SIERRA HEALTH SERVICES INC
Form S-3/A
August 15, 2003

As filed with the Securities and Exchange Commission on August 15, 2003
Registration No. 333-105403

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Amendment No. 2 to

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SIERRA HEALTH SERVICES, INC.
(Exact name of registrant as specified in its charter)

Nevada	**88-0200415**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2724 North Tenaya Way
Las Vegas, Nevada 89128
(702) 242-7000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Anthony M. Marlon, M.D.
Chairman of the Board and Chief Executive Officer
2724 North Tenaya Way
Las Vegas, Nevada 89128
(702) 242-7000
(Name, address, including zip code, and telephone number, including area code, of agent for service of process)

Copies to:
Stephen P. Farrell, Esq.
Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, New York 10178
Tel: (212) 309-6000

Approximate date of commencement of proposed sale to the public: At such time or times after the effective date of this Registration Statement as the selling securityholders shall determine.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS

Subject to Completion, dated August 15, 2003

$115,000,000
2 1/4% Senior Convertible Debentures due 2023
and Shares of Common Stock Issuable
Upon Conversion or Payment of the Debentures

Sierra Health Services, Inc. issued an aggregate of $115,000,000 principal amount of its 2 1/4% Senior Convertible Debentures due 2023 in a private placement in March 2003. Under this prospectus, the selling securityholders named in this prospectus or in prospectus supplements may offer and sell their Debentures and the shares of common stock issuable upon conversion or payment of

their Debentures.

The Debentures are our senior unsecured obligations and rank equally with all of our other senior unsecured debt. The Debentures are effectively subordinated to all our existing and future secured debt, including our revolving credit facility and to the indebtedness and other liabilities of our subsidiaries.

The Debentures bear interest at a rate of 2 1/4% per annum. We will pay interest on the Debentures on March 15 and September 15 of each year. The first interest payment will be made on September 15, 2003. The Debentures will mature on March 15, 2023.

Each $1,000 principal amount of the Debentures is convertible into 54.6747 shares of our common stock, par value $.005 per share, prior to March 15, 2023 if (1) the sale price of our common stock issuable upon conversion of the Debentures reaches a specified threshold; (2) the Debentures are called for redemption; (3) there is an event of default with respect to the Debentures; or (4) specified corporate transactions have occurred. The conversion rate may be adjusted as described in this prospectus. This conversion rate initially represents a conversion price of $18.29 per share.

We may not redeem the Debentures prior to March 20, 2008. We may redeem some or all of the Debentures for cash on or after March 20, 2008.

Holders of Debentures may require us to purchase all or a portion of their Debentures on March 15, 2008, 2013 and 2018. Holders of Debentures may also require us to purchase all or a portion of their Debentures upon the occurrence of a change of control event. In either case, we may choose to pay the purchase price of such Debentures in cash or common stock or a combination of cash and common stock.

The Debentures initially were sold to qualified institutional buyers and are currently trading in the PORTAL market. However, Debentures sold by means of this prospectus are not eligible for trading in the PORTAL market. We do not intend to list the Debentures for trading on the New York Stock Exchange or any other national securities exchange. Our common stock is traded on the New York Stock Exchange under the symbol "SIE." On August 12, 2003, the last reported sale price of our common stock was $23.77 per share.

Investing in the Debentures and the common stock issuable upon their conversion involves risks.

See the "Risk Factors" section beginning on page 9.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Prospectus dated _____, 2003

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No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus in connection with the offer contained in this prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by us. Neither the delivery of this prospectus nor any sale made hereunder shall under any circumstances create an implication that there has been no change in our affairs since the date hereof. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy securities other than those specifically offered hereby or of any securities offered hereby in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. The information contained in this prospectus speaks only as of the date of this prospectus unless the information specifically indicates that another date applies.

This prospectus has been prepared based on information provided by us and by other sources that we believe are reliable. This prospectus summarizes certain documents and other information in a manner we believe to be accurate, but we refer you to the actual documents for a more complete understanding of what we discuss in this prospectus. In making a decision to invest in the Debentures, you must rely on your own examination of our company and the terms of the offering and the Debentures, including the merits and risks involved.

We are not making any representation to you regarding the legality of an investment in the Debentures by you under any legal investment or similar laws or regulations. You should not consider any information in this prospectus to be legal, business, tax or other advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Debentures.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission using a continuous offering process. Under this prospectus, the selling securityholders may, from time to time, sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities the selling securityholders may offer. Each time a selling securityholder sells securities, the selling securityholder is required to provide you with this prospectus, and, in some cases, a prospectus supplement containing specific information about the selling securityholder and the terms of the securities being offered. That prospectus supplement may include a discussion of any risk factors or other special considerations applicable to those securities. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading "Where You Can Find More Information."

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement, including the exhibits, can be read at the Securities and Exchange Commission Web site, our Web site or at the Securities and Exchange Commission offices mentioned under the heading "Where You Can Find More Information."

SUMMARY

The following summary highlights the most material information contained in this prospectus. It is not complete and should be read together with the information contained in other parts of this prospectus and the documents we incorporate by reference. You should carefully read this prospectus and the documents we incorporate by reference to fully understand the terms of the Debentures as well as the tax and other considerations that are important to you in making a decision whether to invest in the Debentures and the common stock issuable upon their conversion. In this prospectus, we refer to Sierra Health Services, Inc. and its subsidiaries as "we," "us," "our" or "Sierra," unless we specifically indicate otherwise or the context clearly indicates otherwise.

We are a managed healthcare organization that provides and administers the delivery of comprehensive healthcare programs with an emphasis on quality care and cost management. Our strategy has been to develop and offer a portfolio of managed healthcare products to employer groups and individuals. Our broad range of managed healthcare services is provided through the following:

- A federally qualified health maintenance organization or HMO;
- managed indemnity plans;

- a subsidiary that administers a managed care federal contract for the Department of Defense's TRICARE program in Region 1 (consisting of approximately 672,000 eligible individuals as of June 30, 2003 in Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia and Washington, D.C.);

- a third-party administrative services program for employer-funded health benefit plans and self-insured workers' compensation plans; and

- ancillary products and services that complement our managed healthcare product lines.

Managed Care Products and Services

The primary types of health care coverage offered by Sierra's subsidiaries are HMO plans, HMO Point of Service plans, or POS plans, and managed indemnity plans, which include a preferred provider organization, or PPO option. As of June 30, 2003, we provided HMO products to approximately 282,000 members in Nevada. We also provide managed indemnity products to approximately 25,000 members, Medicare supplement products to approximately 18,000 members, and administrative services to approximately 187,000 members. Medical premiums accounted for approximately 66% of total revenues from continuing operations for the six months ended June 30, 2003 and approximately 67% of total revenues from continuing operations for the full year in 2002.

Health Maintenance Organizations. We operate a mixed model HMO in Las Vegas, Nevada, in which we use our own multi-specialty medical group as well as a network of independently contracted providers. We also operate a network model HMO in Reno, Nevada. Independently contracted primary care physicians and specialists for our HMO are compensated on a capitation or modified fee-for-service basis. Contracts with our primary hospitals are on a discounted per diem or diagnosis related group, or DRG, basis. Members receive a wide range of coverage after paying a co-payment and are eligible for preventive care coverage.

Our commercial plans offer traditional HMO benefits and POS benefits. At June 30, 2003, we had approximately 194,000 commercial members in Nevada. Based on data provided by the Nevada State Health Division as of March 31, 2003, we maintain approximately 61% of the Nevada, and approximately 76% of the Las Vegas, commercial HMO market share.

We also offer a Medicare risk product that we market directly to Medicare-eligible beneficiaries. The monthly payment we receive for Medicare members is determined by a formula established by Federal law. As of June 30, 2003, we had approximately 50,000 Medicare members in Nevada. As of June 30, 2003, approximately 48,000 of our Medicare members were enrolled in the Social HMO, which is discussed below. Over 80% of the

4,700 Reno Medicare members as of June 30, 2003 are now enrolled in the new Reno Social HMO program which began January 1, 2003.

In addition, as of June 30, 2003, we had approximately 38,000 members enrolled in our Nevada HMO Medicaid risk products. To enroll in these products, an individual must be eligible for Medicaid benefits in the state of Nevada. We receive a monthly fee for each Medicaid member enrolled by the state's managed care division.

Social Health Maintenance Organization. In 1996, we entered into a Social HMO II contract with the Centers for Medicare and Medicaid Services, or CMS, pursuant to which a large portion of our Nevada Medicare risk members receive certain expanded benefits. The additional benefits include, among other things, assisting the eligible Medicare risk members with typical daily living functions such as bathing, dressing and walking. These members, as identified in the health risk assessments, are those who currently have difficulty performing daily living functions because of a health problem or physical disability. CMS payments for the Social HMO II members are determined based on health risk assessments that have been, and will continue to be, performed on our eligible Medicare risk members. CMS has proposed a transition from the current payment methodology, to the same risk adjusted methodology used for Medicare + Choice plans, but including a frailty adjuster that uses measures of functional impairment to predict expenditures. The new payment methodology would be phased in over a four-year period beginning in 2004. In 2004, we expect 70% of the payments we receive to be based on the current payment approach and 30% of the payments we receive to be based on the new approach which includes the frailty adjuster. The Social HMO program is due to expire at the end of 2004. While Congress has extended the program in the past and there are activities taking place on a federal level to continue the program, there is no guarantee that the Social HMO contract will be renewed beyond 2004. We estimate the change in payment methodology will decrease (or reduce the rate of increase in) the payments we receive for these members and if related benefit changes are not made timely, there would be a material adverse effect on our business and results of operations.

Preferred Provider Organizations. Our managed indemnity plans generally offer members a PPO option of receiving their medical care from either contracted or non-contracted providers. Members pay higher deductibles and co-insurance or co-payments when they receive care from non-contracted providers. Out-of-pocket costs are lowered by utilizing contracted independent providers who are part of our PPO network. As of June 30, 2003, approximately 25,000 members were enrolled in our managed indemnity plans.

During 2002 and in the first six months of 2003, we provided managed indemnity, accidental death and disability and/or Medicare supplement services to individuals in California, Colorado, Iowa, Louisiana, Nevada, and Texas. As of June 30, 2003, our managed indemnity subsidiary was licensed in a total of 44 states and the District of Columbia.

Ancillary Medical Services. Most of our managed healthcare services in Nevada and surrounding rural areas are provided through our independently contracted network of approximately 2,300 providers and 28 hospitals. These Nevada networks include our contracted affiliated multi-specialty medical group, which provides medical services to approximately 75% of our southern Nevada HMO members and employs approximately 180 primary care and other providers in various medical specialties. Through our affiliates, the following services are offered: three urgent care centers; home healthcare; hospice care; behavioral healthcare; home infusion; oxygen and durable medical equipment; a free-standing, state-licensed and Medicare-approved ambulatory surgery center; radiology; vision; and occupational medicine.

These services are provided to members of our HMO, managed indemnity, fee for service and administrative service plans. As of June 30, 2003, mental health and substance abuse services were also provided to approximately 203,000 participants from non-affiliated employer groups and insurance companies.

We believe that this vertical integration of our health care delivery system in southern Nevada provides a competitive advantage as it helps us to effectively manage health care costs while delivering quality care.

Administrative Services. Our administrative services products provide,

among other things, PPO network access and utilization review services to large employer groups that are usually self-insured. As of June 30, 2003, approximately 187,000 members were enrolled in our health administrative services plans. In addition, we provide

administration services for self-insured workers' compensation plans. The revenues and expenses for these services are included in investment and other revenues and in general and administrative expenses, respectively, in the Consolidated Statements of Operations.

Military Contract Services

Sierra Military Health Services, Inc., or SMHS. Pursuant to a triple-option health benefits contract, known as TRICARE, with the Department of Defense, or DoD, SMHS provides managed healthcare coverage to dependents of active duty military personnel, military retirees and dependents of military retirees through subcontractor partnerships and individual providers in Region 1. As of June 30, 2003, this region had approximately 672,000 eligible individuals in Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia and Washington, D.C. SMHS also performs specific administrative services, including healthcare appointment scheduling, enrollment, network management and healthcare management services. SMHS performs these services using primarily DoD information systems. SMHS completed an eight month implementation phase in May 1998 and began providing health care benefits on June 1, 1998 under the TRICARE contract.

SMHS will complete the last year of a five-year contract in May 2003, but it successfully completed negotiations with the DoD to extend the contract for up to four years at the government's sole option on a year-to-year basis. In May 2003, the DoD exercised the first of the four extension years. The DoD is also currently procuring managed care services under the Next Generation TRICARE contract, or the T-Nex contract, in a combined and larger North Region (covering Michigan, Ohio, Kentucky, Indiana, Illinois, Wisconsin, Virginia and North Carolina in addition to the areas that make up Region 1 which we currently serve). SMHS submitted its bid to the DoD for the T-Nex contract for the North Region on January 29, 2003, with Sierra as a proposed guarantor. The award decision for this contract is initially expected to be made in the second half of calendar year 2003. Once awarded, the new contractor is scheduled to be fully operational in the Region 1 area by the third quarter of 2004, based on the current timetable set by the DoD. The new contract would supersede the remainder of the contract extension we negotiated with the DoD under our current TRICARE Region 1 contract beginning in the fourth quarter of 2004. In March 2003, we contributed $35.0 million of the proceeds of the Sierra debentures to SMHS in furtherance of its bid for the T-Nex contract.

Discontinued Workers' Compensation Operations

Workers' Compensation Subsidiary. On October 31, 1995, we acquired CII Financial, Inc., or CII, for approximately $76.3 million of common stock in a transaction accounted for as a pooling of interests. Through CII's insurance subsidiaries, we write workers' compensation insurance in California, Colorado, Kansas, Missouri, Nebraska, Nevada, New Mexico, Texas and Utah. CII's insurance subsidiaries are licensed in 36 states and the District of Columbia. California, Colorado and Nevada represent approximately 63%, 9%, and 18%, respectively, of

CII's fully insured workers' compensation insurance premiums for the six months ended June 30, 2003 and approximately 69%, 9%, and 12%, respectively, of CII's fully insured workers' compensation insurance premiums in 2002. Workers' compensation insurance premiums totaled approximately $72.0 million in the first six months of 2003 and approximately $176.2 million in 2002. The workers' compensation subsidiary applies certain managed care concepts to its operations. These concepts include, but are not limited to, the use of specialized preferred provider networks, utilization reviews by an employed board certified occupational medicine physician as well as nurse case managers, medical bill reviewers and job developers who facilitate early return to work.

On January 15, 2003, we announced that we were exploring strategic alternatives for CII. The alternatives may include a sale or management buyout. The sale of the operations was approved by Sierra's Board of Directors on December 31, 2002. Accordingly, beginning in the fourth quarter of 2002, we reclassified our workers' compensation insurance business as discontinued operations. We will continue to operate the business as if it were an ongoing operation until a disposal occurs.

In conjunction with the decision to dispose of the workers' compensation operations, in December 2002, CII recorded valuation adjustments of $17.3 million, $11.3 million after tax, to reduce this business to its estimated net realizable value upon disposition. The valuation adjustments included the write down of accounts receivable,

fixed assets and certainother assets of $4.0 million and additional loss reserves of $8.3 million for the 2002 accident year and $5.0 million for prior accident years. In the second quarter of 2003, CII recorded an additional valuation adjustment of $4.0 million, $2.6 million after tax, to further reduce the operations to its estimated realizable value upon dispositon based on the most recent information available. The valuation adjustments included the write down of accounts receivable, fixed assets and certain other adjustments.

Subsidiary Summary

The following briefly describes our significant subsidiaries:

Managed Care Operations:

- Health Plan of Nevada, Inc., a Nevada Corporation which is a federally qualified health maintenance organization or HMO.

- Sierra Health and Life Insurance Co., Inc., a California Corporation which provide managed indemnity plans, as well as Medicare Select products in four states.

Multi-specialty medical group and other ancillary services to support our managed care operations:

- Southwest Medical Associates, Inc. is Nevada's largest multi-specialty medical group serving as the primary care provider for almost 79% of our Southern Nevada HMO members.

- Behavioral Healthcare Options, Inc. provides mental health and substance abuse services.

- Family Health Care Services is a full service home health agency licensed by the State of Nevada, providing in-home care and case management.

- Sierra Home Medical Products, Inc. provides home infusion care and home medical equipment and supplies.

- Family Home Hospice, Inc. is a Medicare/Medicaid certified agency that provides in-home hospice care and counseling for the terminally ill.

Other managed care operations:

- Sierra Health-Care Options, Inc. operates third-party administrative services programs for employer-funded health benefit plans.

- Nevada Administrators, Inc. operates as a third-party administrator of workers' compensation claims for self-insured Nevada employers.

Military Health Services Operations:

- Sierra Military Health Services, Inc. a Delaware Corporation that administers a managed care federal contract for the Department of Defense's TRICARE program in Region 1.

Discontinued Texas HMO healthcare operations

- Sierra Health Holdings, Inc, a Nevada Corporation, the parent company for Texas Health Choice, L.C. part of our discontinued Texas HMO healthcare operations.

Discontinued workers' compensation operations

- CII Financial, Inc. a California Corporation, the parent company of our four workers' compensation insurance companies. CII Financial, Inc and its subsidiaries represent the discontinued workers compensation operations.

Corporate Information

Our principal executive offices are located at 2724 North Tenaya Way, Las Vegas, Nevada 89128, and our telephone number is (702) 242-7000. Our common stock is traded on the New York Stock Exchange under the symbol "SIE."

Recent Developments

On June 3, 2003, CII Financial, Inc., our discontinued workers' compensation subsidiary, redeemed all of its outstanding 9 1/2% senior debentures due September 15, 2004. The aggregate redemption price was $15.6 million including the applicable premium and accrued interest to the redemption date. CII Financial obtained the funds

needed to pay the redemption price from Sierra and/or one of its unregulatedsubsidiaries. CII Financial recognized a pre-tax gain of approximately $1.4 million as a result of the elimination of future interest payments on the senior debentures.

Pursuant to our share repurchase program, between April 1, 2003 and May 8, 2003, we purchased the 400,000 shares of our common stock for a total of $6.7 million. This completed the share repurchases authorized under our 2.6 million share repurchase program. On May 27, 2003, the Company announced that its Board of Directors had authorized the Company to purchase up to an additional 2 million shares of its common stock.

We paid the $12.1 million balance of our outstanding mortgage loan to Kaiser Texas on May 29, 2003. Since the mortgage loan had a carrying value of $14.1 million, which included future interest payments, the transaction resulted in a pre-tax gain of approximately $2.0 million.

The Offering

We issued $115,000,000 aggregate principal amount of our 2 1/4% Senior Convertible Debentures due 2023 in a private placement in March 2003. In connection with this offering, we agreed to register the Debentures and the common stock issuable upon conversion or payment of the Debentures for resale by their holders. This prospectus, may be used by selling securityholders to resell their Debentures and shares of common stock issuable upon conversion or payment of the Debentures.

Debentures and the Common Stock

Issuer	Sierra Health Services, Inc.
Securities Offered	$115,000,000 aggregate principal amount of our 2 1/4% Sen 15, 2023, and common stock issuable upon conversion or pa
Ranking	The Debentures are general unsecured obligations and rank all other existing and future unsecured and unsubordinate Debentures are effectively subordinated to all our existi including our revolving credit facility. The Debentures subsidiaries and, accordingly, the Debentures are effecti indebtedness and other liabilities of our subsidiaries, i date of this prospectus, we have $630,000 of debt outstan aggregate principal amount of the Debentures. Of this am subsidiaries have $544,000 of debt outstanding that will Debentures.
Maturity Date	March 15, 2023.
Interest	2 1/4% per year, paid semiannually on March 15 and Septem September 15, 2003.

