee also targeted total cash compensation paid to the Company s executives to compensation for similar positions in the Peer Companies, with the Company s total cash compensation being at or near the high end of the range. See the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table set forth herein for additional details regarding the bonus amounts earned in 2006.

In anticipation of the Merger, the Governance and Compensation Committee determined that the 2007 target bonuses for the Named Executive Officers will remain the same as the target bonuses set for such Named Executive Officers in 2006.

Long-Term Incentives

The Company has provided stock-based incentives to its executives since its inception. The Governance and Compensation Committee attempts to pay a considerable portion of such executives total compensation in stock in order to give the executives a long-term stake in the business and to align executives interests with those of the Company s stockholders. These grants of stock options and restricted stock awards align the executive s interests with the stockholder s interests as the size of the executive s reward is dependent on the Company s stock performance. Grants made to the Company s executives are based on the grant values for similar positions among the Peer Companies, with the Company s grant values being at or near the high end of the range. Awards have generally been granted with either 10% or 20% of the award vesting on each anniversary from the date of grant until fully vested.

For retention purposes, 2006 long-term equity grants to Named Executive Officers were all in the form of restricted stock awards which vest at a rate of 10% per year over a ten-year period. The grant award structure was proposed by senior management and approved by the Governance and Compensation Committee. The size of the 2006 restricted stock awards to our Named Executive Officers was determined in accordance with the Company s compensation philosophy and objectives, as well as the practices of our Peer Companies. The Named Executive Officers received quarterly dividends during 2006 on their unvested restricted stock awards on the same basis as all stockholders of the Company and as all other employees holding unvested restricted stock awards.

Long-Term Stay-On Performance Incentive Plan

The Company has also entered into long-term incentive agreements with certain Named Executive Officers, which are intended to assist the Company in attracting, retaining and motivating these Named Executive Officers through the use of compensation that rewards long-term performance. The Company provides executive officers with long-term cash-based incentive awards in order to promote our long-term objectives and motivate eligible employees to achieve critical operating and financial objectives and to produce positive returns for our stockholders, as well as our retention objectives.

Lorenzo J. Fertitta entered into a Long-Term Stay-On Performance Incentive Agreement dated March 15, 2002, whereby the Company will pay him $1.0 million in cash in three equal installments on each of July 31, 2004, July 31, 2007 and July 31, 2010, provided that he will have been continuously employed with the Company through those respective dates. Pursuant to his employment agreement, upon a Change in Control (as defined in his employment agreement), Lorenzo J. Fertitta would become immediately vested and paid all amounts remaining under his Long-Term Stay-On Performance Incentive Agreement. Mr. Warner entered into a Long-Term Stay-On Performance Incentive Agreement dated April 1, 2002, whereby the Company will pay him $250,000 in cash on each of April 1, 2003, 2005, 2007 and 2009, provided that he will have been continuously employed with the Company through those respective dates.

Perquisites and Other Personal Benefits

We provide each of our Named Executive Officers with perquisites and other personal benefits such as access to the Company s airplane, club memberships, tax planning advice, retirement benefits and life and disability insurance. In addition, Frank J. Fertitta III and Lorenzo J. Fertitta were provided with personal security services. When determining which perquisites and other personal benefits to provide to our Named Executive Officers, the Governance and Compensation Committee takes into account the levels of salary and other compensation given to the Chief Executive Officer and other Named Executive Officers and the value of such benefits given to such officers in past years. The Governance and Compensation Committee does not view perquisites as a significant element of our comprehensive compensation structure; however, we believe that they can serve, along with other forms of compensation, to attract and retain talented individuals.

We offer a number of health and welfare and retirement programs to all eligible employees. All of our Named Executive Officers are eligible to participate in our employee benefit plans, including medical, dental, life insurance and 401(k) plans. The Named Executive Officers also receive group health insurance coverage through the Company s Exec-U-Care Medical Plan, while under the Company s group life insurance program, they are eligible for supplemental life insurance in the following amounts: not less than $70 million aggregate coverage for Frank J. Fertitta III, $35 million for Lorenzo J. Fertitta, $4 million for Mr. Warner, $7.5 million for Mr. Christenson and $7.5 million for Mr. Nielson.