Conversion Rights.....	Holders may convert their Debentures prior to the close o the sale price of our common stock for at least 20 tradin trading days ending on the last trading day of the preced the conversion price per share of our common stock on suc Debentures are called for redemption; (3) there is an eve Debentures, such as failure to pay principal or interest, aggregating $40.0 million or more or certain events of ba reorganization; or (4) specified corporate transactions h consolidation, merger or the sale of all or substantially "Description of Debentures--Conversion Rights." Debentur surrendered for conversion until the close of business on redemption date. For each $1,000 principal amount at maturity of Debenture holder will receive 54.6747 shares of our common stock. conversion price of $18.29 share of common stock. The co certain reasons, but will not be adjusted

	for accrued and unpaid additional interest, if any. Upon conversion, holders will not receive any cash interest, if any. Instead, accrued interest, if any, wil received by holders on conversion.
Payment at Maturity.....	Each holder of $1,000 principal amount of the Debentures at maturity, plus accrued and unpaid additional interest,
Sinking Fund.....	None.
Optional Redemption by Sierra.....	We may not redeem the Debentures prior to March 20, 2008. Debentures for cash on or after March 20, 2008, upon at l days notice by mail to holders of Debentures at the princ redeemed, plus any accrued and unpaid interest.
Repurchase Right of Holders.....	Each holder of the Debentures may require us to repurchas on March 15, 2008, 2013 and 2018 at a price equal to the accrued and unpaid additional interest, if any, to the da pay the purchase price in cash, common stock, or a combin common stock. If we elect to pay the repurchase price wi combination of cash and our common stock, we must (i) not business days prior to the repurchase date and (ii) satis repurchase date. See "Description of the Debentures--Rep of the Holders." If we elect to pay all or a portion of stock, the shares of common stock will be valued at 99.0% 20 trading days immediately preceding and including the t repurchase date.
Change of Control Put.....	Upon a change of control of Sierra, you may require us, s repurchase all or a portion of your Debentures. We will principal amount of such Debentures plus accrued and unpa additional interest, if any, to the date of repurchase. price in cash, common stock, or a combination of cash and elect to pay all or a portion of the repurchase price in common stock will be valued at 99.0% of the average sale

	trading days immediately preceding and including the thir repurchase date. Our ability to repurchase all or a porti subject to our obligation to repay or repurchase any seni repurchased in connection with a change of control and to contained in our senior debt. The terms of our $65.0 mil outstanding balance as of June 30, 2003, require us to re change of control. Under the terms of our credit agreeme the repurchase price of the Debentures in cash. Our futu existing or future senior debt may contain similar restri control, we are prohibited from paying the repurchase pri the terms of our

	then existing senior debt, including our credit agreement pay the repurchase price of the Debentures in shares of o
Events of Default	If there is an event of default under the Debentures, the plus accrued and unpaid interest and accrued and unpaid a declared immediately due and payable. These amounts auto an event of default relating to certain events of our ban reorganization occurs.
Use of Proceeds	We will not receive any of the proceeds from the sale by Debentures or the common stock offered under this prospec
Form, Denomination and Registration	The Debentures have been issued in fully registered form. without coupons, in denominations of $1,000 principal amo multiples thereof. The Debentures are represented by one deposited with the trustee as custodian for The Depositor the name of Cede & Co., DTC's nominee. Beneficial interes shown on, and any transfers will be effected only through participants. See "Description of the Debentures--Form, D
Absence of a Public Market for the Debentures	The Debentures issued in the initial private placement ar market. However, Debentures resold using this prospectus trading in the PORTAL market. We do not intend to apply national securities exchange. We cannot assure you that develop (or will be maintained) for the Debentures.
NYSE Symbol for our Common Stock	Our common stock is traded on the New York Stock Exchange

For more information about the Debentures, see the "Description of the Debentures" section of thi

RISK FACTORS

You should carefully consider the following risks, as well as the other information included or incorporated by reference in this prospectus, before purchasing the Debentures or shares of our common stock. If any of the following risks actually occur, our business could be harmed. You should refer to the other information set forth in this prospectus, including the information set forth in "Forward-Looking Statements," and our consolidated financial statements incorporated by reference herein.

Risks Related to our Continuing Operations

If we fail to win the competitive procurement for the North Region T-Nex contract, our operating results, financial condition and cash flows for future years will be materially adversely affected.

Based on the government's current time schedule, the T-Nex contracts are projected to be awarded in the second half of calendar year 2003. In March 2003, we contributed $35.0 million of the net proceeds of the initial private placement of the Debentures to our subsidiary, Sierra Military Health Services Inc., or SMHS, in furtherance of its bid for the T-Nex contract. Sierra will also guarantee SMHS's performance under the T-Nex contract. We are competing, however, with bidders that may have greater financial resources and greater brand recognition than we do for a territory that is significantly larger than the territory we currently serve. Additionally, there are fewer territories available under the new program on which to bid.

Full healthcare services under the T-Nex contract for the North Region are initially anticipated to begin in 2004. We will continue to operate under the current TRICARE Region 1 contract until the government chooses not to exercise the next option year of the contract or exercises its option to terminate this contract, which it can do at its discretion. If the contract is terminated, the contract provides for the payment of certain "wind down" costs that we may incur when the contract ends, but we cannot assure you that this payment will cover all of our "wind down" costs. The current TRICARE Region 1 contract accounted for approximately 29% of our revenue from continuing operations in 2002 and approximately 30% of our revenue from continuing operations for the six months ended June 30, 2003. Since the new T-Nex contract would supersede the remainder of the contract extension we have negotiated with the DoD under our current TRICARE Region 1 contract, a failure to obtain the T-Nex North Region contract will materially affect our future financial results. If we fail to obtain the T-Nex North Region contract, we would only receive "wind down" revenues under our current TRICARE Region 1 contract. In addition, even if we are awarded the T-Nex contract, changes in the terms and provisions of the contract, as compared to those in the current TRICARE contract, may not be favorable to us. We may also face startup and integration challenges, including the implementation of a new claims payment system, in servicing the larger territory.

On January 29, 2003, SMHS submitted a proposal to the Department of Defense as part of a competitive procurement for the North Region T-Nex contract. This proposal may involve unanticipated costs.

We have estimated the fiscal year 2003 proposal costs as part of a competitive procurement for the T-Nex contract to be between $7.0 million and $10.0 million or $0.15 to $0.20 per diluted share based on shares outstanding as of June 30, 2003. Based on our experience with our earlier bid for the TRICARE Region 1 contract, we may have to submit more than one revised proposal. The cost estimate does not include unanticipated costs including, but not limited to, the government's request for offerors to submit additional revised proposals or potential litigation costs associated with the government's award of the contract. The occurrence of any of these events may adversely affect our operating results and cash flows. In addition, we have and will continue to

incur costs to prepare to implement the T-Nex contract that are based on the assumption that our proposal will be successful. In the event we are not successful in procuring the contract, some or all of these costs will not generate any future revenue or earnings for us.

The payment methodology for our Social HMO Medicare program is expected to result in a lower premium rate increase and if we are unable to compensate by reducing costs, our financial results would be materially affected.

Our Social HMO program with the Centers for Medicare and Medicaid Services, or CMS, accounted for approximately 25% of our consolidated revenues from continuing operations for the six months ended June 30, 2003 and approximately 24% of our 2002 consolidated revenues from continuing operations. CMS has proposed changing the payment methodology under the Social HMO program, to be phased in over a four-to-five-year period starting in 2004. Based on the most recent information available to us regarding the impact of the change in payment methodology, the Company's annual increase, which has recently been in the 2.5% range, will be reduced. As a result, we are projecting an increase in our CMS rate of approximately 2.2% for 2004. Every year, we receive adjustments to the amount CMS pays us for the services we provide to our Medicare enrollees and we adjust the benefits we provide to Medicare enrollees to reflect the changing CMS payments so that we can maintain our operating margin. If we are unable to adjust benefits we provide to Medicare enrollees to reflect changes in CMS payments and in costs of providing benefits so that we can continue to maintain our operating margin, or if our contract with CMS were to be terminated, our financial results would be materially adversely impacted.

As a healthcare company, we and our healthcare providers may be subject to increased malpractice costs and claims which could adversely affect our business.

We and our healthcare providers are subject to malpractice claims. We require our healthcare providers to maintain malpractice insurance and we set up reserves with respect to potential malpractice claims. While we do not believe that our uninsured exposure to liabilities resulting from malpractice claims is material, there may in the future be significant malpractice liabilities for which we do not have adequate reserves or insurance coverage, and this insurance may not continue to be available at all or on commercially reasonable terms. In addition, punitive damage awards are generally not covered by insurance.

If we fail to qualify for the Nevada home office tax credit, our tax costs will increase.

Under existing Nevada law, a 50% premium tax credit is generally available to HMOs and insurers that own and substantially occupy home offices or regional home offices within Nevada. In connection with the settlement of a prior dispute concerning the premium tax credit, the Nevada Department of Insurance acknowledged in November 1993 that our HMO and insurance subsidiaries met the statutory requirements to qualify for this tax credit. We intend to take all necessary steps to continue to comply with these requirements. However, the elimination or reduction of the premium tax credit, or our failure to qualify

for the premium tax credit, would substantially increase our tax burden and, as a result, materially adversely affect our profitability.

Our ability to obtain and maintain favorable group benefit agreements with employer groups affects our profitability.

Our ability to obtain and maintain favorable group benefit agreements with employer groups affects our profitability. The agreements are generally renewable on an annual basis but are subject to termination on 60 days' prior notice. For the fiscal year ended December 31, 2002, our eight largest HMO employer groups were, in the aggregate, responsible for less than 10% of our total revenues. Although none of our employer groups accounted for more than 3% of our total revenues during that period, the loss of one or more of the larger employer groups could, if not replaced with similar membership, have a material adverse effect upon our business. We have generally been successful in retaining these employer groups in Nevada. However, there can be no assurance that we will be able to renew our agreements with our employer groups in the future or that we will not experience a decline in enrollment within our employer groups.

There can be no assurance that we will be able to maintain and enhance our information systems.

Our information systems are a vital and integral part of our operations. We depend on our information systems to enable us to bill and collect premium revenues, process and pay claims and other operating expenses, and provide effective and efficient services to our customers. We also depend on our information systems to provide us

with accurate and complete data to enable us to adequately price our products and services and report our financial results. We are required to commit significant ongoing resources to maintain and enhance our existing information systems as well as develop new systems to keep pace with continuing changes in technologies, industry practices, regulatory standards and changing customer preferences. For example, the administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996 or HIPAA and the Department of Labor's ERISA claim processing regulations require changes to our current systems. In 2002, we introduced a wireless communications network within our medical provider subsidiary's medical offices to support the rollout of a hand-held electronic prescribing application. We also upgraded the remainder of our workstations to the Windows NT operating system, upgraded the computer hardware supporting core systems and expanded our data back-up and recovery capabilities. Progress toward the Federal Health Insurance Portability and Accountability Act of 1996, electronic data interchange, or EDI, compliance is ongoing and was partially achieved with the completion of the HIPAA-compliant EDI transaction processing for claims and enrollment. If the information we rely upon to run our businesses was found to be inaccurate or unreliable or if we fail to maintain effectively our information systems and data integrity, we could lose existing customers, have difficulty in attracting new customers, have problems in determining medical cost estimates and establishing appropriate pricing, have customer and physician and other health care provider disputes, have regulatory problems, have increases in operating expenses or suffer other adverse consequences.

We operate in a highly competitive environment.

We operate in a highly competitive environment. Our major competition is from self-funded employer plans, PPO products, other HMOs and traditional indemnity carriers, such as Aetna and Blue Cross/Blue Shield. Many of our competitors have substantially larger total enrollments, greater financial resources and offer a broader range of products. Additional competitors with greater financial resources may enter our markets in the future. We believe that the most important competitive factors are the delivery of reasonably priced, quality medical benefits to members and the adequacy and availability of health care delivery services and facilities. We depend on a large PPO network and flexible benefit plans to attract new members. Competitive pressures may result in reduced membership levels. It is impractical to attempt to quantify the financial impact of an unspecified reduction in membership. However, we believe any reductions in our membership levels that are not compensated by reductions in operating expenses could materially affect our business and results of operations.

Our results of operations could be adversely affected by understatements in our actual liabilities caused by understatements in our actuarial estimates of incurred but not reported claims.

We estimate the amount of our reserves for incurred but not reported, or IBNR, claims primarily using standard actuarial methodologies based upon historical data. These methodologies include, among other factors, the average interval between the date services are rendered and the date claims are received and/or paid, denied claims activity, disputed claims activity, utilization, seasonality patterns and changes in membership. The estimates for submitted claims and IBNR claims liabilities are made on an accrual basis and adjusted retrospectively in future periods as required. These estimates could understate or overstate our actual liability for claims and benefits payable. For example, as of June 30, 2003, our actuarial best estimate of the liability recorded at December 31, 2001 has decreased over $4 million and our actuarial best estimate of the liability recorded as of December 31, 2002 has decreased over $7 million. Any increases to prior estimates could adversely affect results of operations in future periods. In addition, the premium pricing of our health care plans take into consideration past historical cost trends. If our actual liability for claims and benefits are higher than our prior recorded estimates, our business and results of operations in future periods could be adversely impacted.

Our failure to comply with "corporate practice of medicine" laws in states in which we operate could result in our being unable to practice medicine in that state and possibly lead to penalties and/or higher medical expenses.

Under the "corporate practice of medicine" doctrine, in most states, business organizations, other than those authorized to do so, are prohibited from providing, or holding themselves out as providers of, medical care. Some states, including Nevada, exempt HMOs from this doctrine. The laws relating to this doctrine are subject to

numerous conflicting interpretations. Although we seek to structure our operations to comply with corporatepractice of medicine laws in all states in which we operate, there can be no assurance that, given the varying and uncertain interpretations of these laws, we would be found in compliance with these laws in all states. A determination that our medical provider subsidiary, Southwest Medical Associates Inc. or SMA is not exempt and is not in compliance with applicable corporate practice of medicine laws in Nevada could result in SMA being unable to practice medicine in Nevada and possibly lead to penalties and/or higher medical expenses.

Approximately 79% of our southern Nevada HMO healthcare members choose one of our SMA physicians as their primary provider. A determination that SMA is not in compliance with applicable corporate practice of medicine laws in Nevada could require that we divest our ownership interest in or dissolve SMA. Alternatively, we may be required to expand our network of independently contracted providers, all of which could lead to a disruption in our provider network, member dissatisfaction and ultimately higher medical expenses for our HMO and healthcare insurance subsidiaries.

Our significant debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.

As of June 30, 2003 we had approximately $115.6 million of indebtedness on a consolidated basis, including debt of our discontinued operations of $194,000. This level of indebtedness will have several important effects on our future operations, including:

- covenants contained in our credit agreement and other debt arrangements will require us to meet certain financial tests, which may affect our flexibility in planning for, and reacting to, changes in our business and may limit our ability to dispose of assets, withstand current or future economic or industry downturns and compete with others in our industry for strategic opportunities; and

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate and other purposes may be limited.

Our ability to meet our debt service obligations and to reduce our total indebtedness depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control.

Our senior secured credit facility imposes significant operating and financial restrictions on us.

We entered into a revolving credit facility on March 3, 2003. The credit agreement provides us with a revolving credit facility of $65.0 million and is secured by guarantees by certain of our subsidiaries and a first priority perfected security interest in (i) all the capital stock of each of our unregulated, material domestic subsidiaries (direct or indirect) (excluding the capital stock of CII Financial, Inc., or any of its subsidiaries) as well as all of the capital stock of certain regulated, material domestic subsidiaries and (ii) all other present and future assets and properties of ours and those of our subsidiaries that guarantee our credit agreement obligations (including, without limitation, accounts receivable, inventory, real property, equipment, contracts, trademarks, copyrights, patents, license rights and general intangibles) other than cash and cash equivalents, in each case subject to certain exclusions.

The revolving credit facility restricts our ability and the ability of our

subsidiaries to dispose of assets, incur indebtedness, incur other liens, make investments, loans or advances, make acquisitions, engage in mergers or consolidations, or make capital expenditures and otherwise restrict certain corporate activities. These covenants may prevent us from pursuing certain business opportunities and taking certain actions. In addition, we are required to comply with specified financial ratios as set forth in the credit agreement. A failure to comply with these covenants would be an event of default under the credit agreement. The revolving credit facility matures on April 30, 2006. We cannot assure you that we will be able to successfully refinance or pay this debt when it matures.

CII Financial may not be able to repay its obligations to us.

In 2001, CII Financial exchanged $15.0 million aggregate principal amount of its 9 1/2% senior debentures due September 15, 2004 and $20.0 million in cash for its then outstanding subordinated debentures that were due September 15, 2001. At the time of the exchange, CII Financial did not have sufficient resources to fund the cash portion of the exchange offer. Sierra, while not a guarantor of the subordinated debentures, agreed to loan an aggregate of $17.0 million to CII Financial to fund the cash consideration and the interest and expenses incurred in the exchange offer. Sierra borrowed $7.5 million of the funds that were lent to CII Financial from California Indemnity Insurance Company, a subsidiary of CII Financial.

On May 5, 2003, CII Financial announced it was calling for redemption on June 3, 2003 all of its outstanding senior debentures. The aggregate redemption price is $15.6 million including the applicable premium and accrued interest to the redemption date. CII Financial obtained the funds needed to pay the redemption price from Sierra and/or one of its unregulated subsidiaries. The debentures were paid off on June 3, 2003.

CII Financial's ability to meet its payment obligations to us and to our subsidiaries will depend upon CII Financial's future operating performance which, in turn, is subject to market conditions and other factors, including factors beyond its control. CII Financial's insurance subsidiaries may not generate enough cash or may not be able to pay dividends to CII Financial to enable CII Financial to meet its payment obligations to us and to our subsidiaries. As a result, we may be unable to collect the $17.0 million owed to us by CII Financial and the funds that will be owed to us and/or our unregulated subsidiary in connection with the redemption of the senior debentures, although we will still owe California Indemnity Insurance Company the $7.5 million we previously borrowed from it.

We depend on our management for our success and the loss of our founder, Chairman of the Board and Chief Executive Officer, could have a material adverse effect on our business.

Our success has been dependent to a large extent upon the efforts of Anthony M. Marlon, M.D., our founder, Chairman of the Board and Chief Executive Officer, who has an employment agreement with us. Although we believe that the development of our management staff has made us less dependent on Dr. Marlon, the loss of Dr. Marlon could still have a material adverse effect on our business.

Terrorist attacks, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other attacks, acts of war or military actions, such as military actions in Iraq or elsewhere, may adversely affect our operating results and financial condition.

The attacks of September 11, 2001 have contributed to major instability in the U.S. and other financial markets. These terrorist attacks, the military response and future developments, or other military actions such as the military actions in Iraq or elsewhere, may adversely affect prevailing economic conditions and the insurance and reinsurance markets. These developments, depending on their magnitude, could have a material adverse effect on our operating results and financial condition.

Our business is subject to substantial government regulation and the impact of this regulation may increase our exposure to lawsuits and/or penalties or other regulatory actions for non-compliance or may otherwise adversely affect our business.

The healthcare industry in general, and HMOs and health insurance companies, in particular, are subject to substantial federal and state government regulation. These regulations, which may increase our exposure to lawsuits and/or penalties or other regulatory actions for non-compliance, include, but are not limited to cash reserves; minimum net worth; solvency standards; licensing requirements; approval of policy language and benefits; claims payment practices; mandatory products and benefits; provider compensation arrangements; patient confidentiality; premium rates; changes of control and related party transaction approval requirements; medical management tools; dividend payments; investment and risk restrictions; and periodic examinations by state and federal agencies.

As a result, a portion of our HMOs' and insurance companies' cash is essentially restricted by various state regulatory or other requirements limiting certain of our subsidiaries' cash to use within their current operations. State and federal government authorities are continually considering changes to laws and regulations that may affect us. Additionally, legislators in the states in which we operate continue to face pressure to cut back services and

programs in ways that would adversely affect us. Many states in which we operate are currently considering regulations relating to mandatory benefits, provider compensation, disclosure and composition of physician networks. If such regulations were adopted by any of the states in which we operate, our business could be materially adversely affected.

As a result of the continued escalation of healthcare costs and the inability of many individuals to obtain healthcare insurance, numerous proposals relating to healthcare reform have been or others may be introduced in the United States Congress and state legislatures. Any proposals affecting underwriting practices, limiting rate increases, requiring new or additional benefits or affecting contracting arrangements (including proposals to require HMOs and preferred provider organizations, or PPOs, to accept any healthcare providers willing to abide by an HMO's or PPO's contract terms), may make it more difficult for us to control medical costs and could have a material adverse

effect on our business.

In addition to applicable laws and regulations, we are subject to various audits, investigations and enforcement actions. These include possible government actions relating to ERISA, which regulates insured and self-insured health coverage plans offered by employers; FEHBP, CMS, which regulate Medicare and Medicaid programs; federal and state fraud and abuse laws; and laws relating to utilization management and the delivery of healthcare and the timeliness of payment or reimbursement. Any such government action could result in assessment of damages, civil or criminal fines or penalties, or other sanctions, including exclusion from participation in government programs. In addition, disclosure of any adverse investigation, audit results or sanctions could negatively affect our reputation in various markets and make it more difficult for us to sell our products and services.