In addition to the standard group long-term disability benefit, each Named Executive Officer is eligible to participate in the Special Long-Term Disability Plan, which is a Company-paid individual long-term disability insurance policy paying an additional monthly benefit equal to a combined monthly benefit amount of 66% of the average of base salary plus bonus for the two plan years immediately preceding (but not including) the plan year in which the participant s employment is terminated due to disability divided by twelve; provided, however, that the monthly benefit will be reduced by any benefit the participant receives from all other disability plans sponsored by the Company, if any. Benefits begin on the first day of the second month succeeding the month in which the participant s termination of employment due to disability occurs. The Governance and Compensation Committee of the Board of Directors chooses those individuals that are eligible to participate in the plan from key executives nominated by the Chief Executive Officer. As of December 31, 2006, Messrs. Christenson, Warner and Nielson were participants in the plan. The Governance and Compensation Committee may, in its sole discretion, terminate the participation of any participant prior to the disability of such participant.

During 2006, Frank J. Fertitta III and Lorenzo J. Fertitta were eligible to participate in the Supplemental Executive Retirement Plan (the SERP), while the other Named Executive Officers were eligible to participate in the Supplemental Management Retirement Plan (the SMRP). Each Named Executive Officer was also eligible to participate in the Deferred Compensation Plan For Executives (the DCPE) and the Deferred Compensation Plan For Management (the DCPM). These plans are described in more detail elsewhere in this Amendment No. 1 on Form 10-K/A.

Tax and Accounting Considerations

The Company takes into consideration tax and accounting implications in the design of its compensation programs. In the selection of long-term incentives, the Governance and Compensation Committee reviews the projected expense amounts and expense timing associated with alternative types of awards. The Company also calculates and monitors the SFAS 123R accounting expense related to equity-based compensation. To date, the SFAS 123R expense has not been a significant factor in setting or changing equity compensation grant practices except insofar as the general parity of treatment of restricted stock awards and stock options under SFAS 123R was a consideration in the Company s decision to grant restricted stock awards in lieu of stock options.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), prevents publicly traded companies from receiving a tax deduction on compensation paid to the Named Executive Officers in excess of $1 million in any taxable year, effective for compensation paid after 1993. The Governance and Compensation Committee believes that there is approximately $25.8 million of non-deductible compensation in respect of its Named Executive Officers in 2006. While the Governance and Compensation Committee is mindful of the provisions of Section 162(m), the Governance and Compensation Committee has the discretion to grant non-deductible compensation to Named Executive Officers, depending upon the circumstances. The Governance and Compensation Committee believes that in certain circumstances, achieving our compensation objectives set forth above might be more important than the benefit of tax deductibility under Section 162(m).

Stock Ownership Guidelines

The Board of Directors has not adopted specific stock ownership guidelines for our Named Executive Officers or Board members. We will continue to periodically re-evaluate whether it would be appropriate for us to implement stock ownership requirements for our Named Executive Officers and Board members.

Employment Agreements

We have maintained employment agreements with each of our Named Executive Officers for many years. These employment agreements contain provisions that we consider appropriate for executives at the respective level while providing the Company with the necessary protections. The employment agreements are described in more detail in the sections entitled Summary Compensation Table Discussion of Summary Compensation Table and Grants of Plan-Based Awards and Potential Payments Upon Change of Control or Termination of Employment below.

As described further in Summary Compensation Table Discussion of Summary Compensation Table and Grants of Plan-Based Awards, below, on March 29, 2007, the Company and Mr. Christenson entered into a Separation Agreement and General Release with the Company, pursuant to which Mr. Christenson s employment with the Company terminated effective March 30, 2007.

REPORT OF THE GOVERNANCE AND COMPENSATION COMMITTEE

We have reviewed and discussed the forgoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Amendment No. 1 to the Company s Annual Report on Form 10-K/A for the year ended December 31, 2006.

Respectfully Submitted,
Lowell H. Lebermann, Jr., Chairman
James E. Nave, D.V.M.
Lee S. Isgur
Robert E. Lewis

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation paid or accrued by the Company to the Named Executive Officers, for services rendered to the Company in all capacities during the year ended December 31, 2006.