Risks Related to Our Discontinued Operations

We are exploring strategic alternatives to dispose of our workers' compensation insurance business and have reclassified it as a discontinued operation. We have recorded reserves and written down certain assets to their estimated net realizable value upon disposition of this business but the actual disposition could result in additional charges and losses. Alternatively, we may be unable to dispose of this business.

Effective December 31, 2002, in accordance with SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets,"* we have treated our workers' compensation insurance business as a discontinued operation. This business will continue to operate until we dispose of it. We may be forced to record additional charges in connection with the disposition, and we may face additional operating losses due to continuing adverse loss development and/or loss of business from agents or policyholders who do not want to place their insurance with us. Such losses could adversely affect the net sales proceeds that we receive and result in additional losses beyond what we have estimated to be the net realizable value upon disposition. We may also lose key employees as a result of the announcement that could adversely affect CII Financial's operations and make its disposition more difficult. In addition, market conditions in the workers' compensation industry may adversely affect sales proceeds. Alternatively, we may be unable to complete a disposition of this business within the required period.

If the disposition cannot be completed within the required period or if we are unable to dispose of this business, we may have to report the workers' compensation insurance business as a continuing operation. If this were to occur, the operating revenues and expenses of the workers' compensation insurance business would be included in the revenues and expenses of continuing operations for all years for which an income statement is presented. While income from continuing operations would change, there would be no change in previously reported net income. The assets and liabilities of the workers' compensation insurance business would be included in the current and non-current assets and liabilities of continuing operations for all periods for which a balance sheet is presented. There would be no change in previously reported total assets, liabilities or shareholders' equity. The cash flow results for the workers' compensation insurance business operating, investing and financing activities would be included in the appropriate cash flow category of continuing operations for all periods for which a cash flow statement is presented. The total of each cash flow category would change depending on the workers' compensation insurance business activity.

CII Financial's reinsurance costs have increased and the amount of coverage has been reduced, which could result in higher retained incurred costs and adversely impact CII Financial.

Following September 11, 2001, the reinsurance market has contracted and reinsurance premium rates have significantly increased while coverage limits have been reduced or eliminated such as future exposure to terrorist acts. If CII Financial is unable to adequately increase its premiums, due principally to competition or state insurance regulations related to premium rates, as well as the factors listed in the following paragraph, to cover the increase in its reinsurance costs or the increase in risk exposure, CII Financial's operating results and financial condition may be materially affected. This could further complicate our efforts to dispose of our workers' compensation business and CII Financial's ability to repay its indebtedness to us and/or one of our unregulated subsidiaries.

A ratings downgrade from insurance rating agencies could reflect negatively on our reliability and make it more difficult to sell our workers' compensation insurance policies.

Our workers' compensation insurance subsidiaries are currently rated by the A.M. Best Company and by Fitch Inc. Our A.M. Best rating is B+, which A.M. Best characterizes as "very good" and is the 6th highest out of 16 under A.M. Bests's classification system. We were last downgraded by A.M. Best on June 1, 2001 from a B++ (5th of 16) to a B, and were subsequently upgraded to our current B+ rating in May, 2003. Our Fitch rating is BBB, which Fitch characterizes as "good" and is the 9th highest out of 23 under Fitch's classification system. We were last downgraded by Fitch on August 11, 2000 from BBB+ (8th of 23) to BB+ (11th of 23). We were last upgraded by Fitch on March 18, 2002 from BBB- (10th of 23) to BBB. Many of our customers frequently consider insurance ratings as a factor in selecting their insurers. While it is impractical to quantify the specific financial impact of a ratings downgrade, we believe that a significant ratings downgrade could adversely affect our sales of workers' compensation insurance policies.

A variety of factors beyond CII Financial's control could adversely affect the profitability of its insurance subsidiaries.

The profitability of CII Financial's insurance subsidiaries could be adversely affected by the following:

- loss of premiums due to heightened competition or the announcement that Sierra will treat CII Financial as a discontinued operation;
- inadequate premium rates, especially due to heightened competition, and miscalculations in the underlying loss costs and other factors in CII Financial's rate filings and in underwriting accounts;
- established reserves for submitted claims and incurred but not reported, or IBNR, claims may understate our actual liability for claims and benefits payable;
- increased litigation, medical utilization and administrative burdens, particularly in California;

- terrorist acts that directly affect CII Financial's policyholders or CII Financial's ability to operate its business;

- a sustained and severe economic recession in California which accounts for approximately 69% of CII Financial's premium revenue, or which affects the construction industry, which accounts for approximately 25% of CII Financial's premium revenue;

- adverse loss development resulting from unanticipated increases or changes in CII Financial's claims costs;

- inability or unwillingness of CII Financial's reinsurers to honor their contractual obligations;

- increases in CII Financial's reinsurance costs without a corresponding increase in CII Financial's premium rates;

- inability to maintain CII Financial's reinsurance coverage at all or at cost effective rates;

- declines in investment rates;

- new legislation or regulations, including the impact of new legislation enacted in California in 2002 that increased benefits to injured workers on January 1, 2003, which increase CII Financial's costs without a corresponding increase in premium revenues;

- power interruptions in California, where CII Financial's main computer systems are located.

We exited the Texas HMO healthcare market and ceased providing coverage on April 17, 2002. We have recorded reserves and accrued expenses for all anticipated exit-related costs but unanticipated expenses could result in additional losses during the run-out period.

We exited the Texas HMO healthcare market and stopped providing healthcare services on April 17, 2002. Unanticipated expenses, primarily related to litigation and provider settlements, could result in additional losses.

Risks Related to the Debentures and our Common Stock

Any downgrade in the rating of Debentures, which have been rated "BB/B+" or "Speculative", may cause their trading price to fall.

As of May 8, 2003, the Debentures were rated "BB" or "Speculative" by Fitch, Inc., ranking 14 out of 22 under Fitch, Inc.'s classification system, and "B+" or "Speculative" by Standard & Poor's Corporation, ranking 12 out of 23 under Standard & Poor's classification system. Neither such rating is an investment grade rating. A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time by the rating agency. Each individual rating should be evaluated independently of any other rating. If a rating agency downgrades its rating on the Debentures in the future, the trading prices of the Debentures and our common stock could decline.

Accordingly, no assurance can be given as to the price at which you may be able to sell your Debentures or our common stock.

We are a holding company, and we may not have access to the cash that is needed to make payment on the Debentures.

Although substantially all of our operations are conducted through our subsidiaries, none of our subsidiaries is obligated to make funds available to us for payment on the Debentures. Accordingly, our ability to make payments on the Debentures is dependent on the distribution of earnings from our subsidiaries. The payment to us of dividends from our insurance subsidiaries is subject to state insurance laws and regulations. Dividends can ordinarily be paid only out of accumulated profits and the amount is subject to a formula test based on a percentage of total equity, as measured on a statutory accounting basis, and net income as reported on the latest annual statutory financial statement filed with the insurance department. In addition, appropriate notice of an intent to pay a dividend must be given to the insurance department. Even though an insurer may meet all the requirements to pay a dividend, the insurance department may disapprove the dividend payment if, in their judgement, the dividend payment may impair the insurer's financial strength. If an insurer cannot meet all of the requirements to pay a dividend, the insurer may still file an application to pay a dividend, which the insurance department has sole discretion to approve or disapprove. In addition to insurance regulatory restrictions, our revolving credit facility has a financial covenant for each of our insurance subsidiaries to maintain a minimum statutory equity, which could restrict the payment of dividends to us. In the past three years (2000 to 2002), the Company has not received any dividends from its insurance subsidiaries except for $2.6 million it received from CII Financial in 2001.

In connection with CII Financial's exchange offer of its 7 1/2% subordinated convertible debentures due September 15, 2001 for cash and/or new senior debentures due September 15, 2004, and the payment of the

remaining subordinated debentures at maturity, in 2001, California Indemnity Insurance Company, one of our discontinued workers' compensation insurance subsidiaries, received prior approval by the California Department of Insurance to pay two dividends totaling $10.0 million to CII Financial, its immediate parent company. In addition, California Indemnity paid a $1.5 million dividend to CII Financial in 2002. As noted above, CII Financial in turn paid us $2.6 million in dividends in 2001 but nothing since then. In 2003, California Indemnity cannot pay any dividends without the prior approval of the California Department of Insurance. These regulatory or other restrictions on our subsidiaries' ability to pay dividends or to make other cash payments to us may materially affect our ability to pay principal and interest on our indebtedness.

Our subsidiaries may incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by our subsidiaries to us. We cannot assure you that the agreements governing the current and future indebtedness of our subsidiaries will permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund payments on these Debentures when due.

We have $115.0 million of Debentures outstanding and the conversion of the

Debentures or the purchase of the Debentures with shares of our common stock could result in substantial dilution of our earnings per share.

As of August 12, 2003, we had 28,764,000 shares of common stock outstanding. In March 2003, we issued $115.0 million of the Debentures. The total number of shares of common stock issuable upon conversion of the Debentures is 6,287,590 (at the current conversion rate). Each $1,000 principal amount of the Debentures is convertible into 54.6747 shares of our common stock, prior to March 15, 2023, if (1) the sale price of our common stock issuable upon conversion of the debentures reaches a specified threshold; (2) the debentures are called for redemption; (3) there is an event of default with respect to the debentures; or (4) specified corporate transactions have occurred. The conversion rate and the number of shares of common stock issuable upon conversion of the debentures may be adjusted in certain circumstances and initially represents a conversion price of $18.29 per share. We may be required to purchase all or some of the Debentures on March 15, 2008, 2013 and 2018 or upon a change in control event. In either case, we may choose to pay the purchase price of the Debentures in cash or our common stock or a combination of both. We may not have enough cash on hand or have the ability to access cash to pay the Debentures if presented or at maturity. The purchase of the Debentures with shares of our common stock or the conversion of the Debentures into our common stock could result in a substantial dilution of our earnings per share.

Any decrease in the price of our common stock could adversely affect the trading price of the Debentures.

The market price of the Debentures may be affected by the market price of our common stock. This may result in greater volatility in the trading price of the Debentures than would be expected for nonconvertible debt securities we issue. In particular, decreases in the market price of our common stock could result in decreases in the trading price of the Debentures.

The price of our common stock has been volatile and we cannot assure you as to the price at which our common stock will trade in the future.

There has been significant volatility in the market prices of securities of companies in the healthcare industry, including the price of our common stock. For example, in 2002, the closing prices of our common stock ranged from $8.13 to $23.50; in 2001, from $3.59 to $10.97; and, in 2000, from $2.62 to $8.25. See "Price Range of Common Stock." Many factors, including the outcome of our bid for the T-Nex contract, our disposal of CII Financial, medical cost increases, research analysts' comments, announcements of new legislative and regulatory proposals or laws relating to healthcare reform, changes in our CMS contract, investor expectations, the trading volume of our common stock, litigation and general economic and market conditions, will influence the trading price of our common stock.

We may be unable to repurchase your Debentures.

On March 15, 2008, 2013 and 2018, each holder has the right to require us,

subject to certain conditions, to purchase all or a portion of that holder's Debentures. In addition, upon a change in control, as defined in the indenture, a holder may require us to repurchase all or a portion of its Debentures, as we describe under "Description of the Debentures-Repurchase of Debentures at the Option of Holders-Change of Control Put." In either case, we may choose to pay the repurchase price of the Debentures in cash or common stock or a combination of cash and common stock and, in the case of a change of control, the purchase price may be paid in the applicable securities of the surviving corporation.

If we elect to repurchase the Debentures with common stock or in applicable securities of the surviving corporation, the market price of such securities may decline before a holder is able to sell such securities and, as a result, a holder may receive less cash for the repurchase of its Debentures. If a change in control were to occur, or if a holder requires us to repurchase the Debentures on the dates specified above, we may not have enough funds to pay the repurchase price for the tendered Debentures. Our credit agreement limits the repurchase of the Debentures for cash and further provides that a change in control, as defined in the credit agreement, constitutes an event of default. We may enter into future agreements relating to our indebtedness with similar limitations. If a change in control occurs at a time when we are prohibited from repurchasing the Debentures for cash, we could seek the consent of our lenders to repurchase the Debentures or could attempt to refinance this debt. If we do not obtain a consent, we will elect to pay the repurchase price of the Debentures in shares of our common stock, if allowed under the terms of the credit agreement or other agreements relating to our indebtedness. If we are unable to do so, we could not repurchase the Debentures. Our failure to purchase tendered Debentures would constitute an event of default under the indenture, which might constitute a default under the terms of our other debt. In such circumstances, or if a change in control would constitute an event of default under our senior secured indebtedness or our credit agreement, the payments we may be able to make to you could be limited or prohibited. The terms of our $65.0 million credit facility, which had no outstanding balance as of June 30, 2003 require us to repay any outstanding amounts upon a change of control. The term "change in control" is limited to certain specified transactions and may not include other events that might harm our financial condition. Our obligation to offer to repurchase the Debentures upon a change in control would not necessarily afford you protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us.

Your right to receive payments on these Debentures will be effectively subordinated to our existing and future secured creditors, including the lending banks under our revolving credit facility, and other obligations and to the debt and other liabilities of our subsidiaries.

The Debentures represent unsecured obligations of Sierra. Accordingly, holders of our secured indebtedness, including the lenders under our revolving credit facility, will have claims that are superior to your claims as holders of the Debentures to the extent of the value of the assets securing that other indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, holders of secured indebtedness including the lenders under our new revolving credit facility will have superior claims to those of our assets that constitute their collateral. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Debentures. Holders of the Debentures will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the Debentures, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. As a result, holders of Debentures may receive less, ratably, than holders of secured indebtedness.

In addition, we are a holding company and conduct substantially all our business through our subsidiaries and receive substantially all our earnings from them. As a result, holders of the Debentures will be effectively subordinated to the debt and other liabilities of our subsidiaries including any additional indebtedness incurred by our subsidiaries in the future. As of the date of this prospectus, our subsidiaries have $544,000 of debt outstanding that will effectively rank senior to the Debentures. Therefore, in the event of the insolvency or liquidation of a subsidiary, following payment by such subsidiary of its liabilities, the subsidiary may not have sufficient remaining assets to make payments to us as a shareholder or otherwise. In the event of a default by a subsidiary under our credit arrangement or other indebtedness, its creditors could accelerate the debt, prior to such subsidiary distributing

amounts to us
that we could use to make payments on the Debentures. In addition, if we caused a subsidiary to pay a dividend to us to make payment on the Debentures, and the dividend were determined to be improperly paid, holders of the Debentures would be required to return the payment to the subsidiary's creditors.

As of the date of this prospectus, we have $630,000 of debt outstanding, apart from the $115,000,000 aggregate principal amount of the Debentures. Of this amount, $86,000 is secured debt. Our subsidiaries have $544,000 of debt outstanding.

We will be able to incur substantial additional indebtedness in the future, which may rank equally with the Debentures. The terms of the Debentures do not impose any limitation on our or our subsidiaries' ability to issue such additional debt. Furthermore, if we fail to deliver our common stock upon conversion of a Debenture and thereafter become the subject of a bankruptcy proceedings, a holder's claim for damages arising from our failure could be subordinated to all of our existing and future obligations.

The Debentures are not protected by restrictive covenants.

Our credit agreement contains various financial covenants and restrictions on our operations. The Debentures do not contain these covenants and restrictions. Compliance with the financial covenants and restrictions can be waived by the lenders under our credit agreement without regard to the effect such a waiver would have on the holders of the Debentures and, as a result, the holders of the Debentures could be adversely affected.

There may not be a liquid market for the Debentures, and you may not be able to sell your Debentures at attractive prices or at all.

The Debentures are a new issue of securities for which there is currently no public market. Although the Debentures that were sold to qualified institutional buyers under Rule 144A are eligible for trading on the PORTAL market, any Debentures resold under this prospectus will no longer trade on the PORTAL market. We do not intend to list the Debentures on any national securities exchange or automated quotation system. No assurance can be given that an active trading market for the Debentures will develop or as to the

liquidity or sustainability of any such market. Future trading prices for the Debentures will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Accordingly, no assurance can be given as to your ability to sell your Debentures or the price at which you will be able to sell them.

Even though we have registered the Debentures and the shares of underlying common stock held by those who are named as selling securityholders in the table on page 56, we have the right, pursuant to the registration rights agreement, to suspend the use of the registration statement in certain circumstances. In the event of such a suspension, those who are named as selling securityholders in the table will not be able to sell any Debentures or shares of common stock issuable upon conversion or payment of the Debentures except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. If no such exemption is available, those who are named as selling stockholders in the table will not be able to sell the Debentures or any shares of our common stock issued upon conversion of Debentures.

If you are able to resell your Debentures, many factors may affect the price you receive, which may be lower than you believe to be appropriate.

If you are able to resell your Debentures, the price you receive will depend on many factors that may vary over time, including:

- the number of potential buyers;
- the level of liquidity of the Debentures;

- our financial performance;
- the amount of indebtedness we have outstanding;
- the level, direction and volatility of market interest rates generally;
- the market for similar securities;
- the trading price of our common stock;
- the redemption and repayment features of the Debentures to be sold; and
- the time remaining to the maturity of your Debentures.

As a result of these factors, you may only be able to sell your Debentures at prices below those you believe to be appropriate, including prices below the price you paid for them.

FORWARD-LOOKING STATEMENTS

This prospectus (including the information incorporated by reference) contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended.

The forward-looking statements regarding our business and results of operations should be considered by you along with the risk factors discussed below. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws. The cautionary statements are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, as amended, and identify important factors that could cause our actual results to differ materially from those expressed in any projected, estimated or forward-looking statements relating to us. These forward-looking statements are generally identified by their use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "hope," "intend," "may," "plan," "predict," "project," "seeks," "will," "continue," and other similar terms and phrases, including references to assumptions. Some of the things that could cause our actual results to differ substantially from our expectations are:

- loss of healthcare premium revenues due to heightened pricing competition;
- inadequate premium revenues due to heightened competition, miscalculations of underlying healthcare cost inflation, utilization and other factors in our rate filings and in underwriting accounts;
- significant reductions in retaining accounts and members;
- inability or delays in making timely changes to healthcare benefits to offset the impact of inadequate premium rates;
- loss of Medicare, Medicaid or TRICARE contracts;
- our failure to win the competitive procurement for the North Region TRICARE Next Generation contract;
- inability to timely and fairly negotiate TRICARE change orders or contract bid price adjustments with the Department of Defense;
- inability to effectively manage the TRICARE contract and our at-risk members;
- increased charges and losses from the disposition of our workers' compensation insurance business or the inability to dispose of such business at all or on acceptable terms;
- loss of or significant changes in our healthcare provider contracts;
- inability or unwillingness of our contracted providers to provide healthcare services to our members;
- higher than expected medical costs including utilization of services;
- the introduction of new medical technologies and pharmaceuticals;
- higher costs of medical malpractice insurance, increased claims,

reduced coverage that increases our risk exposure or the unavailability of coverage that either affects us or our contracted providers;

- unpaid healthcare claims and healthcare costs resulting from insolvencies of providers with whom we have capitated contracts;

- terrorist acts that directly affect the operation of our business or our customers, policyholders and members due to military actions in Iraq or elsewhere;

- adverse developments related to our TRICARE contract due to military actions in Iraq or elsewhere;

- a sustained economic recession, especially in Nevada;

- adverse loss development on healthcare payables resulting from unanticipated increases or changes in our claims costs;

- adverse legal judgments that are not covered by insurance or that indirectly impact our ability to obtain insurance in the future at reasonable costs;

- significant declines in investment rates;

- inability to implement HIPAA privacy rules or other material regulatory requirements on a timely, accurate and cost effective basis;

- a ratings downgrade from insurance rating agencies, such as A.M. Best Company and Fitch Ratings, the last of which occurred on June 1, 2001 when all of our insurance subsidiaries were downgraded, and from healthcare quality rating organizations, such as the National Committee for Quality Assurance;

- changes in federal or state tax regulations and laws or programs, including healthcare reform;

- inability to maintain or enhance, as required, our management information systems to insure, among other things, the timely and accurate billing of premiums and the timely and accurate payment of claims, in compliance with applicable governmental and contractual requirements;

- inability to expand our e-business initiatives on a timely basis and in compliance with government regulations; and

- other factors referenced in this prospectus, including those set forth under the caption "Risk Factors."

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements.

In making these statements, we disclaim any intention or obligation to address or update each factor in future filings or communications regarding our business or results, and we do not undertake to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications. In addition, any of the matters discussed below may have affected our past results and may affect future results, so that our actual results may differ materially from those expressed here and in prior or subsequent communications.

USE OF PROCEEDS

The selling securityholders will receive all of the proceeds from the sale of the Debentures and underlying common stock. We will not receive any of the proceeds from the sales by any selling securityholders of Debentures and the underlying common stock.

DIVIDEND POLICY

No cash dividends have been paid on the common stock since our inception. We currently intend to retain our earnings for use in our business and do not anticipate paying any cash dividends in the foreseeable future. As a holding company, our ability to service our debt and to declare and pay dividends is dependent upon cash distributions from our operating subsidiaries. The ability of our HMO and our insurance subsidiaries to declare and pay dividends is limited by state regulations applicable to the maintenance of minimum deposits, reserves and net worth. The declaration of any future dividends will be at the discretion of our board of directors and will depend on, among other things, future earnings, debt covenants, operations, capital requirements, the tax treatment of dividends, our financial condition and general business conditions. Our credit agreement restricts our ability to pay dividends.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization at June 30, 2003. You should read this table in conjunction with our consolidated financial statements and the related notes incorporated by reference in this prospectus.

	June
	(In
Cash and cash equivalents (1).....	

Debt:
Current portion of debt (2).....
Long-term portion of other debt.....
Senior secured credit facility.....
Senior convertible debentures due 2023.....

Total Debt.....

Stockholders' Equity:
Common stock, $.005 par value, 60,000 shares authorized; shares issued: 31,557.....
Additional paid-in capital.....
Deferred compensation.....
Treasury stock: 3,598 common stock shares.....
Accumulated other compensation gain.....
Retained Earnings.....

Total stockholders' equity.....

Total capitalization.....

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(1) Includes cash and cash equivalents for discontinued operations of $49.4 million.
(2) Includes the portion of other debt for discontinued operations of $194,000.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges for the periods shown has been computed by dividing earnings available for fixed charges (income from continuing operations before income taxes plus fixed charges including capitalized interest) by fixed charges (interest expense including capitalized interest). Interest expense includes the portion of operating rental expense which we believe is representative of the interest component of rental expense.

	Year Ended December 31,				
	1998	1999	2000	2001	2002
			(Dollars in thousands)		
Income (loss) from continuing operations before income taxes	$40,922	$ 5,492	$(40,224)	$22,642	$64,396
Fixed Charges:					
Interest expense (including capitalized interest)	4,610	14,315	17,932	15,815	7,537
Interest relating to rental					

expense (1).....	2,417	2,428	2,387	2,609	5,193
Total fixed charges	7,027	16,743	20,319	18,424	12,730
Earnings available for fixed charges.....	$47,949	$22,235	$(19,905)	$41,066	$77,126
Ratio of earnings to fixed charges.....	6.82	1.33	- (2)	2.23	6.06

(1) The representative interest portion of rental expense was deemed to be one-third of all rental expense.

(2) Earnings were not sufficient to cover fixed charges during the year ended December 31, 2000, by $40.2 million; all other periods had sufficient income to cover charges.

PRICE RANGE OF COMMON STOCK

Our common stock is listed on the New York Stock Exchange under the symbol "SIE." On August 12, 2003, the last reported sale price of the common stock on the NYSE was $23.77 per share. The following table presents the range of high and low closing sales prices for our common stock since January 1, 2001, for the periods indicated.

	Price	
	High	Low
Year Ended December 31, 2001:		
First Quarter.....	$ 6.70	$ 3.59
Second Quarter.....	7.04	4.06
Third Quarter.....	10.97	6.35
Fourth Quarter.....	9.75	6.97
Year Ended December 31, 2002:		
First Quarter.....	$ 13.08	$ 8.13
Second Quarter.....	22.35	13.17
Third Quarter.....	23.50	16.16
Fourth Quarter.....	20.17	9.93
Year Ended December 31, 2003:		
First Quarter.....	$ 14.75	$ 11.75
Second Quarter.....	21.67	12.24
July 2003.....	27.09	19.15
August 2003 (through August 12th).....	25.27	23.25

DESCRIPTION OF THE DEBENTURES

We issued the Debentures under an indenture, dated as of March 3, 2003, between us and Wells Fargo Bank Minnesota, N.A., as trustee. The following description is only a summary of the material provisions of the indenture, the Debentures, and the registration rights agreement, dated as of March 3, 2003, among Sierra Health Services, Inc., Banc of America Securities LLC, Credit Lyonnais Securities (USA) Inc., and U.S. Bancorp Piper Jaffray, Inc. We urge you to read these documents in their entirety because they, and not this description, define your rights as holders of the Debentures. Copies of the indenture and registration rights agreement have been filed with the Securities and Exchange Commission as exhibits to this registration statement. In this section of the prospectus, when we refer to "Sierra Health Services, Inc.," "Sierra," "we," "our" or "us" in this section, we are referring only to Sierra Health Services, Inc., a Nevada corporation, and not its subsidiaries.

General Terms of the Debentures

The Debentures:

- are limited to $115,000,000 in aggregate principal amount, all of which were issued in March 2003;
- bear interest at a per year rate of 2 1/4% payable in cash semi-annually on each March 15 and September 15, beginning September 15, 2003, as set forth below under "--Interest;"
- bear additional interest in cash if we fail to comply with certain obligations as set forth below under "--Registration Rights;"
- have been issued only in denominations of $1,000 principal amount and integral multiples thereof;
- are general unsecured obligations of Sierra, ranking equally with all of our other existing and future obligations that are unsecured and unsubordinated and effectively subordinated to all our existing and future secured debt, including our revolving credit facility; as indebtedness of Sierra, the Debentures are effectively subordinated to all indebtedness and liabilities of our subsidiaries;
- are convertible into our common stock initially at a conversion rate of 54.6747 shares per $1,000 principal amount of Debentures (equivalent to an initial conversion price of $18.29 per share), subject to such conditions and adjustments as are described under "--Conversion Rights;"
- are redeemable at our option in whole or in part for cash beginning on March 20, 2008, upon the terms set forth under "--Optional Redemption by Us;"
- are subject to repurchase by us at your option on March 15, 2008, 2013 and 2018 or upon a change of control of Sierra, upon the terms set forth below under "--Repurchase of Debentures at the Option of

Holders--Optional Put" and "--Repurchase of Debentures at the Option of Holders--Change of Control Put;" and

- are due on March 15, 2023, unless earlier converted, redeemed by us at our option or repurchased by us at your option.

As of the date of this prospectus, we have $630,000 of debt outstanding, apart from the $115,000,000 aggregate principal amount of the Debentures. Of this amount, $86,000 is secured debt. Our subsidiaries have $544,000 of debt outstanding.

The indenture does not contain any financial covenants and does not restrict us or our subsidiaries from paying dividends, incurring additional indebtedness or issuing or repurchasing our other securities. The indenture also does not protect you in the event of a highly leveraged transaction or a change of control of Sierra, except to the extent described under "--Repurchase of Debentures at the Option of Holders--Change of Control Put" and "--Conversion Rights--Conversion Rights Upon Occurrence of Certain Corporate Transactions" below.

No sinking fund is provided for the Debentures and the Debentures are subject to defeasance. The Debentures have been issued only in registered form, without coupons, in denominations of $1,000 principal amount

and integral multiples thereof.

You may present definitive Debentures for conversion, registration of transfer and exchange at our office or agency in New York City, which shall initially be the principal corporate trust office of the trustee, in care of the Depository Trust Company, located at 55 Water Street, New York, New York 10041. For information regarding conversion, registration of transfer and exchange of global Debentures, see "--Form, Denomination and Registration." No service charge will be made for any registration of transfer or exchange of Debentures, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

We will make all payments at maturity on global Debentures to The Depository Trust Company, or DTC, in immediately available funds.

Interest

The Debentures bear interest at a rate of 2 1/4% per year from March 3, 2003. We will also pay additional interest if we fail to comply with certain obligations as set forth below under "--Registration Rights". We will pay interest semiannually on March 15 and September 15 of each year beginning September 15, 2003, to holders of record at the close of business on the preceding March 1 and September 1, respectively.

There are two exceptions to the preceding paragraph:

- In general, we will not pay accrued and unpaid interest on any Debentures that are converted into our common stock. Instead, accrued interest will be deemed paid by the common stock received by holders on conversion. If a holder of Debentures delivers a notice of

conversion after a record date for an interest payment but prior to the corresponding interest payment date, the holder will receive on that interest payment date accrued and unpaid interest on those Debentures, notwithstanding the holder's delivery of a notice of conversion with respect to those Debentures prior to that interest payment date, because that holder will have been the holder of record on the corresponding record date. However, at the time that holder surrenders Debentures for conversion, the holder must pay to us an amount equal to the interest that has accrued and that will be paid on the related interest payment date. The preceding sentence does not apply, however, to a holder that converts Debentures that are called by us for redemption after a record date for an interest payment but prior to the corresponding interest payment date. Accordingly, if we elect to redeem Debentures on a date that is after a record date but prior to the corresponding interest payment date, and prior to such redemption date a holder of Debentures selected for redemption delivers a notice of conversion with respect to those Debentures, the holder will not be required to pay us, at the time that holder surrenders those Debentures for conversion, the amount of interest it will receive on the interest payment date.

- We will pay interest to a person other than the holder of record on the record date if we elect to redeem, or holders elect to require us to repurchase, the Debentures on a date that is after a record date but on or prior to the corresponding interest payment date. In this instance, we will pay accrued and unpaid interest on the Debentures being redeemed to, but not including, the redemption date or the repurchase date, as the case may be, to the same person to whom we will pay the principal of those Debentures.

Except as provided below, we will pay interest on:

- global Debentures to DTC in immediately available funds;
- any definitive Debentures having an aggregate principal amount of $5,000,000 or less by check mailed to the holders of those Debentures; and
- any definitive Debentures having an aggregate principal amount of more than $5,000,000 by wire

transfer in immediately available funds if requested by the holders of those Debentures.

At maturity, we will pay interest on any definitive Debentures at our office or agency in New York City, which initially will be the principal corporate trust office of the trustee, Wells Fargo Bank Minnesota, N.A., in care of the Depository Trust Company, located at 55 Water Street, New York, New York 10041.

Interest generally will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Conversion Rights

General

You may convert all or any portion of any outstanding Debentures into our common stock, subject to the conditions described below, initially at a conversion rate of 54.6747 shares per $1,000 principal amount of the Debentures (equal to an initial conversion price of $18.29 per share). Any Debentures called for redemption must be surrendered for conversion prior to the close of business on the business day prior to the redemption date.

The conversion rate is subject to adjustment as described below. We will not issue fractional shares of common stock upon conversion of the Debentures. Instead, we will pay the cash value of such fractional shares based upon the sale price of our common stock on the business day immediately preceding the conversion date. You may convert Debentures only in denominations of $1,000 principal amount and integral multiples thereof.

Upon determination that holders of Debentures are or will be entitled to convert their Debentures in accordance with the following provisions, we will disseminate a press release through Dow Jones & Company, Inc., or Bloomberg Business News and publish such information on our website as soon as practicable.

If you have exercised your right to require us to repurchase your Debentures as described under "--Repurchase of Debentures at the Option of Holders," you may convert your Debentures as provided below only if you withdraw your repurchase or change of control repurchase notice and convert your Debentures prior to the close of business on the business day immediately preceding the applicable repurchase date.

Holders may surrender Debentures for conversion until the close of business on March 15, 2023, only under the following circumstances:

Conversion Rights Based on Common Stock Price. Holders may surrender their Debentures for conversion into shares of common stock in any fiscal quarter of ours (and only during such fiscal quarter), if, as of the last day of the immediately preceding fiscal quarter, the sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such preceding fiscal quarter exceeds 120% of the conversion price per share of common stock on such last trading day of such preceding fiscal quarter.

The "sale price" of our common stock on any date means the closing per share sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported on the New York Stock Exchange, or NYSE, Consolidated Tape or, if our common stock is not listed on the NYSE, then as reported on the principal U.S. securities exchange in which our common stock is traded or by the National Association of Securities Dealers Automated Quotation, or Nasdaq, system, as the case may be.

"Trading day" means a day during which trading in securities generally occurs on the NYSE or, if the common stock is not listed for trading on the NYSE, on the principal other national or regional securities exchange on which the common stock is then listed or, if the common stock is not listed for trading on a national or regional securities exchange, on the Nasdaq system or, if the common stock is not quoted on the Nasdaq system, on the principal other market on which the common stock is then traded.

Conversion Rights Upon Notice of Redemption. A holder may surrender for conversion, in accordance with the conversion rights provided herein, a Debenture called for redemption at any time prior to the close of business on

the business day prior to the redemption date, even if the Debenture is not otherwise convertible at such time. A

Debenture for which a holder has delivered a repurchase notice or change of control repurchase notice as described below requiring us to purchase the Debenture may be surrendered for conversion only if such notice is withdrawn in accordance with the indenture.

Conversion upon an Event of Default. If an event of default under the indenture has occurred with respect to the Debentures, the Debentures may be surrendered for conversion at any time during the continuance of such event of default. The Debentures will cease to be convertible pursuant to this paragraph following the cure or waiver of such event of default.

Conversion Rights Upon Occurrence of Certain Corporate Transactions. If we are party to a consolidation, merger or binding share exchange pursuant to which our shares of common stock will be converted into cash, securities or other property, the Debentures may be surrendered for conversion at any time during the period that commences on the date which is 15 days prior to the anticipated effective date of the transaction and ends on, and does not include, the date which is 15 days after the actual date of such transaction and, at the effective time, the right to convert a Debenture into shares of common stock will be changed into a right to convert it into the kind and amount of cash, securities or other property of ours or another person which the holder would have received if the holder had converted the holder's Debentures immediately prior to the transaction. If the transaction also constitutes a "change of control," as defined below, the holder can require us to repurchase all or a portion of its Debentures as described under "--Repurchase of Debentures at the Option of Holders--Change of Control Put."

If we elect to make (1) a distribution described in the fourth clause of the first paragraph under "--Conversion Rate Adjustments" below or (2) a distribution of cash to all holders of our common stock, in either case which distribution has a per share value equal to more than 15% of the sale price of our shares of common stock on the trading day immediately preceding the declaration date for such distribution, we will be required to give notice to the holders of Debentures at least 20 days prior to the ex-dividend date for such distribution and, upon the giving of such notice, the Debentures may be surrendered for conversion at any time until the close of business on the business day immediately preceding the ex-dividend date for such distribution or until we announce that such distribution will not take place. No adjustment to the conversion rate or the ability of a holder of a Debenture to convert will be made if we provide that holders of Debentures will participate in the distribution without conversion or in certain other cases.

Conversion Procedures

By delivering to the holder the number of shares issuable upon conversion, together with a cash payment in lieu of any fractional shares, we will satisfy our obligation with respect to the Debentures. That is, accrued and unpaid interest, including additional interest, if any, will be deemed to be paid in full rather than canceled, extinguished or forfeited. We will not adjust the conversion rate to account for any accrued and unpaid interest, including additional interest, if any.

You will not be required to pay any taxes or duties relating to the issuance or delivery of our common stock if you exercise your conversion rights, but you will be required to pay any tax or duty which may be payable relating to any transfer involved in the issuance or delivery of the common stock in a name other than your own. Certificates representing shares of common stock will be issued or delivered only after all applicable taxes and duties, if any, payable by you have been paid.

To convert interests in a global Debenture, you must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program.

To convert a definitive Debenture, you must:

- complete the conversion notice on the back of the Debentures (or a facsimile thereof);
- deliver the completed conversion notice and the Debentures to be converted to the specified office of the conversion agent; pay all funds required, if any, relating to interest on the Debentures to be converted to which you are not entitled, as described in "--Interest;" and

- pay all taxes or duties, if any, as described in the preceding paragraph.

The conversion date will be the date on which all of the foregoing requirements have been satisfied. The Debentures will be deemed to have been converted immediately prior to the close of business on the conversion date. A certificate for the number of shares of common stock into which the Debentures are converted (and cash in lieu of any fractional shares) will be delivered to you as soon as practicable on or after the conversion date.

Conversion Rate Adjustments

We will adjust the conversion rate if any of the following events occur:

(1) we issue our common stock as a dividend or distribution on our common stock;

(2) we issue to all holders of common stock certain rights or warrants to purchase our common stock, entitling them to purchase or subscribe for our common stock at less than the then-current market price of our common stock;

(3) we subdivide or combine our common stock;

(4) we distribute to all holders of our common stock shares of our capital stock, evidences of indebtedness or assets, including securities but excluding:

(a) rights or warrants listed in (2) above;

(b) dividends or distributions listed in (1) above; and

(c) cash distributions listed in (5) below.

(5) we pay an extraordinary cash dividend on our common stock in an amount per share of common stock which, together with any cash and the fair market value of any other consideration payable in respect of any tender or exchange offer by us or one of our subsidiaries for our common stock consummated within the preceding 12 months for which no adjustment has been made, exceeds 10% of the average of the last reported sale price of the common stock during the ten trading days immediately prior to the declaration date of the extraordinary cash dividend. "Extraordinary cash dividend" means any cash distribution or cash dividend on our common stock, excluding any dividend or distribution in connection with our liquidation, dissolution or winding up; and

(6) we or one of our subsidiaries make purchases of our common stock pursuant to a tender offer or exchange offer for our common stock to the extent such purchases involve an aggregate consideration that, together with:

- any cash and the fair market value of any other consideration paid in any other tender offer by us or any of our subsidiaries for our common stock expiring within the 12 months preceding the tender offer for which no adjustment has been made, plus
- the aggregate amount of any extraordinary cash dividends referred to in (5) above to all holders of our common stock within 12 months preceding the expiration of the tender offer for which no adjustments have been made, exceeds 10% of our market capitalization on the expiration of the tender offer.

In the event of:

- any reclassification of our common stock;
- a consolidation, merger, binding share exchange or combination involving us; or

- a sale or conveyance to another person or entity of our property or assets substantially as an entirety;

in which holders of common stock would be entitled to receive stock, other securities, other property, assets or cash for their common stock, the conversion rate will not be adjusted, provided that upon conversion of your Debentures you will be entitled to receive the same type of consideration which you would have been entitled to receive if you had converted the Debentures into our common stock immediately prior to any of these events.

We have entered into a rights agreement, dated as of June 14, 1994, and amended August 10, 2002, pursuant to which we will issue, subject to certain limitations and triggering events set forth in the rights agreement, one right to purchase one one-hundredth of a share of a series of our preferred stock with respect to each share of our common stock. If

the rights under the rights agreement separate from the underlying common stock such that any holders of Debentures would not be entitled to receive any rights in respect of the common stock issuable upon conversion or repurchase of the Debentures, the conversion rate will be adjusted on the separation date. In lieu of any such adjustment to the conversion rate, we may amend the rights agreement to provide that holders of Debentures will be entitled to receive upon conversion, in addition to the shares of common stock, the rights under the rights agreement even if such rights have separated from the underlying common stock.

We will not make any adjustment if holders of Debentures may participate in the transactions described above or in cases:

- where the fair market value of assets, debt securities or certain rights, warrants or options to purchase our securities that are applicable to one share of common stock and are distributed to stockholders equals or exceeds the average sale price of the common stock over a specified period; or

- in which the average sale price of the common stock over a specified period exceeds the fair market value of the assets, debt securities or rights, warrants or options so distributed by less than $1.00.

Rather than being entitled to an adjustment in the conversion price, the holder of a Debenture will be entitled to receive upon conversion, in addition to the shares of common stock, the kind and amount of assets, debt securities or rights, warrants or options comprising the distribution that the holder would have received if the holder had converted its Debentures immediately prior to the record date for determining the shareholders entitled to receive the distribution.

You may in certain situations be deemed to have received a distribution subject to United States federal income tax as a dividend in the event of any taxable distribution to holders of common stock or in certain other situations requiring a conversion rate adjustment. See "Material United States Federal Income Tax Considerations--United States Holders--Adjustment of Conversion Price."

To the extent permitted by law, we may, from time to time, increase the conversion rate for a period of at least 20 days if our board of directors has made a determination that this increase would be in our best interests. Any such determination by our board will be conclusive. We would give holders at least 15 days notice of any increase in the conversion rate. In addition, we may increase the conversion rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of common stock resulting from any stock distribution.