Name and Principal Position	**Year**	**Salary ($) (a)**	**Bonus ($)**	**Stock Awards ($) (b)**	**Option Awards ($) (b)**	**Non-Equity Incentive Plan Compensation ($) (c)**	**Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (d)**	**All Other Compensation ($) (e)**	**Total ($)**
Frank J. Fertitta III Chairman of the Board and Chief Executive Officer	2006	2,156,250		4,931,019	519,050	2,250,000	1,199,223	936,571	11,992,113
Glenn C. Christenson (f) Executive Vice President, Chief Financial Officer, Chief Administrative Officer and Treasurer	2006	977,500		1,780,428	161,117	510,000	579,344	97,565	4,105,954
Lorenzo J. Fertitta Vice Chairman of the Board and President	2006	1,667,500		4,282,902	500,713	1,305,000	426,649	162,832	8,345,596
William W. Warner Executive Vice President and Chief Operating Officer	2006	1,150,000		2,580,048	405,665	600,000	242,603	132,948	5,111,264
Scott M Nielson Executive Vice President and Chief Development Officer	2006	920,000		1,702,261	119,312	480,000	362,600	160,571	3,744,744

(a) Amounts shown are the salary amounts earned without consideration as to the year of payment. See the Nonqualified Deferred Compensation table for amounts included in this column that were deferred under the Company's Deferred Compensation Plan.

(b) The value reported for Stock Awards and Option Awards for each Named Executive Officer is the aggregate cost recognized in the Company's financial statements for such awards for the year ended December 31, 2006, including awards granted in prior years. The expense for awards made during 2006 are determined in accordance with SFAS 123R, disregarding adjustments for forfeiture assumptions, and the costs for awards made prior to 2006 are determined in accordance with the modified prospective transition method under SFAS 123R. All of the restricted stock awards granted in 2006 vest in equal installments over ten years from the date of grant. The assumptions for making the valuation determinations are included in footnote 11 of the Company's Annual Report on Form 10-K for the year ended December 31, 2006. If the Merger Agreement described in Item 13 is consummated, all outstanding stock options and unvested restricted stock awards under the 2005 Plan and Prior Plans will become immediately vested and all related unrecognized compensation cost will be recognized during the period in which the Merger is consummated.

(c) Non-Equity Incentive Plan Compensation amounts for 2006 were determined in January 2007 by the Governance and Compensation Committee based on achieving predetermined goals. Amounts shown are the bonus amounts earned without consideration as to the year of payment. See the Nonqualified Deferred Compensation table for amounts included in this column that were deferred under the Company's Deferred Compensation Plan.

(d) Amounts reflect increases in actuarial values of benefits accrued under defined benefit plans, which are calculated by determining the difference between the aggregate value of benefits accrued under all defined benefit plans as of December 31, 2005 and December 31, 2006, the relevant measurement dates used for the related SERP and SMRP. The amounts set forth in this column relate only to the above mentioned benefit accruals as there are no above-market or preferential earnings on deferred compensation accounts.

(e) All Other Compensation consists of the following:

	Perquisites								**Other (i)**		
	Executive Security ($) (ii)	**Life Insurance ($)**	**Supplemental Long-Term Disability ($)**	**Exec-U-Care Medical Plan ($)**	**Personal Use of Company Aircraft ($) (iii)**	**Tax Services ($)**	**Club Membership & Dues ($)**	**Fitness Training ($)**	**Deferred Compensation Plan ($)**	**401(k) Plan ($)**	**Total ($)**
Frank J. Fertitta III	571,447	216,890		40,690	107,544						936,571
Glenn C. Christenson		21,305	30,645	12,725		25,850	7,040				97,565
Lorenzo J. Fertitta	76,270	28,860		49,526	8,176						162,832
William W. Warner		5,760	8,250	3,998		15,325	8,100		87,115	4,400	132,948
Scott M Nielson		6,090	19,471	3,563	32,045	16,550	1,320	11,840	69,692		160,571

(i) Amounts relate to Company matching contributions to the Named Executive Officers' accounts in the Company's Deferred Compensation Plan and qualified 401(k) Plan, respectively.

(ii) In 2006, the Company provided personal security services for Frank J. Fertitta III and Lorenzo J. Fertitta and their families. The decision to provide such personal security services was prompted by the results of an analysis provided by an independent professional consulting firm specializing in executive safety and security. Based on these results, the Governance and Compensation Committee approved personal security services to be paid by the Company for Frank J. Fertitta III and Lorenzo J. Fertitta and their families. Compensation reported for personal security services represents the aggregate incremental cost incurred by the Company for security personnel and security equipment-related costs.

(iii) Amount represents the incremental cost to the Company for personal use of the Company aircraft and is calculated based on the average variable operating cost to the Company. Variable operating costs include fuel, landing/ramp fees and other miscellaneous variable costs. The total annual variable costs are divided by the annual number of miles flown by the Company aircraft to derive at an average variable cost per mile. The average variable cost per mile is then multiplied by the miles flown for personal use to derive the incremental cost. Fixed costs that do not change based on usage, such as pilots salaries and non-trip hanger related costs are excluded from the calculation.

(f) On March 29, 2007, the Company and Mr. Christenson entered into a Separation Agreement and General Release, pursuant to which Mr. Christenson's employment with the Company terminated effective March 30, 2007.

GRANTS OF PLAN-BASED AWARDS IN 2006

The following table sets forth information regarding each grant of stock awards to each Named Executive Officer in the year ended December 31, 2006 as well as estimated future payouts related to the Senior Executive Annual Bonus Plan.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (a)			**Estimated Future Payouts Under Equity Incentive Plan Awards**						
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**All Other Stock Awards: Number of Shares of Stock or Units (#) (b)**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards ($)**
Frank J. Fertitta III	1/13/2006							325,000			22,002,500
			4,500,000	5,242,500							
Glenn C. Christenson	1/13/2006							125,000			8,462,500
			1,020,000	2,376,600							
Lorenzo J. Fertitta	1/13/2006							325,000			22,002,500
			2,610,000	4,054,200							
William W. Warner	1/13/2006							200,000			13,540,000
			1,200,000	2,796,000							
Scott M Nielson	1/13/2006							125,000			8,462,500
			960,000	2,236,800							

(a) Represents potential target and maximum compensation for 2006 as described in "Compensation Discussion and Analysis Senior Executive Annual Bonus". Amounts actually earned for 2006 are included in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table. There is no threshold compensation for 2006.

(b) The restricted stock awards vest in equal annual installments over ten years from the date of grant. Dividends are payable in cash to the Named Executive Officers when declared on restricted stock in the same manner and to the same extent as dividends are payable on other shares of the Company s common stock. If the Merger Agreement described in Item 13 is consummated, all restricted stock awards outstanding will immediately vest as of closing.

Discussion of Summary Compensation Table and Grant of Plan-Based Awards Table

Employment Agreements

As described in the Compensation Discussion & Analysis section above, the annual base salary for each Named Executive Officer is set forth in his employment agreement with the Company, and is reviewed on an annual basis and is subject to adjustment (for increase but not for decrease) based on an evaluation of the executive s performance in conjunction with a review of compensation received by individuals holding similar positions at the Peer Companies. Actual base salary amounts, stock awards, option awards, cash bonus awards and other compensation for 2006 were determined by the Governance and Compensation Committee, subject to certain limitations. The base salaries, stock awards, option awards, cash bonus awards and other compensation that were awarded to each Named Executive Officer in 2006 are detailed in the above tables. For a more detailed discussion of how actual base salaries, cash bonus awards, stock awards, option awards and other compensation amounts are determined, as well as the performance-based conditions, vesting schedule, and dividends pertaining to such compensation, see Compensation Discussion and Analysis Elements of Compensation. A description of the material terms of the Named Executive Officers Employment Agreements is set forth below.

The Company entered into employment agreements dated as of May 20, 2003 with Frank J. Fertitta III, Lorenzo J. Fertitta, Glenn C. Christenson, William W. Warner and Scott M Nielson (the

Employment Agreements). The Company entered into First Amendments to Employment Agreements with Messrs. Christenson and Nielson, effective as of July 13, 2004, which expands the scope of their non-competition obligations thereunder. In addition, the Company also entered into First Amendments to Employment Agreements with Frank J. Fertitta III and Lorenzo J. Fertitta, effective as of January 21, 2005, which provide for a lump-sum payment to each of them under the SERP in the event of a Change in Control (as defined in their respective Employment Agreements). See the section entitled Discussion of Pension Benefits Table Supplemental Executive Retirement Plan for additional information regarding the SERP.