We will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least one percent in the conversion rate. However, we will carry forward any adjustments that are less than one percent of the conversion rate. Except as described above in this section, we will not adjust the conversion rate for any issuance of our common stock or convertible or exchangeable securities or rights to purchase our common stock or convertible or exchangeable securities.

Optional Redemption by Us

Prior to March 20, 2008, the debentures will not be redeemable at our option. Beginning on March 20, 2008, we may redeem the Debentures for cash at any time as a whole, or from time to time in part, at a redemption price equal to the principal amount of the Debentures redeemed, plus accrued and unpaid interest, including

additional interest, if any, to the redemption date.

We will give at least 30 days but not more than 60 days notice of redemption by mail to holders of Debentures. Debentures or portions of Debentures called for redemption will be convertible by the holder until the close of business on the business day prior to the redemption date.

If we do not redeem all of the Debentures, the trustee will select the Debentures to be redeemed in principal amounts of $1,000 or integral multiples thereof, by lot or on a pro rata basis. If any Debentures are to be redeemed in part only, we will issue a new Debenture or Debentures with a principal amount equal to the unredeemed principal portion thereof. If a portion of your Debentures is selected for partial redemption and you convert a portion of your Debentures, the converted portion will be deemed to be taken from the portion selected for redemption.

Repurchase of Debentures at the Option of Holders

Optional Put

On March 15, 2008, 2013 and 2018, holders may require us to repurchase any outstanding Debentures for which the holder has properly delivered and not withdrawn a written repurchase notice, subject to certain additional conditions, at a purchase price equal to the principal amount of those Debentures plus accrued and unpaid interest, including additional interest, if any, to the repurchase date.

Holders may submit their Debentures for repurchase to the paying agent at any time from the opening of business on the date that is 20 business days prior to the repurchase date until the close of business on the third business day prior to the repurchase date.

Instead of paying the purchase price in cash, we may pay the purchase price in common stock, or a combination of common stock and cash, at our option. The number of shares of common stock a holder will receive will equal the relevant amount of the purchase price divided by 99.0% of the average of the sale prices of our common stock for the 20 trading days immediately preceding and including the third trading day prior to the repurchase date. However, we may not pay the purchase price in common stock or a combination of common stock and cash unless we satisfy certain conditions prior to the repurchase date as provided in the indenture, including:

- registration of the shares of our common stock to be issued upon repurchase under the Securities Act and the Exchange Act, if required;
- qualification of the shares of our common stock to be issued upon repurchase under applicable state securities laws, if necessary, or the availability of an exemption therefrom; and
- listing of our common stock on a United States national securities exchange or quotation thereof in an inter-dealer quotation system of any registered United States national securities association.

We will be required to give notice at least 20 business days prior to each

repurchase date to all holders at their addresses shown in the register of the registrar and to beneficial owners as required by applicable law stating, among other things, the procedures that holders must follow to require us to repurchase their Debentures as described below and whether the purchase price will be paid in cash or common stock, or a combination with a portion payable in cash or common stock.

Because the sale price of our common stock will be determined prior to the applicable repurchase date, holders of Debentures bear the market risk that our common stock will decline in value between the date the sale price is calculated and the repurchase date.

The repurchase notice given by each holder electing to require us to repurchase Debentures shall be given so as to be received by the paying agent no later than the close of business on the third business day prior to the repurchase date and must state:

- the certificate numbers of the holders' Debentures to be delivered for repurchase;
- the portion of the principal amount of Debentures to be repurchased, which must be $1,000 or an integral multiple thereof; and
- that the Debentures are to be repurchased by us pursuant to the applicable provisions of the Debentures.

A holder may withdraw any repurchase notice by delivering a written notice of withdrawal to the paying agent prior to the close of business on the business day immediately preceding the repurchase date. The notice of withdrawal shall state:

- the principal amount of Debentures being withdrawn;
- the certificate numbers of the Debentures being withdrawn; and
- the principal amount, if any, of the Debentures that remain subject to the repurchase notice.

In connection with any repurchase, we will, to the extent applicable:

- comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act which may then be applicable; and
- file a Schedule TO or any other required schedule under the Exchange Act.

Our obligation to pay the purchase price for Debentures for which a repurchase notice has been delivered and not validly withdrawn is conditioned upon the holder delivering the Debentures, together with necessary endorsements, to the paying agent at any time after delivery of the repurchase notice. We will cause the purchase price for the Debentures to be paid promptly following the later of the repurchase date or the time of delivery of the Debentures, together with such endorsements.

If the paying agent holds money or common stock sufficient to pay the purchase price of the Debentures for which a repurchase notice has been given on the business day following the repurchase date in accordance with the terms of the indenture, then, immediately after the repurchase date, the Debentures will cease to be outstanding and interest, including additional interest, if any, on the Debentures will cease to accrue, whether or not the Debentures are delivered to the paying agent. Thereafter, all other rights of the holder shall terminate, other than the right to receive the purchase price upon delivery of the Debentures.

Our ability to repurchase Debentures for cash may be limited by restrictions on our ability to obtain funds for such repurchase through dividends from our subsidiaries and the terms of our then existing borrowing agreements. For example, our revolving credit facility, which we expect will expire in 2006, limits our ability to repurchase the Debentures for cash.

Change of Control Put

If a change of control, as described below, occurs, you will have the right (subject to certain exceptions set forth below) to require us to repurchase all of your Debentures not previously called for redemption, or any portion of those Debentures that is equal to $1,000 in principal amount or integral multiples thereof for cash, at a purchase price equal to the principal amount of all Debentures you require us to repurchase plus accrued and unpaid interest, including additional interest, if any, on those Debentures to the repurchase date. Notwithstanding the foregoing, we may be required to offer to repurchase our other senior debt on a pro rata basis with the Debentures or to repurchase debt of our subsidiaries, upon a change of control, if similar change of control offers are or will be required by our other senior debt or other subsidiary debt.

Instead of paying the purchase price in cash, we may pay the purchase price in our common stock or, in the case of a merger in which we are not the surviving corporation, common stock, ordinary shares or American

Depositary Shares of the surviving corporation or its direct or indirect parent corporation, cash or a combination of the applicable securities and cash, at our option. The number of shares of the applicable common stock or securities a holder will receive will equal the relevant amount of the purchase price divided by 99.0% of the average of the sale prices of the applicable common stock or securities for the 20 trading days immediately preceding and including the third day prior to the repurchase date. However, we may not pay the purchase price in the applicable common stock or securities or a combination of the applicable common stock or securities and cash, unless we satisfy certain conditions prior to the repurchase date as provided in the indenture, including:

- registration of the shares of the applicable common stock or securities to be issued upon repurchase under the Securities Act and the Exchange Act, if required;

- qualification of the shares of the applicable common stock or securities to be issued upon repurchase under applicable state securities laws, if necessary, or the availability of an exemption

therefrom; and

- listing of the applicable common stock or securities on a United States national securities exchange or quotation thereof in an inter-dealer quotation system of any registered United States national securities association.

Within 30 days after the occurrence of a change of control, we are required to give you notice of the occurrence of the change of control and of your resulting repurchase right and whether the purchase price will be paid in cash, the applicable common stock or securities, or a combination with a portion payable in cash or the applicable common stock or securities. The repurchase date will be 30 days after the date on which we give notice of a change of control. To exercise the repurchase right, you must deliver, prior to the close of business on the business day immediately preceding the repurchase date, written notice to the paying agent of your exercise of your repurchase right, together with the Debentures with respect to which your right is being exercised. You may withdraw this notice by delivering to the paying agent a notice of withdrawal prior to the close of business on the business day immediately preceding the repurchase date.

Because the sale price of the applicable common stock or securities will be determined prior to the applicable repurchase date, holders of Debentures bear the market risk that the applicable common stock or securities will decline in value between the date the sale price is calculated and the repurchase date.

A "change of control" will be deemed to have occurred at such time after the original issuance of the Debentures when any of the following has occurred:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d) (3) of the Exchange Act of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchase, merger or other acquisition transactions, of shares of our capital stock entitling that person to exercise 50% or more of the total voting power of all shares of our capital stock entitled to vote generally in elections of directors, other than any acquisition by us, any of our subsidiaries, or any of our employee benefit plans (except that any of those persons shall be deemed to have beneficial ownership of all securities it has the right to acquire, whether the right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); or

- the first day on which a majority of the members of our board of directors are not continuing directors; or

- our consolidation or merger with or into any other person, any merger of another person into us, or any conveyance, transfer, sale, lease or other disposition of our properties and assets substantially as an entirety to another person, other than any transaction:

(1) that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of our capital stock; and

(2) pursuant to which holders of our capital stock immediately prior to the transaction have the entitlement to exercise, directly or indirectly, 50% or more of the total voting power of all shares of capital stock entitled to vote generally in elections of directors of the continuing or surviving person immediately after giving effect to such issuance; and

(3) any merger, share exchange, transfer of assets or similar transaction solely for the purpose of changing our jurisdiction of incorporation and resulting in a reclassification, conversion or exchange of outstanding shares of common stock, if at all, solely into shares of common stock, ordinary shares or American Depositary Shares of the surviving entity or a direct or indirect parent of the surviving corporation.

However, notwithstanding the foregoing, you will not have the right to require us to repurchase your Debentures if:

- the sale price per share of our common stock for any five trading days within:

  (1) the period of 10 consecutive trading days ending immediately after the later of the change of control or the public announcement of the change of control, in the case of a change of control under the first or second bullet point above, or

  (2) the period of 10 consecutive trading days ending immediately before the change of control, in the case of a change of control under the third bullet point above,

  equals or exceeds 120% of the conversion price of the Debentures in effect on each of those five trading days; or

- 100% of the consideration in the transaction or transactions (other than cash payments for fractional shares and cash payments made in respect of dissenters' appraisal rights) constituting a change of control consists of shares of common stock, ordinary shares or American Depositary Shares traded or to be traded immediately following a change of control on a national securities exchange or the Nasdaq National Market, and, as a result of the transaction or transactions, the Debentures become convertible into that common stock, ordinary shares or American Depositary Shares (and any rights attached thereto).

Beneficial ownership shall be determined in accordance with Rule 13d-3 promulgated by the SEC under the Exchange Act. The term "person" includes any syndicate or group that would be deemed to be a "person" under Section 13(d)(3) of the Exchange Act.

Rule 13e-4 under the Exchange Act requires the dissemination of certain information to securityholders if an issuer tender offer occurs and may apply if the repurchase option becomes available to holders of the Debentures. We will comply with this rule and file a Schedule TO (or any similar schedule) to the extent applicable at that time.

The definition of change of control includes a phrase relating to the conveyance, transfer, sale, lease or disposition of our assets "substantially as an entirety." There is no precise, established definition of the phrase "substantially as an entirety" under applicable law. Accordingly, your ability to require us to repurchase your Debentures as a result of a conveyance,

transfer, sale, lease or other disposition of less than all our assets may be uncertain.

If the paying agent holds money or common stock sufficient to pay, in accordance with the terms of the indenture, the purchase price of the Debentures which holders have elected to require us to repurchase on the business day following the repurchase date, then, immediately after the repurchase date, those Debentures will cease

to be outstanding and interest, including additional interest, if any, on the Debentures will cease to accrue, whether or not the Debentures are delivered to the paying agent. Thereafter, all other rights of the holder shall terminate, other than the right to receive the purchase price upon delivery of the Debentures.

The foregoing provisions would not necessarily protect holders of the Debentures if highly leveraged or other transactions involving us occur that may affect holders adversely. We could, in the future, enter into certain transactions, including certain recapitalizations, that would not constitute a change of control with respect to the change of control purchase feature of the Debentures but that would increase the amount of our (or our subsidiaries') outstanding indebtedness.

Our ability to repurchase Debentures for cash upon the occurrence of a change of control is subject to important limitations. Because we are a holding company, our ability to repurchase the Debentures for cash may be limited by restrictions on our ability to obtain funds for such repurchase through dividends from our subsidiaries and the terms of our then existing borrowing agreements. Our revolving credit facility limits the repurchase of the Debentures for cash. If you require us to repurchase the Debentures at a time when we are prohibited from paying the repurchase price in cash under the terms of our then existing senior debt, including our revolving credit facility, we will elect to pay the repurchase price of the Debentures in shares of our common stock. In addition, the occurrence of a change of control could cause an event of default under, or be prohibited or limited by the terms of, our other senior debt, including our revolving credit facility. We cannot assure you that we would have the financial resources, or would be able to arrange financing, to pay the purchase price in cash for all the Debentures that might be delivered by holders of Debentures seeking to exercise the repurchase right.

The change of control repurchase feature of the Debentures may in certain circumstances make more difficult or discourage a takeover of our company. The change of control repurchase feature, however, is not the result of our knowledge of any specific effort:

- to accumulate shares of our common stock;
- to obtain control of us by means of a merger, tender offer solicitation or otherwise; or
- by management to adopt a series of anti-takeover provisions.

Instead, the change of control repurchase feature is a standard term contained in securities similar to the Debentures.

Merger and Sales of Assets

The indenture provides that we may not consolidate with or merge into any other person or convey, transfer, sell, lease or otherwise dispose of its properties and assets substantially as an entirety to another person unless, among other things:

- the resulting, surviving or transferee person is a corporation organized and existing under the laws of the United States, any state thereof, the District of Columbia;
- such corporation (if other than us) assumes all our obligations under the Debentures and the indenture; and
- we are not, or such successor is not, then or immediately thereafter in default under the indenture.

The occurrence of certain of the foregoing transactions could constitute a change of control.

This indenture covenant includes a phrase relating to the conveyance, transfer, sale, lease or disposition of our assets substantially as an entirety. There is no precise, established definition of the phrase "substantially as an entirety" under applicable law. Accordingly, there may be uncertainty as to whether a conveyance, transfer, sale, lease or other disposition of less than all our assets is subject to this covenant.

Events of Default

Each of the following constitutes an event of default under the indenture:

- default in our obligation to convert Debentures into shares of our common stock upon exercise of a holder's conversion right;
- default in our obligation to repurchase Debentures at the option of holders;
- default in our obligation to redeem Debentures after we have exercised our redemption option;
- default in our obligation to pay the principal amount of the Debentures at maturity, or when otherwise due and payable;
- default in our obligation to pay any interest, including additional interest, if any, when due and payable, and continuance of such default for a period of 30 days;
- our failure to perform or observe any other term, covenant or agreement contained in the Debentures or the indenture for a period of 60 days after written notice of such failure, provided that such notice requiring us to remedy the same shall have been given to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the Debentures then outstanding;

- a failure to pay when due at maturity or a default, event of default or other similar condition or event (however described) that results in the acceleration of maturity of any indebtedness for borrowed money of Sierra or its designated subsidiaries (including, without limitation, our revolving credit facility) in an aggregate amount of $40.0 million or more, unless the acceleration is rescinded, stayed or annulled within 30 days after written notice of default is given to us by the trustee or holders of not less than 25% in aggregate principal amount of the Debentures then outstanding; and

- certain events of bankruptcy, insolvency or reorganization with respect to us, any of our subsidiaries that is a designated subsidiary or any group of two or more subsidiaries that, taken as a whole, would constitute a designated subsidiary.

A "designated subsidiary" shall mean any existing or future, direct or indirect, subsidiary of Sierra whose assets constitute 15% or more of the total assets of Sierra on a consolidated basis.

The indenture provides that the trustee shall, within 90 days of the occurrence of an event of default, give to the registered holders of the Debentures notice of all uncured defaults known to it, but the trustee shall be protected in withholding such notice if it, in good faith, determines that the withholding of such notice is in the best interest of such registered holders, except in the case of a default under any of the first five bullets above.

If certain events of default specified in the last bullet point above shall occur and be continuing, then automatically the principal amount of the Debentures plus accrued and unpaid interest, including additional interest, if any, through such date shall become immediately due and payable. If any other event of default shall occur and be continuing (the default not having been cured or waived as provided under "Modification and Waiver" below), the trustee or the holders of at least 25% in aggregate principal amount of the Debentures then outstanding may declare the Debentures due and payable at their principal amount plus accrued and unpaid interest, including additional interest, if any, and thereupon the trustee may, at its discretion, proceed to protect and enforce the rights of the holders of Debentures by appropriate judicial proceedings. Such declaration may be rescinded or annulled with the written consent of the holders of a majority in aggregate principal amount of the Debentures then outstanding upon the conditions provided in the indenture.

The indenture contains a provision entitling the trustee, subject to the duty of the trustee during default to act with the required standard of care, to be indemnified by the holders of Debentures before proceeding to exercise any right or power under the indenture at the request of such holders. The indenture provides that the holders of a majority in aggregate principal amount of the Debentures then outstanding, through their written consent, may direct

the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred upon the trustee.

We will be required to furnish annually to the trustee a statement as to the fulfillment of our obligations under the indenture.

Modification and Waiver

Changes Requiring Approval of Each Affected Holder

The indenture (including the terms and conditions of the Debentures) cannot be modified or amended without the written consent or the affirmative vote of the holder of each Debenture affected by such change to:

- change the maturity of any Debenture or the payment date of any installment of interest or additional interest payable on any Debentures;
- reduce the principal amount of, or any interest or addition interest on, redemption price or repurchase price (including change of control repurchase price) on, any Debenture;
- impair or adversely affect the conversion rights of any holder of Debentures;
- change the currency of payment of such Debentures or interest thereon;
- alter the manner of calculation or rate of accrual of interest or additional interest on any Debenture or extend the time for payment of any such amount;
- impair the right to institute suit for the enforcement of any payment on or with respect to, or conversion of, any Debenture;
- except as otherwise permitted or contemplated by provisions concerning corporate reorganizations, adversely affect the repurchase option of holders or the conversion rights of holders of the Debentures;
- modify the redemption provisions of the indenture in a manner adverse to the holders of Debentures;
- reduce the percentage in aggregate principal amount of Debentures outstanding necessary to modify or amend the indenture or to waive any past default; or
- reduce the percentage in aggregate principal amount of Debentures outstanding required for any other waiver under the indenture.

Changes Requiring Majority Approval

The indenture (including the terms and conditions of the Debentures) may be modified or amended, subject to the provisions described above, with the written consent of the holders of at least a majority in aggregate principal amount of the Debentures at the time outstanding.

Changes Requiring No Approval

The indenture (including the terms and conditions of the Debentures) may be modified or amended by us and the trustee, without the consent of the holder of any Debenture, for the purposes of, among other things:

- adding to our covenants for the benefit of the holders of Debentures;
- surrendering any right or power conferred upon us;

- adding additional dates on which you may require us to repurchase your Debentures;

- providing for conversion rights of holders of Debentures if any reclassification or change of our common stock or any consolidation, merger or sale of our assets substantially as an entirety occurs;

- providing for the assumption of our obligations to the holders of Debentures in the case of a merger, consolidation, conveyance, transfer or lease;

- increasing the conversion rate, provided that the increase will not adversely affect the interests of the holders of Debentures;

- complying with the requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, as amended;

- making any changes or modifications necessary in connection with the registration of the Debentures under the Securities Act as contemplated in the registration rights agreement; provided that such change or modification does not, in the good faith opinion of our board of directors and the trustee, adversely affect the interests of the holders of Debentures in any material respect;

- curing any ambiguity or correcting or supplementing any defective provision contained in the indenture; provided that such modification or amendment does not, in the good faith opinion of our board of directors and the trustee, adversely affect the interests of the holders of Debentures in any material respect; or

- adding or modifying any other provisions with respect to matters or questions arising under the indenture which we and the trustee may deem necessary or desirable and which will not adversely affect the interests of the holders of Debentures in any material respect.

Registration Rights

We have entered into a registration rights agreement with the initial purchasers of the Debentures for the benefit of the holders of the Debentures. In the registration rights agreement, we agreed, at our cost, to:

- file a registration statement with the SEC not later than the date 90 days after the earliest date of original issuance of any of the Debentures, on such form as we deem appropriate, covering resales by holders of all Debentures and the common stock issuable upon conversion or repurchase of the Debentures;

- use our best efforts to cause such registration statement to become effective as promptly as is practicable, but in no event later than 180 days after the earliest date of original issuance of any of the Debentures; and

- use our best efforts to keep the registration statement effective until the earliest of:

  (1) two years after the last date of original issuance of any of the

Debentures;

(2) the date when the holders (other than affiliates of ours) of the Debentures and the common stock issuable upon conversion or repurchase of the Debentures are able to sell all such securities immediately without restriction pursuant to Rule 144(k) under the Securities Act; and

(3) the date when all of the Debentures and the common stock issuable upon conversion or repurchase of the Debentures of those holders that complete and deliver in a timely manner the selling securityholder election and questionnaire described below are registered under the registration statement and disposed of in accordance with the registration statement.