Pursuant to the terms of the Employment Agreements, Frank J. Fertitta III has agreed to serve as the Chief Executive Officer of the Company and Chairman of the Board, Lorenzo J. Fertitta has agreed to serve as President of the Company and Vice Chairman of the Board, Mr. Warner has agreed to serve as Executive Vice President and Chief Operating Officer of the Company, Mr. Christenson has agreed to serve as the Executive Vice President, Chief Financial Officer, Chief Administrative Officer and Treasurer of the Company and Mr. Nielson has agreed to serve as Executive Vice President and Chief Development Officer of the Company. All of the Employment Agreements terminate on May 20, 2008, but are subject to automatic 5-year extensions unless the Company or the Named Executive Officer who is party thereto gives notice at least one year prior to the end of the then-current term or unless the Employment Agreement is otherwise terminated pursuant to the terms of such agreement. The Employment Agreements provide that the Named Executive Officers shall devote reasonable time and attention to the business and affairs of the Company. Frank J. Fertitta III and Lorenzo J. Fertitta s Employment Agreements do not prohibit them from engaging in any business or assisting any other entity in competition with the Company during the term of their employment or at any time thereafter.

Each Employment Agreement provides for a base salary (to be reviewed annually for increase but not decrease), an annual cash bonus in an amount determined based on achievement of predetermined goals set by the Governance and Compensation Committee, and the inclusion of the Named Executive Officer in all benefit plans and programs of the Company made available to the Company s Named Executive Officers or salaried employees generally. The base salaries for the Named Executive Officers under their respective Employment Agreements effective April 1, 2006 are detailed in the Compensation Discussion and Analysis section.

The Employment Agreements also provide that the Named Executive Officers are entitled to certain other benefits and perquisites in addition to those made available to Company management generally. These other benefits include participation in the SERP in the case of Frank J. Fertitta III and Lorenzo J. Fertitta, and participation in the SMRP in the case of Messrs. Christenson, Warner and Nielson, participation in the Company s Special Long-Term Disability Plan, group health insurance coverage through the Company s Exec-U-Care Medical Plan and supplemental life insurance. Lorenzo J. Fertitta and Mr. Warner also participate in the Company s Long-Term Stay-On Performance Incentive Plan.

For a discussion of the benefits to be paid to the Named Executive Officers upon termination of their Employment Agreements, please see the section entitled Potential Payments Upon Termination of Employment or Change of Control , below.

Separation Agreement and Release with Mr. Christenson

On March 29, 2007, the Company and Mr. Christenson entered into a Separation Agreement and General Release (the Separation Agreement), pursuant to which Mr. Christenson s employment with the Company terminated effective March 30, 2007. Under the terms of the Separation Agreement, the Company shall provide Mr. Christenson with one month of base pay in the amount of $85,000, accrued vacation pay in the amount of $98,077 and, subject to certain terms and conditions contained therein,

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continued group medical and dental insurance coverages for Mr. Christenson and his dependents until he reaches age 62.

The Separation Agreement also provides that all vested Company stock options held by Mr. Christenson as of the termination of his employment shall remain fully exercisable until the earlier of the closing date (the Merger Closing Date) of the transaction contemplated by the Merger Agreement dated February 23, 2007 between the Company and Fertitta Colony Partners LLC (the Merger Agreement) and the expiration of Mr. Christenson s term of engagement under the Consulting Agreement entered into between Mr. Christenson and the Company which is described below. In addition, all Company restricted stock held by Mr. Christenson shall continue to vest in accordance with the terms of the applicable awards until the earlier of the Merger Closing Date and the expiration of Mr. Christenson s term of engagement under the Consulting Agreement. The Separation Agreement also provides that if the Merger Agreement is terminated in certain circumstances, the provisions of the Separation Agreement and the Consulting Agreement shall terminate, and Mr. Christenson s Employment Agreement shall be restored as if his employment with the Company had not been terminated.