Pursuant to the registration rights agreement, we were required to furnish a written notice of the registration

statement and a form of selling securityholder questionnaire to each holder of Debentures to obtain certain information regarding the holder for inclusion in this prospectus. The information included herein under "Selling Securityholders" and "Plan of Distribution" is based on the information provided to us in those questionnaires. In order to sell Debentures or common stock pursuant to the registration statement, a holder must complete and deliver the questionnaire to us. We have filed a registration statement of which this prospectus is a part, to satisfy our obligations under the registration rights agreement. To be named as selling security holder in the related prospectus at the time of effectiveness of the registration statement, a holder must complete and deliver the questionnaire to us on or prior to the 10th business day before the effectiveness of the registration statement. Upon receipt of a completed questionnaire after effectiveness of the registration statement, we will, within 20 business days, file any amendments to the registration statement or supplements to the related prospectus as are necessary to permit you to deliver a prospectus to purchasers of Debentures or common stock sold pursuant to the registration statement.

Pursuant to the registration rights agreement, we are required to:

- provide to each holder for whom the registration statement was filed copies of the prospectus that is a part of the registration statement;
- notify each such holder when the registration statement has become effective; and
- take certain other actions as are required to permit unrestricted resales of the Debentures and the common stock issuable upon conversion or repurchase of the Debentures.

Each holder who sells securities pursuant to the registration statement generally will be:

- required to be named as a selling securityholder in the related prospectus;

- required to deliver a prospectus to the purchaser;

- subject to certain of the civil liability provisions under the Securities Act in connection with the holder's sales;

- required to notify us not later than three business days prior to any proposed sale by that holder pursuant to the registration statement (a suggested form of the required notice is attached as Annex A to this prospectus); and

- bound by the provisions of the registration rights agreement which are applicable to the holder (including certain indemnification rights and obligations).

We may suspend the holder's use of the prospectus for up to two periods not to exceed 45 days in any 90-day period, and not to exceed an aggregate of 90 days in any 360-day period, if:

- the prospectus would, in our judgment, contain a material misstatement or omission as a result of an event that has occurred and is continuing; and

- we determine in good faith that the disclosure of this material non-public information would be seriously detrimental to us and our subsidiaries.

However, if the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which we determine in good faith would be reasonably likely to impede our ability to consummate such transaction, we may extend a suspension period from 45 days to 60 days (provided the suspensions periods shall not, in the aggregate, exceed 90 days in any 360-day period). We need not specify the nature of the event giving rise to a suspension in any notice to holders of the Debentures of the existence of such a suspension. Each holder, by its acceptance of the Debentures, agrees to hold any communication by us in response to a notice of a proposed sale in confidence.

Upon a selling securityholder's initial sale pursuant to the registration statement of Debentures or common

stock issued upon conversion or repurchase of the Debentures, such selling securityholder will be required to deliver a notice of such sale to the trustee and us. A suggested form of the required notice is attached as Annex B to thisprospectus. The notice will, among other things:

- identify the sale as a transfer pursuant to the registration statement;

- certify that the prospectus delivery requirements, if any, of the Securities Act have been complied with; and

- certify that the selling securityholder and the aggregate principal amount of the Debentures or number of shares of common stock, as the case may be, owned by such holder are identified in the related prospectus in accordance with the applicable rules and regulations

under the Securities Act.

We refer to each of the following as a registration default:

- the registration statement has not been filed prior to or on the 90th day following the earliest date of original issuance of any of the Debentures; or

- the registration statement has not been declared effective prior to or on the 180th day following the earliest date of original issuance of any of the Debentures, which we refer to as the effectiveness target date;

- we do not, within 20 business days after receipt of the completed questionnaires from holders or 20 business days after the expiration of a suspension period then in effect, file a post-effective amendment to the registration statement or prepare or file a supplement to the related prospectus, naming the holders who have delivered to us a completed questionnaire as selling securityholders, or we do not use our best efforts to cause such post-effective amendment declared effective by the SEC within 45 days after it is required to be filed; or

- at any time after the effectiveness target date, the registration statement ceases to be effective or fails to be usable and (1) we do not cure the registration statement within five business days by a post-effective amendment, prospectus supplement or report filed pursuant to the Exchange Act or (2) if applicable, we do not terminate the suspension period described above by the 45th or 60th day, as the case may be.

Under the registration rights agreement, if a registration default occurs, liquidated damages in the form of additional interest will accrue on the Debentures and any shares of common stock into which any Debentures have been converted previously, that are, in each case, transfer restricted securities, from and including the day following the registration default to but excluding the earlier of (1) the day on which the registration default has been cured and (2) the date the registration statement is no longer required to be kept effective. Additional interest will be paid semiannually in arrears on each interest payment date and will accrue at a rate per year equal to:

- 0.25% of the principal amount of a Debenture to and including the 90th day following such registration default; and

- 0.50% of the principal amount of a Debenture from and after the 91st day following such registration default.

In no event will additional interest accrue at a rate per year exceeding 0.50%. If a holder has converted some or all of its Debentures into common stock, the holder will be entitled to receive equivalent amounts based on the aggregate principal amount of each Debenture converted. A holder will not be entitled to additional interest unless it has provided all information requested by the questionnaire prior to the deadline.

Form, Denomination and Registration

Denomination and Registration. The Debentures have been issued in fully registered form, without coupons, in denominations of $1,000 principal amount and integral multiples thereof.

Global Book-Entry Form. Debentures are evidenced by one or more global Debentures deposited with the trustee as custodian for DTC, and registered in the name of Cede & Co. as DTC's nominee.

Record ownership of the global Debentures may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee, except as set forth below. A holder may hold its interests in the global Debentures directly through DTC if such holder is a participant in DTC, or indirectly through organizations which are direct DTC participants if such holder is not a participant in DTC. Transfers between direct DTC participants will be effected in the ordinary way in accordance with DTC's rules and will be settled in same-day funds. Holders may also beneficially own interests in the global Debentures held by DTC through certain banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship with a direct DTC participant, either directly or indirectly.

So long as Cede & Co., as nominee of DTC, is the registered owner of the global Debentures, Cede & Co. for all purposes will be considered the sole holder of the global Debentures. Except as provided below, owners of beneficial interests in the global Debentures:

- will not be entitled to have certificates registered in their names;
- will not receive or be entitled to receive physical delivery of certificates in definitive form; and
- will not be considered holders of the global Debentures.

The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, the ability of an owner of a beneficial interest in a global security to transfer the beneficial interest in the global security to such persons may be limited.

We will wire, through the facilities of the trustee, payments of principal and interest, including additional interest, payments on the global Debentures to Cede & Co., the nominee of DTC, as the registered owner of the global Debentures. None of us, the trustee and any paying agent will have any responsibility or be liable for paying amounts due on the global Debentures to owners of beneficial interests in the global Debentures.

It is DTC's current practice, upon receipt of any payment of principal or interest on the global Debentures, to credit participants' accounts on the payment date in amounts proportionate to their respective beneficial interests in the Debentures represented by the global Debentures, as shown on the records of DTC, unless DTC believes that it will not receive payment on the payment date. Payments by DTC participants to owners of beneficial interests in Debentures represented by the global Debentures held through DTC participants will be the responsibility of DTC participants, as is now the case with securities held for the accounts of customers registered in "street name."

If you would like to convert your Debentures into common stock pursuant to the terms of the Debentures, you should contact your broker or other direct or indirect DTC participant to obtain information on procedures, including proper forms and cut-off times, for submitting those requests.

Because DTC can only act on behalf of DTC participants, who in turn act on

behalf of indirect DTC participants and other banks, your ability to pledge your interest in the Debentures represented by global Debentures to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate.

Neither we nor the trustee (nor any registrar, paying agent or conversion agent under the indenture) will have any responsibility for the performance by DTC or direct or indirect DTC participants of their obligations under the rules and procedures governing their operations. DTC has advised us that it will take any action permitted to be taken by a holder of Debentures, including, without limitation, the presentation of Debentures for conversion

as described below, only at the direction of one or more direct DTC participants to whose account with DTC interests in the global Debentures are credited and only for the principal amount of the Debentures for which directions have been given.

DTC has advised us as follows: DTC is a limited purpose trust company organized under the laws of theState of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act, as amended. DTC was created to hold securities for DTC participants and to facilitate the clearance and settlement of securities transactions between DTC participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations, such as the initial purchasers of the Debentures. Certain DTC participants or their representatives, together with other entities, own DTC. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with, a participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the global Debentures among DTC participants, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. If DTC is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by us within 90 days, we will cause Debentures to be issued in definitive form in exchange for the global Debentures. None of Sierra, the trustee or any of their respective agents will have any responsibility for the performance by DTC or direct or indirect DTC participants of their obligations under the rules and procedures governing their operations, including maintaining, supervising or reviewing the records relating to or payments made on account of beneficial ownership interests in global Debentures.

According to DTC, the foregoing information with respect to DTC has been provided to its participants and other members of the financial community for information purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Governing Law

The indenture and the Debentures will be governed by, and construed in

accordance with, the laws of the State of New York.

Information Concerning the Trustee

Wells Fargo Bank Minnesota, N.A., as trustee under the indenture, has been appointed by us as paying agent, conversion agent, calculation agent, registrar and custodian with regard to the Debentures. Wells Fargo Bank Minnesota, N.A. is the transfer agent and registrar for our common stock. The trustee or its affiliates may from time to time in the future provide banking and other services to us in exchange for a fee.

Calculations in Respect of Debentures

We or our agents will be responsible for making all calculations called for under the Debentures. These calculations include, but are not limited to, determination of the market prices of the Debentures and of our common stock and amounts of additional interest payments, if any, on the Debentures. We or our agents will make all these calculations in good faith and, absent manifest error, our and their calculations will be final and binding on holders of Debentures. We or our agents will provide a schedule of these calculations to the trustee, and the trustee is entitled to conclusively rely upon the accuracy of these calculations without independent verification.

DESCRIPTION OF CAPITAL STOCK

The following is a summary of the material terms of our capital stock and related matters. You should read our entire articles of incorporation, our bylaws and our rights agreement.

Common Stock

The holders of our common stock are entitled to one vote per share on matters to be voted upon by the stockholders, except in the case of an election of directors where cumulative voting is invoked. Holders of common stock have cumulative voting rights for the election of directors, which means that holders of common stock can cumulate votes and give one nominee a number of votes equal to the number directors to be elected multiplied by the number of shares held, or can distribute such votes among nominees as such stockholder sees fit. To exercise the right to cumulative voting, one or more stockholders requesting cumulative voting must give written notice, in accordance with Nevada law, to our president or secretary that the stockholders desire that the voting for the election of directors be cumulative. Our bylaws provide for two classes of directors, with directors in each class serving for a term of two years. As a result, one class of directors is elected at each annual meeting of stockholders with the remaining directors continuing their two-year terms.

Holders of our common stock are entitled to receive dividends out of the funds legally available for distribution when and if declared by the board of directors. The new revolving credit facility contains restrictions on our ability to pay dividends or repurchase capital stock. If we are liquidated, dissolved or wound up, the holders of our common stock will share ratably in our assets after satisfaction of all of our liabilities and the prior rights of any outstanding class of our preferred stock.

Holders of common stock have no subscription, redemption or conversion rights. However, holders of common stock do have preemptive rights to acquire unissued shares, treasury shares, or securities convertible into shares, subject to various exceptions, including the exception that holders of common stock do not have the preemptive right to acquire any shares or securities convertible into such shares if the shares or the shares into which the convertible securities may be converted are upon issuance registered pursuant to Section 12 of the Exchange Act. Our shares of common stock are currently registered pursuant to Section 12 of the Exchange Act.

Preferred Stock

There are no shares of preferred stock outstanding. The board of directors has the authority, without further action by the stockholders, to issue shares of preferred stock and to fix the powers, preferences, privileges, rights and qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of the series, without any further vote or action by stockholders. We believe that the board of directors' authority to set the terms of, and our ability to issue, preferred stock will provide flexibility in connection with possible financing transactions in the future. The issuance of preferred stock, however, could adversely affect the voting power of holders of common stock and the likelihood that the holders will receive dividend payments and payments upon liquidation and could have the effect of delaying or preventing a change in control in us. We have no present plan to issue any shares of preferred stock.

Limitation on Liability and Indemnification of Officers and Directors

Our articles of incorporation provide that our directors and officers will not be liable to us or our stockholders for damages for breach of fiduciary duty as a director or officer, except that such provision does not eliminate or limit the liability of a director or an officer for (i) acts or omissions which involve intentional misconduct, fraud or knowing violation of law or (ii) the payment of distributions in violation of the applicable provisions of the Nevada Revised Statutes. The Nevada Revised Statutes, however, provide that a director or an officer will not be personally liable unless it is proven that (i) the director's or officer's acts or omissions constituted a breach of his or her fiduciary duties, and (ii) such breach involved intentional misconduct, fraud or a knowing violation of the law. The

provisions of the Nevada Revised Statutes with respect to limiting personal liability for directors and officers are self-executing, and, to the extent our articles of incorporation would be deemed to be inconsistent therewith, the provisions of the Nevada Revised Statutes will control. Our bylaws provide that directors, officers and certain other persons may be indemnified to the fullest extent authorized by Nevada law. However, the Nevada Revised Statutes provide that indemnification is only appropriate if (i) the director or officer is not found to have breached his or her fiduciary duties involving intentional misconduct, fraud or a knowing violation of the law or (ii) the director or officer acted in good faith and in a manner he or she reasonably believed was in the best interests of the corporation and, with respect to any criminal actions, had no reasonable cause to believe that his or her conduct was unlawful.

Stockholder Rights Agreement

We have adopted a rights agreement. Under the agreement, each share of our common stock will include one right to purchase preferred stock. The rights will separate from the common stock and become exercisable (1) ten days after public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of our outstanding common stock or (2) the close of business on a date designated by our board of directors, not more than 65 days following the start of a tender offer or exchange offer that would result in a person or group beneficially owning 30% or more of our outstanding common stock. A 20% beneficial owner is referred to as an "acquiring person" under the agreement, subject to certain exceptions.

After the rights are separately distributed, each right will entitle the holder to purchase from us one one-hundredth of a share of Series A Junior Participating Preferred Shares for a purchase price of $100. The rights will expire at the close of business on June 14, 2004, unless we redeem or exchange them earlier as described below or unless a particular type of transaction contemplated by the agreement has occurred.

Various aspects of the rights, including the number and kind of shares and other securities covered by each right are subject to adjustment. There are various circumstances under which holders of rights may purchase our common stock in lieu of preferred stock, each of which is referred to in the rights agreement as a "Triggering Event." Generally, a Triggering Event occurs if, after the emergence of an acquiring person, (i) our company is the surviving corporation in a merger with the acquiring person, (ii) a person becomes an acquiring person pursuant to any transaction other than a tender offer which provides fair value to all stockholders, (iii) an acquiring person engages in "self-dealing" transactions (as that term is used in the rights agreement) or (iv) there is an event (such as a stock split) which increases an acquiring person's ownership interests by more than 1%. Also, a Triggering Event occurs if, after the emergence of an acquiring person, (a) we are acquired in a merger or other business combination transaction or (b) 50% or more of our assets, earning power or cash flow are sold or transferred. Upon the occurrence of any Triggering Event, rights holders will have the option to purchase common stock with a value equal to two times the exercise price of the right. In lieu of paying the full purchase price for the common stock, the agreement permits rights holders to surrender their rights and receive shares of common stock with one-half the value of what could have been purchased for the full purchase price. After any Triggering Event, all rights that are beneficially owned by an acquiring person will be null and void. Our board of directors has the power to decide that a particular tender offer for all outstanding shares of our common stock provides fair value to all stockholders. If the board makes this determination, the purchase of shares under the offer will not be a Triggering Event.

At any time prior to the expiration of the rights or until ten days after the announcement that a person has become an acquiring person, our board of directors may decide to redeem the rights at a price of $.02 per right.

Other than provisions relating to the principal economic term of the rights, the rights agreement may be amended by our board of directors at any time that the rights are redeemable. Thereafter, the provisions of the rights agreement other than the redemption price may be amended by the board of directors to cure any ambiguity or defect or to make changes that do not materially adversely affect the interests of holders of rights (excluding the interest of any acquiring person), or to shorten or lengthen any time period under the rights agreement. No amendment to adjust the time period for redemption may be made if the rights are not redeemable at that time.

The rights have certain anti-takeover effects. The rights will cause substantial

dilution to any person or group that attempts to acquire our company without the approval of our board of directors. As a result, the overall effect of the

rights may be to render more difficult or discourage any attempt to acquire our company even if the acquisition may be favorable to the interests of our stockholders. Because the board of directors can redeem the rights or approve a tender or exchange offer, the rights should not interfere with a merger or other business combination approved by the board.

Transfer Agent

The transfer agent for our common stock is Wells Fargo Bank Minnesota, N.A.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following are the material United States federal income tax consequences of ownership of Debentures and our common stock deals only with holders who hold the Debentures and our common stock as capital assets, and not with special classes of holders, such as:

- dealers in securities or currencies;
- traders in securities that elect to mark to market;
- banks;
- tax-exempt organizations;
- life insurance companies;
- persons that hold Debentures that are a hedge or that are hedged against currency risks or that are part of a straddle or conversion transaction; or
- persons (other than United States Alien Holders, as defined below) whose functional currency is not the U.S. dollar.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

PROSPECTIVE PURCHASERS OF DEBENTURES AND OUR COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE CONSEQUENCES, IN THEIR PARTICULAR CIRCUMSTANCES, UNDER THE CODE AND THE LAWS OF ANY OTHER TAXING JURISDICTION, OF THE OWNERSHIP OF DEBENTURES AND OUR COMMON STOCK.

United States Holders

This subsection describes the United States federal income tax consequences to a United States Holder. You are a United States Holder if you are a beneficial owner of a Debenture or our common stock who is:

- a citizen or resident of the United States for United States federal income tax purposes;
- a corporation, including any entity treated as a corporation for United States federal income tax purposes, organized under the laws of the United States, any State thereof or the District of Columbia;
- an estate, the income of which is subject to United States federal income tax without regard to its source; or
- a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

Payments of Interest

Interest on a Debenture will be taxable to you as ordinary income at the time you receive it or when it accrues, depending on your method of accounting for tax purposes.

Sale, Exchange or Redemption of the Debentures

You will generally recognize gain or loss on the sale, exchange (other than a conversion) or redemption of your Debenture equal to the difference between the amount you realize on the sale, exchange or redemption and your tax basis in your Debenture. For this purpose, the amount realized does not include any amount attributable to accrued but unpaid interest. Amounts attributable to accrued interest will be treated as interest as described under "Payments of Interest" above. Gain or loss you recognize on the sale, exchange or redemption of your Debenture will be capital gain or loss and will be long-term capital gain or loss if you held the Debenture for more than one year.

If you exercise your right to require us to repurchase your Debentures, as discussed in "Description of the Debentures - Repurchase of Debentures at the Option of Holders," we may elect (subject to certain limitations) to pay the repurchase price in cash or our common stock or some combination thereof. If we elect to pay the purchase price solely in cash, you will recognize gain or loss in the manner described in the previous paragraph.

If we elect to pay the purchase price solely in our common stock, you will not recognize any gain or loss except with respect to cash received in lieu of a fractional share of common stock. Your tax basis in the common stock received will be the same as your adjusted tax basis in the Debenture at the time of repurchase (reduced by any basis allocable to a fractional share interest), and the holding period for the common stock received on repurchase will include the

holding period of the Debenture converted, except that the holding period of any common stock received that is attributable to accrued interest will commence on the day after repurchase. The fair market value of common stock received that is attributable to accrued interest will be treated as interest as described under "Payments of Interest" above.

If we elect to pay the purchase price using some cash and some of our common stock, subject to adjustments in respect of amounts attributable to accrued interest, you will realize gain or loss measured by the difference between the fair market value of the cash and our common stock transferred to you and your tax basis in the Debentures. You will not recognize any loss for tax purposes, and you will recognize gain in the amount of the cash you receive, limited by the amount of gain you realize. Your tax basis in our common stock in this case will be equal to your tax basis in the Debentures, increased by the gain you recognized on the transaction and decreased by the amount of cash you received. Your holding period for the common stock will include the holding period of the Debenture converted, except that the holding period of any common stock received that is attributable to accrued interest will commence on the day after conversion. The fair market value of common stock received that is attributable to accrued interest will be treated as interest as described under "Payments of Interest" above.

Conversion of the Debentures

You generally will not recognize any income, gain or loss upon conversion of a Debenture into our common stock except with respect to cash received in lieu of a fractional share of common stock. Your tax basis in the common stock received on conversion of a Debenture will be the same as your adjusted tax basis in the Debenture at the time of conversion (reduced by any basis allocable to a fractional share interest), and the holding period for the common stock received on conversion will include the holding period of the Debenture converted, except that the holding period of any common stock received that is attributable to accrued interest will commence on the day after conversion. The fair market value of common stock received that is attributable to accrued interest will be treated as interest as described under "Payments of Interest" above.

Cash received in lieu of a fractional share of common stock upon conversion will be treated as a payment in exchange for the fractional share of common stock. Accordingly, the receipt of cash in lieu of a fractional share of

common stock generally will result in capital gain or loss (measured by the difference between the cash received for the fractional share and your adjusted tax basis in the fractional share).

Adjustment of Conversion Price

In general, holders of convertible debt instruments such as the Debentures may, in certain circumstances, be deemed to have received distributions of stock if the conversion price of such instruments is adjusted. Adjustments to the conversion price made pursuant to a bona fide reasonable adjustment formula which has the effect of preventing the dilution of the interest of the holders of the debt instruments, however, will generally not be considered to result in a constructive distribution of stock. Certain of the possible adjustments

provided in the Debentures (including, without limitation, adjustments in respect of certain cash dividends to our stockholders) will not qualify as being pursuant to a bona fide reasonable adjustment formula. If such adjustments are made, you will be deemed to have received constructive distributions taxable as dividends to the extent of our current and accumulated earnings and profits even though you have not received any cash or property as a result of such adjustments. In certain circumstances, the failure to provide for such an adjustment may result in taxable dividend income to United States holders of our common stock.

Distributions on our Common Stock

You will be taxed on distributions on our common stock as ordinary dividend income to the extent paid out of our current or accumulated earnings and profits for United States federal income tax purposes. If you are taxed as a corporation, dividends may be eligible for the 70% dividends-received deduction. The Internal Revenue Code contains various limitations upon the dividends-received deduction. If you are a corporate shareholder, please consult your tax advisor with respect to the possible application of these limitations to your ownership or disposition of stock in your particular circumstances.

You generally will not be taxed on any portion of a distribution not paid out of our current or accumulated earnings and profits if your tax basis in the stock is greater than or equal to the amount of the distribution. However, you would be required to reduce your tax basis (but not below zero) in the stock by the amount of the distribution, and would recognize capital gain to the extent that the distribution exceeds your tax basis in our common stock. Further, if you are a corporation, you would not be entitled to a dividends-received deduction on this portion of a distribution.

President Bush, in early 2003, has proposed eliminating U.S. income taxes on dividends consisting of distributions of previously taxed corporate earnings, effective for distributions made on or after January 1, 2003 with respect to corporate earnings after 2000. Under the proposal, all or a portion of dividends paid by a corporation to its shareholders during a calendar year would be tax-free if those dividends are paid from previously taxed corporate income. The current proposal would also eliminate the dividends received deduction in respect of dividends paid by us on our common stock that we issue upon conversion or repurchase of the Debentures. Investors should be aware, however, that prospects for the enactment of this legislation are uncertain, and we cannot predict whether these rules will be enacted or what changes may be made to them prior to enactment.

Sale of our Common Stock

If you sell or otherwise dispose of your common stock, you will generally recognize capital gain or loss equal to the difference between the amount realized upon the disposition and your adjusted tax basis of the stock. Capital gain of a noncorporate United States Holder is generally taxed at a maximum rate of 20%, where the property is held more than one year, and 18% where the property is held more than five years.

Market Discount

The resale of Debentures may be affected by the impact on a purchaser of the market discount provisions of the Internal Revenue Code. For this purpose, the market discount on a Debenture acquired by you if you are a purchaser of Debentures other than an initial purchaser generally will equal the amount, if any, by which the stated

redemption price at maturity of the Debenture exceeds your adjusted tax basis in the Debenture immediately after its acquisition. If you acquire a Debenture at a market discount, subject to a limited exception, these provisions generally require you to treat as ordinary income any gain you recognize on the disposition of that Debenture to the extent of the accrued market discount on that Debenture at the time of maturity or disposition, unless you elect to include accrued market discount in income over the life of the Debenture. If you hold a Debenture with market discount and you receive common stock upon conversion of the Debenture, gain to the extent of accrued market discount that you have not previously included in income with respect to the converted Debenture through the date of conversion will be treated as ordinary income when you dispose of the common stock.

This election to include market discount in income over the life of the Debenture, once you make it, applies to all market discount obligations you acquire on or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. In general, market discount will be treated as accruing on a straight-line basis over the remaining term of the Debenture at the time of acquisition, or, at your election, under a constant yield method. If you make an election, it will apply only to the Debenture with respect to which you make it, and it may not be revoked. If you are a United States Holder who acquires a Debenture at a market discount who does not elect to include accrued market discount in income over the life of the Debenture, you may be required to defer the deduction of a portion of the interest on any indebtedness you incurred or maintained to purchase or carry the Debenture until maturity or until you dispose of the Debenture in a taxable transaction.

Amortizable Premium

A Debenture is purchased at a premium if its adjusted basis, immediately after its purchase exceeds the amounts payable (other than qualified stated interest) on the Debenture. If you are a United States Holder who purchases a Debenture at a premium, you generally may elect to amortize that premium from the purchase date to the Debenture's maturity date under a constant-yield method that reflects semiannual compounding based on the Debenture's payment period. Amortizable premium, however, will not include any premium attributable to a Debenture's conversion feature. The premium attributable to the conversion feature is the excess, if any, of the Debenture's purchase price over what the Debenture's fair market value would be if there were no conversion feature. Amortized premium is treated as an offset to interest income on a Debenture and not as a separate deduction. Your election to amortize premium on a constant-yield method, once made, applies to all debt obligations you hold or subsequently acquire on or after the first day of the first taxable year to which the election applies and you may not revoke it without the consent of the IRS.

United States Alien Holders

This subsection describes the tax consequences to a United States Alien Holder. For purposes of this discussion, you are a United States Alien Holder if you are for United States income tax purposes:

- a nonresident alien individual or
- a foreign corporation, partnership or estate or trust, in each case not subject to United States federal income tax on a net income basis

in respect of income or gain from a Debenture or our common stock.

Payments of Interest

Under present United States federal income tax law, and subject to the discussion of backup withholding below, payments of interest by us or other U.S. payors to you will not be subject to United States federal income or withholding tax if,

(1) you do not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote,

(2) you are not a controlled foreign corporation that is related to us through stock ownership, and

(3) the U.S. payor does not have actual knowledge or reason to know that you are a United States person and:

(a) you certify to the U.S. payor, under penalties of perjury, on an IRS Form W-8BEN or an acceptable substitute form, that you are not a United States person;

(b) in the case of payments made outside the United States to you at an offshore account (generally, an account maintained by you at a bank or other financial institution at any location outside the United States), you have furnished to the U.S. payor documentation that establishes your identity and status as a person who is not a United States person;

(c) the U.S. payor has received a withholding certificate (furnished on an appropriate IRS Form W-8 or an acceptable substitute form) from a person claiming to be:

(i) a withholding foreign partnership (generally a foreign partnership that has entered into an agreement with the IRS to assume primary withholding responsibility with respect to distributions and guaranteed payments it makes to its partners);

(ii) a qualified intermediary (generally a non-United States financial institution or clearing organization or a non-United States branch or office of a United States financial institution or clearing organization that is a party to a withholding agreement with the IRS); or

(iii) a U.S. branch of a non-United States bank or of a non-United States insurance company;

and the withholding foreign partnership, qualified intermediary or U.S. branch has received documentation upon which it may rely to treat the payment as made to a person who is not a United States person in accordance with U.S. Treasury regulations (or, in the case of a qualified

intermediary, in accordance with its agreement with the IRS);

(d) the U.S. payor receives a statement from a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business and holds the Debenture certifying to the U.S. payor under penalties of perjury that an IRS Form W-8BEN or an acceptable substitute form has been received from you by it or by a similar financial institution between it and you, and to which is attached a copy of the IRS Form W-8BEN or acceptable substitute form; or

(e) the U.S. payor otherwise possesses documentation upon which it may rely to treat the payment as made to a person who is not a United States person in accordance with U.S. Treasury regulations;

Notwithstanding the above, unless the United States Alien Holder qualifies for an exemption from such a tax or a lower rate under an applicable treaty, a United States Alien Holder that is engaged in the conduct of a United States trade or business will be subject to (i) United States federal income tax on interest that is effectively connected with the conduct of such trade or business, and (ii) if the United States Alien Holder is a corporation, a United States branch profits tax equal to 30% of its "effectively connected earnings and profits" as adjusted for the taxable year.

Conversion or Repurchase of the Debentures

A United States Alien Holder generally will not be subject to United States federal income or withholding tax on the conversion of a Debenture into our common stock. To the extent that a United States Alien Holder receives cash in lieu of a fractional share of common stock upon conversion, such cash may give rise to interest income that would be subject to the rules described below in "Gain on Disposition of the Debentures or our Common Stock."

If a United States Alien Holder exercises its right to put the Debentures to us, this exchange will generally have the results described above in "United States Holders - Sale, Exchange or Redemption of the Debentures," except that any gain recognized is subject to the rules described below in "Gain on Disposition of the Debentures or the Common Stock." Similarly, for cash received that is attributable to interest, such cash may give rise to gain that would be subject to the rules described above in "Payments of Interest."

Distributions on our Common Stock

Except as described below, if you are a United States Alien Holder of our common stock, dividends paid to you are subject to withholding of United States federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate, we and other payors will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to you, unless you have furnished to us or another payor:

- a valid IRS Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a person who is not a United States person and your entitlement to the lower treaty rate with respect to such payments; or

- in the case of payments made outside the United States to an offshore account (generally, an account maintained by you at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing your entitlement to the lower treaty rate in accordance with U.S. Treasury regulations.

If you are eligible for a reduced rate of United States withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the United States IRS.

If dividends paid to you are effectively connected with your conduct of a trade or business within the United States, we and other payors generally are not required to withhold tax from the dividends, provided that you have furnished to us or another payor a valid IRS Form W-8ECI or an acceptable substitute form upon which you represent, under penalties of perjury, that:

- you are not a United States person; and

- the dividends are effectively connected with your conduct of a trade or business within the United States and are includible in your gross income.

Effectively connected dividends are taxed at rates applicable to United States citizens, resident aliens and domestic United States corporations subject to possible reductions if the dividends are not attributable to a permanent establishment, under an applicable tax treaty, that you maintain in the United States.

If you are a corporate United States Alien Holder, effectively connected dividends that you receive may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Gain on Disposition of the Debentures or our Common Stock

If you are a United States Alien Holder, you generally will not be subject to United States federal income tax on gain that you recognize on a disposition of the Debentures or our common stock unless:

- the gain is effectively connected with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that you maintain in the United States, if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis;

- you are an individual, you hold the Debentures or our common stock as a capital asset, you are present in the United States for 183 or more

days in the taxable year of the sale and certain other conditions exist; or

- we are or have been a United States real property holding corporation for federal income tax purposes and certain exemptions do not apply. We have not been, are not and do not anticipate becoming a United States real property holding corporation for United States federal income tax purposes.

If you are a corporate United States Alien Holder, effectively connected gains that you recognize may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

United States Federal Estate Tax

A Debenture held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual's gross estate for purposes of the United States federal estate tax as a result of the individual's death if the individual did not at the time of death actually or constructively own 10% or more of the total combined voting power of all of our classes of stock entitled to vote and the income on the Debenture would not have been effectively connected with a United States trade or business of the individual at the individual's death. Our common stock held by an individual who at the time of death is not a citizen or resident of the United States generally will be included in such individual's estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Backup Withholding and Information Reporting

United States Holders

In general, if you are a noncorporate United States Holder, we and other payors are required to report to the IRS all payments of principal and interest on your Debenture, any dividends or other taxable distributions with respect to our common stock and the proceeds of the sale of a Debenture before maturity within the United States, and "backup withholding" at a rate of 30% (subject to periodic reductions through 2006) will apply to such payments if you fail to provide an accurate taxpayer identification number or you are notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

United States Alien Holders

In general, if you are a United States Alien Holder, information reporting on IRS Form 1099 and backup withholding will not apply to payments of principal and interest with respect to your Debenture or dividend payments with respect to the common stock made by us and other payors to you if the certification requirements described in clause (3) under "United States Alien Holders-Payments of Interest" above are satisfied or you otherwise establish an exemption and the payor does not have actual knowledge that you are a United States person. However, we and other payors are required to report (on IRS Form 1042S) payments of interest on your Debentures.

In general, payment of the proceeds from the sale of Debentures or our common stock to or through a United States office of a broker is subject to both United States backup withholding and information reporting unless the broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the broker:

- an appropriate IRS Form W-8 or an acceptable substitute form upon which you certify, under penalties of perjury, that you are not a United States person; or
- other documentation upon which it may rely to treat the payment as made to a person who is not a United States person in accordance with U.S. Treasury regulations;

or you otherwise establish an exemption.

If you fail to establish an exemption and the broker does not possess adequate documentation of your status as a person who is not a United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made outside the United States to an offshore account maintained by you unless the payor has actual knowledge that you are a United States person.

In general, payments of the proceeds from the sale of a Debenture or our common stock made to or through a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States;
- the payment of proceeds or the confirmation of the sale is mailed to you at a United States address; or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of a Debenture or our common stock effected at a United States office of a broker) are met or you otherwise establish an exemption.

In addition, payment of the proceeds from the sale of Debentures or our common stock effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person;
- a controlled foreign corporation for United States tax purposes;
- a foreign person that derives 50% or more of its gross income for a specified three-year period from the conduct of a trade or business in the United States; or
- a foreign partnership, if any time during its tax year:

  (1) one or more of its partners are U.S. persons (as defined in U.S. Treasury regulations) who in the aggregate hold more than 50% of the income or capital interest in the partnership or

(2) such foreign partnership is engaged in a United States trade or business,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of Debentures or our common stock effected at a

United States office of a broker) are met or you otherwise establish an exemption.

SELLING SECURITYHOLDERS

The Debentures were issued by us and sold by Bank of America Securities LLC, Credit Lyonnais Securities (USA) Inc. and U.S. Bancorp Piper Jaffray Inc. as the initial purchasers in transactions exempt from registration requirements of the Securities Act to persons reasonably believed by the initial purchasers to be qualified institutional buyers. Selling securityholders, including their transferees, pledges or donees or their successors, may from time to time offer and sell any or all of the Debentures and the common stock into which the Debentures are convertible pursuant to this prospectus. The selling securityholders may offer all, some or none of the Debentures or the common stock into which the Debentures are convertible.

The table below sets forth the name of each selling securityholder, the principal amounts of Debentures that may be offered by each selling securityholder under this prospectus and then number of shares of common stock into which the Debentures are convertible. The information is based on information provided to us by or on behalf of the selling securityholders on or prior to August 12, 2003. The selling securityholders identified below may have sold, transferred or otherwise disposed of all or a portion of their Debentures or common stock since the date on which they provided this information in transactions exempt from the registration requirements of the Securities Act. Information about the selling securityholders may change from time to time. Changes in the information will be set forth in prospectus supplements or post-effective amendments, as required.

Because the selling securityholders may offer all or some portion of the Debentures or the common stock into which the Debentures are convertible, we cannot estimate the amount of Debentures or common stock that may be held by the selling securityholders upon the completion of any sales they might make. For information on the procedure for sales by selling securityholders, read the disclosure under the heading "Plan of Distribution" below.

Some of the initial purchasers of the Debentures or their affiliates have provided, from time to time, and may continue to provide, investment banking, commercial banking, financial and other services to us, for which we have paid, and intend to pay, customary fees. Bank of America, N.A., an affiliate of Banc of America Securities LLC, was the lead agent under our prior credit facility and is the Administrative Agent for our current credit facility and a party to our credit agreement. Our prior credit facility was repaid in full as of March 3, 2003, through application of the net proceeds from the initial private placement of the Debentures. Credit Lyonnais New York Branch, an affiliate of

Credit Lyonnais Securities (USA) Inc., and U.S. Bank National Association, an affiliate of U.S. Bancorp Piper Jaffray Inc., are also parties to our credit agreement. Banc of America Securities LLC has also been advising us in connection with possible strategic alternatives for our workers' compensation company, CII Financial, Inc. Unless set forth below, based on the information provided by the selling securityholders and our own knowledge, none of the selling securityholders has had any position, office or other material relationship with us or our affiliates within the past three years or beneficially owns in excess of 1% of our outstanding common stock.

Name of Selling Securityholder (1)	Principal Amount of Debentures Beneficially Owned That May Be Sold (in dollars)	Percentage of Debentures Outstanding	Number of Shares of Common Stock Underlying the Debentures that May Be Sold (2)(3)	Percenta Common Outsta (4)
AIG DKR SoundShore Opportunity Holding Fund, Ltd.	$2,500,000	2.17%	136,686	*
Akela Capital Master Fund, Ltd.	7,000,000	6.09%	382,722	1.32
Bank of America Securities LLC (5)	3,000,000	2.61%	164,024	*
Bank Austria Cayman Islands, LTD.	1,000,000	*	54,674	*
BGI Global Investors (c/o Forest Investment Management LLC)	92,000	*	5,030	*
BNP Paribas Equity Strategies, Inc.	9,190,000	7.99%	502,460	1.72
CooperNeff Convertible Strategies (Cayman) Master Fund, L.P.	7,691,000	6.69%	420,503	1.44

Daimler Chrysler Corp. Emp. #1 Pension Plan Dated 4/1/89.....	1,875,000	1.63%	102,515	*
D.E. Shaw Investment Group, L.P.....	300,000	*	16,402	*
D.E. Shaw Valence Portfolios, L.P.....	1,200,000	1.04%	65,609	*
Deutsche Bank Securities Inc (5).....	500,000	*	27,337	*
Forest Fulcrum Fund LLP (5).....	207,000	*	11,317	*
Forest Global Convertible Fund Series A-5.....	1,026,000	*	56,096	*
Forest Multi-Strategy Master Fund SPC, on Behalf of Series F, Multi-Strategy Segregated Portfolio.....	235,000	*	12,848	*
Franklin and Marshall College.....	145,000	*	7,927	*

Name of Selling Securityholder (1)	Principal Amount of Debentures Beneficially Owned That May Be Sold (in dollars)	Percentage of Debentures Outstanding	Number of Shares of Common Stock Underlying the Debentures that May Be Sold (2)(3)	Percenta Common Outsta (4)
Guggenheim Portfolio Co. XV, LLC.....	500,000	*	27,337	*
KBC Financial Products USA Inc. (5).....	1,500,000	1.30%	82,012	*

Laurel Ridge Capital, LP	3,000,000	2.61%	164,024	*
LLT Limited	87,000	*	4,756	*
Lyxor Master Fund (c/o Forest Investment Management LLC)	523,000	*	28,594	*
McMahan Securities Co. L.P. (5)	2,850,000	2.48%	155,822	*
Polaris Vega Fund L.P.	1,000,000	*	54,674	*
RAM Trading, LTD.	2,000,000	1.74%	109,349	*
Ramius Master Fund fka RCG Multi-Strategy A/C, LP	2,650,000	2.30%	144,887	*
RBC Alternative Assets LP	100,000	*	5,467	
RCG Latitude Master Fund LTD	2,100,000	1.83%	114,816	*
RCG Multi-Strategy Master Fund, LTD	1,250,000	1.09%	68,343	*
Relay 11 Holdings (c/o Forest Investment Management LLC)	61,000	*	3,335	*
Silverback Master, LTD	13,850,000	12.04%	757,244	2.57
Singlehedge U.S. Convertible Arbitrage Fund	1,538,000	1.34%	84,089	*

Name of Selling Securityholder (1)	Principal Amount of Debentures Beneficially Owned That May Be Sold (in dollars)	Percentage of Debentures Outstanding	Number of Shares of Common Stock Underlying the Debentures that May Be Sold (2)(3)	Percenta Common Outsta (4)
Sphinx Convertible Arbitrage (c/o Forest Investment Management LLC).....	31,000	*	1,694	*
State Street Bank, Custodian for GE Pension Trust.....	1,230,000	1.07%	67,249	*
Sturgeon Limited.....	1,301,000	1.13%	71,131	*
Sunrise Partners Limited Partnership (6).....	10,5000,000	9.13%	574,084	1.96
UBS O'Connor LLC. F/B/O O'Connor Global Convertible Arbitrage Master Limited.....	5,930,000	5.16%	324,220	1.12
Univest Convertible Arbitrage Fund Ltd. (c/o Forest Investment Management LLC).....	46,000	*	2,515	*
Univest Multi Strategy Fd....	300,000	*	16,402	*
WPG Convertible Arbitrage Overseas Master Fund.....	1,100,000	*	60,142	*
WPG MSA Convertible Arbitrage Fund.....	250,000	*	13,668	*
Xavex Convertible Arbitrage 4 Fund (c/o Forest Investment Management LLC).....	49,000	*	2,679	*
Xavex Convertible Arbitrage #5.....	750,000	*	41,006	*

Zurich Master Hedge Fund (c/o Forest Investment Management LLC).....	143,000	*	7,818	*

*Less than 1%

(1) Also includes any sale of the Debentures and the underlying common stock by pledgees, donees, transferees or other successors in interest that receive such securities by pledge, gift, distribution or other non-sale related transfer from the named selling securityholders. Information about other selling securityholders will be set forth in prospectus supplements or in other documents that we file from time to time with the Securities and Exchange Commission that are incorporated by reference in this prospectus, if required. See "Where You Can Find More Information."