In addition to the benefits described above, the Separation Agreement provides for a release by Mr. Christenson of any claims against the Company and its affiliates and subsidiaries, and each of their agents, employees, managers, representatives, officers, directors, advisors, successors and assigns, relating to his employment with the Company or the termination of his employment with the Company.

In connection with the Separation Agreement, on March 29, 2007, the Company and Mr. Christenson entered into a Consulting Agreement, pursuant to which Mr. Christenson agreed to provide consulting services to the Company until the earlier of the Merger Closing Date and March 31, 2009, unless the Consulting Agreement is otherwise terminated pursuant to the terms thereof. The Consulting Agreement provides that the Company shall pay Mr. Christenson a consulting fee of $20,000 during his term of engagement thereunder.

2005 Stock Compensation Plan

In May 2005, the stockholders approved and the Company adopted the 2005 Stock Compensation Plan (the 2005 Plan) which provides for grants of stock options, stock appreciation rights, restricted stock awards, restricted stock units and other stock awards (collectively, the Awards). Individuals eligible to receive Awards under the 2005 Plan include employees, directors and independent contractors of the Company and its subsidiaries and other entities controlled by the Company. However, incentive stock options may be granted only to an employee of the Company or a subsidiary of the Company. Upon adoption of the 2005 Plan, no additional grants of awards will be made under the following plans of the Company (the Prior Plans): (i) the Incentive Stock Option Plan, (ii) the Compensatory Stock Option Plan, (iii) the Restricted Share Plan, (iv) the Non-employee Director Stock Option Plan, (v) the 1999 Compensatory Stock Option Plan and (vi) the 1999 Share Plan.

Under the 2005 Plan the maximum number of shares of common stock that will be available for the grants of Awards is 3,829,671, which includes 3,000,000 new shares and 829,671 shares that were available for awards under the Prior Plans. The number of shares otherwise available for the grant of Awards under the 2005 Plan will be increased by the number of shares subject to awards granted under any of the Prior Plans that are currently outstanding which are cancelled, terminated, or forfeited or expire after the effective date of the 2005 Plan. Each share subject to an award of restricted stock, restricted stock unit or other stock award shall reduce the shares available for grant by 1.9 shares. Options are granted at the closing market price on the date of grant. The plan provides for a variety of vesting schedules, including immediate, 20% per year for five years, 10% per year for ten years, and a cliff vest at the vesting date, to be determined at the time of grant. Generally, all options expire ten years from the date of grant. The 2005 Plan will terminate ten years from the date of adoption or extension, unless terminated earlier by the

Board of Directors, and no options or restricted shares may be granted under the 2005 Plan after such date.

In 2006, the Named Executive Officers received restricted stock awards pursuant to the 2005 Plan described above. The number of restricted stock awards that were granted to each Named Executive Officer are detailed in the Grants of Plan-Based Awards table. The material terms of the 2005 Plan related to recipients, grant timing, number of options, option price and duration are determined by the Governance and Compensation Committee, subject to certain limitations. Grants to Named Executive Officers during 2006 were all in the form of restricted stock awards which vests at a rate of 10% per year over a ten-year period. The Named Executive Officers received quarterly dividends during 2006 on their unvested restricted stock awards on the same basis as all stockholders of the Company and as all other employees holding unvested restricted stock awards. For a more detailed discussion of how equity grants are determined and a description of the performance-based conditions that such equity grants are subject to, see Compensation Discussion & Analysis Elements of Compensation Long-Term Incentives.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2006(a)

The following table sets forth information concerning all unexercised stock options outstanding and unvested restricted stock awards for the Named Executive Officers as of December 31, 2006.

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or units of Stock That Have Not Vested ($) (b)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
Frank J. Fertitta III	159,500			13.33	7/15/2012				
	45,000			14.67	7/15/2012				
	199,400			14.00	3/14/2011				
	260,000			8.60	12/13/2011				
						67,500 (c)	5,512,725		
						112,500 (d)	9,187,875		
						21,378 (e)	1,745,941		
						22,488 (f)	1,836,595		
						240,000 (g)	19,600,800		
						325,000 (h)	26,542,750		
Glenn C. Christenson	30,000			14.00	3/14/2011				
	80,000			8.60					