(2) Assumes conversion of all of the selling securityholder's Debentures at a conversion rate of 54.6747 per

$1,000 principal amount at maturity of Debentures and a cash payment in lieu of the issuance of any fractional share interest. However, this conversion rate is subject to adjustment as described under "Description of Debentures-Conversion Rights." As a result, the number of shares of common stock issuable upon conversion of the Debentures may increase or decrease in the future.

(3) Reflects rounding down of fractional common stock issuable to each selling securityholder upon conversion of the Debentures.

(4) Calculated based on Rule 13d-3 of the Securities Exchange Act of 1934 using 28,764,000 shares of common stock outstanding as of August 12, 2003. In calculating this amount, we treated as outstanding the number of shares of common stock issuable upon conversion of all of that particular holder's Debentures. However, we did not treat as outstanding the common stock issuable upon conversion of any other holder's Debentures.

(5) According to the National Association of Securities Dealers, Inc. manual, this selling securityholder is a broker-dealer.

(6) Sunrise Partners Limited Partnership has advised us that it also beneficially owns 5,400 shares of common stock.

PLAN OF DISTRIBUTION

The selling securityholders, or their transferees, donees, pledgees or others on their behalf, will be offering and selling all of the securities offered and sold under this prospectus. We will not receive any of the proceeds from the offering of the Debentures or the shares of common stock by the selling securityholders. In connection with the initial offering of the Debentures, we entered into a registration rights agreement dated March 3, 2003, with the initial purchasers of the Debentures. Pursuant to that agreement, we are registering the Debentures and shares of common stock covered by this prospectus to permit holders to conduct public secondary sales of these securities from time to time after the date of this prospectus. We have agreed, among other things, to bear all expenses, other than underwriting discounts and selling commissions, in connection with the registration and sale of the Debentures and the shares of common stock covered by this prospectus. We estimate those expenses to be approximately $125,303.50, excluding expenses associated with the original issuance of the Debentures. Selling securityholders may also resell all or a portion of their Debentures or their common stock in reliance upon Rule 144 or Rule 144A under the Securities Act or any other available exemption, provided they meet the criteria and conform to the requirements of one of these rules.

The selling securityholders may sell all or a portion of the Debentures and shares of common stock beneficially owned by them and offered hereby from time to time:

- directly;
- through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, commissions or concessions from the selling securityholders and/or from the purchasers of the Debentures and shares of common stock for whom they may act as agent;
- through the pledge of Debentures or shares of common stock as security for any loans or obligations, including pledges to brokers or dealers who may from time to time effect distributions of the Debentures or shares of common stock or other interests in the Debentures or shares of common stock;
- through purchases by a broker or dealer as principal and resales by such broker or dealer for its own account pursuant to this prospectus;
- through block trades in which the broker or dealer so engaged will attempt to sell the Debentures or shares of common stock as agent or as riskless principal but may position and resell a portion of the block as principal to facilitate the transaction;
- through exchange distributions in accordance with the rules of the applicable exchange;
- in any combination of one or more of these methods; or
- in any other lawful manner.

The Debentures and the shares of common stock may be sold from time to time in one or more transactions at:

- fixed prices, which may be changed;
- prevailing market prices at the time of sale;
- varying prices determined at the time of sale; or

- negotiated prices.

These prices will be determined by the holders of the securities or by agreement between these holders and underwriters or dealers who may receive fees or commissions in connection with the sale. The aggregate proceeds to the selling securityholders from the sale of the Debentures or shares of common stock offered by them hereby will be the purchase price of the Debentures or shares of common stock less discounts and commissions, if any. The sales described in the preceding paragraph may be effected in transactions:

- on any national securities exchange or quotation service on which the Debentures or shares of common stock may be listed or quoted at the time of sale, including the New York Stock Exchange in the case of the shares of common stock;
- in the over-the-counter market;
- in transactions otherwise than on such exchanges or services or in the over-the-counter market; or
- through the writing of options.

These transactions may include crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the trade.

To our knowledge, there are currently no plans, arrangements or understandings between any selling securityholders and any underwriter, broker-dealer or agent regarding the sale of the Debentures and the shares of common stock by the selling securityholders. Selling securityholders may not sell any, or may not sell all, of the Debentures and the shares of common stock offered by them pursuant to this prospectus.

The outstanding shares of common stock are listed for trading on the New York Stock Exchange.

The selling securityholders that are also broker-dealers are "underwriters" within the meaning of the Securities Act. The selling securityholders and any broker and any broker-dealers, agents or underwriters that participate with the selling securityholders in the distribution of the Debentures or the shares of common stock may also be deemed to be "underwriters" within the meaning of the Securities Act. In these cases, any commissions received by these broker-dealers, agents or underwriters and any profit on the resale of the Debentures or the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. In addition, any profits realized by the selling securityholders may be deemed to be underwriting discounts and commissions under the Securities Act. To the extent the selling securityholders may be deemed to be underwriters, the selling securityholders are, or may be subject to statutory liabilities, including, but not limited to, liability under Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Exchange Act.

Because the selling securityholders are, or may be deemed to be underwriters within the meaning of Section 2(11) of the Securities Act, they

will be subject to the prospectus delivery requirements of the Securities Act. At any time a particular offer of the securities is made, a revised prospectus or prospectus supplement, if required, will be distributed which will disclose:

- the name of the selling securityholders and any participating underwriters, broker-dealers or agents;
- the aggregate amount and type of securities being offered;
- the price at which the securities were sold and other material terms of the offering;
- any discounts, commissions, concessions or other items constituting compensation from the selling securityholders and any discounts, commissions or concessions allowed or reallowed or paid to dealers; and

- that the participating broker-dealers did not conduct any investigation to verify the information in this prospectus or incorporated in this prospectus by reference.

The prospectus supplement or a post-effective amendment will be filed with the SEC to reflect the disclosure of additional information with respect to the distribution of the securities.

The Debentures were issued and sold in March 2003 in transactions exempt from the registration requirements of the Securities Act to persons reasonably believed by the initial purchasers to be qualified institutional buyers, as defined in Rule 144A under the Securities Act. Pursuant to the registration rights agreement, we have agreed to indemnify the initial purchasers and each selling securityholder, and each selling securityholder has agreed to indemnify us against specified liabilities arising under the Securities Act. The selling securityholders may also agree to indemnify any broker-dealer or agent that participates in transactions involving sales of the securities against some liabilities, including liabilities that arise under the Securities Act.

The selling securityholders and any other person participating in such distribution will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may regulate the timing of purchases and sales of any of the Debentures and the underlying shares of common stock by the selling securityholders and any such other person. In addition, Regulation M of the Exchange Act may restrict the ability of any person engaged in the distribution of the Debentures and the underlying shares of common stock to engage in market-making activities with respect to the particular Debentures and the underlying shares of common stock being distributed for a period of up to five business days prior to the commencement of distribution. This may affect the marketability of the Debentures and the underlying shares of common stock and the ability of any person or entity to engage in market-making activities with respect to the Debentures and the underlying shares of common stock.

Under the registration rights agreement, we are obligated to use our reasonable best efforts to keep the registration statement of which this

prospectus is a part effective until the earlier of:

- two years after the date of filing of this registration statement; or
- such shorter period, from the date of filing of the registration statement until either (i) the sale pursuant to this registration statement of the registrable securities or (ii) the expiration of the holding period applicable to the registrable securities held by holders of the Debentures that are not affiliates of Sierra under Rule 144(k) under the Securities Act.

Our obligation to keep the registration statement to which this prospectus relates effective is subject to specified, permitted exceptions set forth in the registration rights agreement. In these cases, we may prohibit offers and sales of the Debentures and shares of common stock pursuant to the registration statement to which this prospectus relates.

We may suspend the use of this prospectus if we learn of any event that causes this prospectus to include an untrue statement of a material fact required to be stated in the prospectus or necessary to make the statements in the prospectus not misleading in light of the circumstances then existing. If this type of event occurs, a prospectus supplement or post-effective amendment, if required, will be distributed to each selling securityholder. Each selling securityholder has agreed not to trade securities from the time the selling securityholder receives notice from us of this type of event until the selling securityholder receives a prospectus supplement or amendment. This time period will not exceed 90 days in a 360-day period.

There are no contractual arrangements between or among any of the selling securityholders and Sierra with regard to the sale of the shares, and no professional underwriter in its capacity as such will be acting for the selling securityholders.

LEGAL MATTERS

The validity of the Debentures and the common stock issuable upon conversion or payment of the debentures and certain legal matters in connection with this offering will be passed upon for us by Schreck Brignone, Las Vegas, Nevada. Certain legal matters related to the original offering and sale of the Debentures were passed upon for us by Morgan, Lewis & Bockius LLP, New York, New York.

EXPERTS

The financial statements and the related financial statement schedules incorporated in this prospectus by reference from the Company's Annual Report on Form 10-K/A for the year ended December 31, 2002 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report dated January 29, 2003 (March 14, 2003 as to Notes 6 and 19), which report expresses an unqualified opinion and includes an explanatory paragraph on the adoption of Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets", which is incorporated herein by reference, and have been so

incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

Sierra files annual, quarterly and special reports, proxy statements and other information with the SEC. You can read and copy any materials we file with the SEC at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain information about the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site that contains information we file electronically with the SEC, which you can access over the internet at http://www.sec.gov. You can also obtain copies of the materials we file with the SEC from our Web site at http://www.sierrahealth.com. The information on our Web site is not part of this prospectus. You can obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents that we have previously filed with the SEC or documents that we will file with the SEC in the future. The information incorporated by reference is considered to be part of this prospectus, and later information that we file with the SEC will automatically update this information. We incorporate by reference the documents listed below into this prospectus, and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until the termination of this offering. The documents we incorporate by reference are:

- our annual report on Form 10-K, as amended by our Form 10-K/A, for the fiscal year ended December 31, 2002;
- our quarterly report on Form 10-Q, as amended by our Form 10-Q/A, for the quarter ended March 31, 2003;
- our quarterly report on Form 10-Q for the quarter ended June 30, 2003; and
- the descriptions of our common stock and the related preferred share purchase rights contained in our registration statements on Forms 8-A filed on March 31, 1994 and July 1, 1994.

You may request a copy of any or all of the documents referred to above other than exhibits to such documents that are not specifically incorporated by reference therein. Written or telephone requests should be directed to Investor Relations, P.O. Box 15645, Las Vegas, Nevada 89114-5645, telephone (702) 242-7000.

If at any time during the two-year period following the later of the date of original issue of the Debentures we are not subject to the information requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as

amended, we will furnish to holders of Debentures, holders of common stock issued upon conversion thereof and prospective purchasers thereof the

information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with resales of such Debentures and common stock issued on conversion thereof.

Annex A

NOTICE OF PROPOSED TRANSFER PURSUANT TO REGISTRATION STATEMENT

Wells Fargo Bank Minnesota, N.A.
Corporate Trust Services
MAC N9303-110
Sixth & Marquette
Minneapolis, MN 55479
Attn: Michael Slade

Sierra Health Services, Inc.
2724 North Tenaya Way
Las Vegas, NV 89128
Attn: General Counsel

Re: Sierra Health Services, Inc.
2 1/4% Senior Convertible Debentures due 2023 (the "Debentures")

Dear Sirs:

Please be advised that [Insert name of beneficial owner] intends to transfer either [Complete the applicable clause and strike out whatever clause (a) or (b) does not apply] (a) aggregate principal amount of the above-referenced Debentures or (b) shares of Sierra common stock received upon conversion or payment of the above-referenced Debentures pursuant to an effective Registration Statement on Form S-3 filed by Sierra.

Dated:

Very truly yours,

(Name)

By: _____
(Authorized Signature)

Annex B

NOTICE OF TRANSFER PURSUANT TO REGISTRATION STATEMENT

Wells Fargo Bank Minnesota, N.A.
Corporate Trust Services
MAC N9303-110
Sixth & Marquette
Minneapolis, MN 55479
Attn: Michael Slade

Sierra Health Services, Inc.
2724 North Tenaya Way
Las Vegas, NV 89128
Attn: General Counsel

Re: Sierra Health Services, Inc.
2 1/4% Senior Convertible Debentures due 2023 (the "Debentures")

Dear Sirs:

Please be advised that [Insert name of beneficial owner] has transferred either [Complete the applicable clause and strike out whatever clause (a) or (b) does not apply] (a) aggregate principal amount of the above-referenced Debentures or (b) shares of Sierra common stock received upon conversion or payment of the above-referenced Debentures pursuant to an effective Registration Statement on Form S-3 filed by Sierra.

We hereby certify that the prospectus delivery requirements, if any, of the Securities Act of 1933, as amended, have been satisfied, that the above-named-beneficial owner of the Debentures or related common stock is named as a "Selling Securityholder" in the related prospectus, and that the Debentures transferred are the Debentures listed in such prospectus opposite such owner's name, or the shares of common stock transferred are the shares of common stock received upon conversion of the Debentures, all in accordance with the applicable rules and regulations of the Securities Act of 1933.

Dated:

Very truly yours,

(Name)

By: _____
(Authorized Signature)

$115,000,000

SIERRA HEALTH SERVICES, INC.

2 1/4% Senior Convertible Debentures due 2023

PROSPECTUS

_____, 2003

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the Registrant in connection with the offering described in this Registration Statement. All amounts are estimates except the SEC registration fee.

	Amount to Be Paid by Registrant
SEC registration fee	$ 9,304.00
Transfer agents, trustees and depository's fees and expenses	12,500.00
Printing fees and expenses	2,000.00
Legal fees and expenses	50,000.00
Accounting fees and expenses	50,000.00
Miscellaneous	1,500.00
Total	$125,304.00

The Registrant intends to pay all expenses of registration, issuance and distribution.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Our articles of incorporation provide that our directors and officers will not be liable to us or our stockholders for damages for breach of fiduciary duty as a director or officer, except that such provision does not eliminate or limit the liability of a director or an officer for (i) acts or omissions which involve intentional misconduct, fraud or knowing violation of law or (ii) the payment of distributions in violation of the applicable provisions of the Nevada Revised Statutes. The Nevada Revised Statutes, however, provide that a director or an officer will not be personally liable unless it is proven that (i) the director's or officer's acts or omissions constituted a breach of his or her fiduciary duties, and (ii) such breach involved intentional misconduct, fraud or a knowing violation of the law. The provisions of the Nevada Revised Statutes with respect to limiting personal liability for directors and officers are self-executing, and, to the extent our articles of incorporation would be deemed to be inconsistent therewith, the provisions of the Nevada Revised Statutes will control. Our bylaws provide that directors, officers and certain other persons may be indemnified to the fullest extent authorized by Nevada law. However, the Nevada Revised Statutes provide that indemnification is only appropriate if (i) the director or officer is not found to have breached his or her fiduciary duties involving intentional misconduct, fraud or a knowing violation of the law or (ii) the director or officer acted in good faith and in a manner he or she reasonably believed was in the best interests of the corporation and, with respect to any criminal actions, had no reasonable cause to believe that his or her conduct was unlawful.

ITEM 16. EXHIBITS

The following exhibits are filed as part of this registration statement pursuant to Item

EXHIBIT NUMBER	DESCRIPTION
3.1	Articles of Incorporation, together with amendments incorporated by reference to Exhibit 4 (b) to the Registra

	Statement on Form S-8 (No. 33-41543) effective July 3, 1991.
3.2	Certificate of Division of Shares into Smaller Deno Registrant, incorporated by reference to Exhibit 3.2 to Registrant's Ann 10-K for the fiscal year ended December 31, 2001.
3.3	Amended and Restated Bylaws of the Registrant, as amended 2002, incorporated by reference to Exhibit 3.3 to Registran on Form 10-K for the fiscal year ended December 31, 2001.
3.4	Certificate pursuant to NRS Section 78.207 increasin authorized shares of common stock to 60,000,000 pursuant stock split on May 18, 1998, incorporated by reference Registrant's Annual Report on Form 10-K for the fiscal ye 31, 2001.
4.1	Rights Agreement, dated as of June 14, 1994, amended as o between the Registrant and Wells Fargo Bank Minnesota, N.A. reference to Exhibit 4.2 to Registrant's Annual Report on fiscal year ended December 31, 2001.
4.2	Rights Agreement, dated as of June 14, 1994, between th Continental Stock Transfer & Trust Company, incorporated Exhibit 3.4 to the Registrant's Registration Statement on October 11, 1994 (Reg. No. 33-83664).
4.3	Specimen Common Stock Certificate, incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal ye 31, 2001.
4.4	Indenture, dated as of March 3, 2003, between Sierra Health and Wells Fargo Bank Minnesota, N.A., as trustee.*
4.5	Form of 2 1/4% Senior Convertible Debenture (included in Exh
4.6	Resale Registration Rights Agreement, dated as of March 3, 2 Health Services, Inc., Banc of America Securities LLC, Credi Securities (USA) Inc., and U.S. Bancorp Piper Jaffray Inc.*
5.1	Opinion of Morgan, Lewis & Bockius LLP.*
5.2	Opinion of Schreck Brignone.*
12.1	Statement re Computation of Ratios.*
23.1	Consent of Deloitte & Touche LLP.

23.2	Consent of Morgan, Lewis & Bockius LLP. (included in Exhibit
23.3	Consent of Schreck Brignone (included in Exhibit 5.2).*
25.1	Statement of Eligibility and Qualification under the Trust I 1939 of the Trustee on Form T-1.*

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* Previously filed.

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the 1933 Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; provided, however, that notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the registration statement is on Form S-3, Form S-8 or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the 1933 Act, each filing of the Registrant's annual report pursuant to section 13(a) or section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the 1933 Act may be

permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 15 above, or otherwise, the

Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Las Vegas, State of Nevada on August 15, 2003.

SIERRA HEALTH SERVICES, IN

By: /s/ Anthony M. Marlon

Anthony M. Marlon, M.
Chief Executive Offic
Board

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been
the capacities and on the date or dates indicated.

Signature	Title	
/s/Anthony M. Marlon	Chief Executive Officer and Chairman of the Board of Directors (Chief Executive Officer)	Augu

Anthony M. Marlon, M.D.

/s/ Paul H. Palmer Paul H. Palmer	Senior Vice President of Finance, Chief Financial Officer and Treasurer (Chief Accounting Officer)	Augu
/s/ Erin E. MacDonald Erin E. MacDonald	Director	Augu
/s/ Charles L. Ruthe Charles L. Ruthe	Director	Augu
/s/ William J. Raggio William J. Raggio	Director	Augu

/s/ Thomas Y. Hartley Thomas Y. Hartley	Director	Augu
/s/ Albert L. Greene Albert L. Greene	Director	Augu
/s/ Michael E. Luce	Director	Augu

Michael E. Luce

/s/ Anthony L. Watson --- Anthony L. Watson	Director	Augu