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CLARIFICATION (04/02/02): A chart in Saturday's Business section was incomplete. MGM Mirage Chairman and Chief Executive Officer Terry Lanni's 2001 salary was at the same pay level as his 2000 pay, but his annual income increased from \$885,572 to \$969,230 in 2001 because Lanni retired for seven weeks in 2000.

Execs rewarded amid layoffs

MGM Mirage awards \$5.2 million

By **DAVE BERNS**
GAMING WIRE

Six top MGM Mirage executives recently received bonuses totaling \$5.2 million as part of a multimillion dollar companywide bonus plan for management that was approved two months after 6,000 MGM Mirage workers lost their jobs to layoffs.

Executives and midlevel bosses received the payments with company Chairman Terry Lanni getting a bonus of \$1.35 million, a salary of \$969,230 and additional compensation totaling \$416,773, according to a Friday filing with the Securities and Exchange Commission.

His bonus was down from \$2.5 million a year ago, while his salary jumped from \$885,572.

No figures were available Friday detailing the total number of managers who received bonuses or the payouts' dollar value.

Word of the payments, which were received between December and February, illustrates a classic debate between competing schools of thought.

One holds that executive compensation should reflect shareholder value, which gauges a company's ability to generate dollars for investors while building a business. Others say that bonuses in a time of job cuts send a poor message to workers and investors.

The workers lost their jobs in the aftermath of the Sept. 11 terror attacks.

The company's results have improved in recent months, executives say, despite a 65 percent decrease in fourth-quarter profits, which revenue was expected to be a healthy year.

EXHIBIT I Committee on Taxation
 Date: 2/25/03 Page 1 of 3

MGM Mirage stock closed Friday at \$36.23, which was up from low of \$16.19 on Sept. 21. That translates to a 47.8 percent return on investment during the past year for the company that was formed with MGM

Grand's May 2000 buyout of Mirage Resorts.

MGM Mirage Senior Vice President Alan Feldman said the decision to grant companywide bonuses was reached in December as part of an incentive program to retain and attract managers. The size of the payments were based on the company's pretax earnings.

"If it's typical of incentive programs for senior management, the bonuses are tied to year-over-year performance," said Bill Eadington, a University of Nevada, Reno professor who studies the casino industry. "You can obviously make a case why senior management should be getting bonuses when people are being laid off."

At the peak of the job cutting, nearly one of every six MGM Mirage workers lost their jobs in Las Vegas, generating the largest share of the 12,000 to 15,000 casino industry job cuts.

All but several hundred have since returned to full- or part-time work or have left the company, according to MGM Mirage executives.

Mandalay Resort Group, which laid off 4,500 workers, and Park Place Entertainment, which cut 2,100 jobs, have yet to file papers with the SEC listing executive compensation for 2001.

According to MGM Mirage's SEC filing:

- MGM Mirage President Jim Murren received a base salary of \$775,384 and a \$1 million bonus as well as additional compensation of \$169,450.
- Mirage Resorts President and Chief Executive Officer Bobby Baldwin received a salary of \$988,462 and a bonus of \$1.15 million.

That was down from his 2000 salary of \$1 million and bonus of \$9 million, which was tied to MGM Grand's acquisition that year of Mirage Resorts, Baldwin's previous employer.

- MGM Grand Resorts President and Chief Executive Officer John Redmond received a salary of \$775,384 and a bonus of \$918,351 and additional compensation worth \$192,218.
- MGM Mirage Executive Vice President Bill Hornbuckle, who changed titles last year, was the sole company executive to receive new stock options, according to the SEC filing. He was granted options for 100,000 shares over a 10-year period.
- The company's vice chairman, Dan Wade, received no bonus last year because he is no longer involved in a daily management role.

Word comes as MGM Mirage executives prepare to negotiate new union contracts with Culinary Local 226, which will negotiate new three-year deals for workers at 40 Las Vegas hotels.

The city's largest union is expected to push for improved pay packages and decreased workloads.

"I think that clearly we anticipate that negotiations with MGM Mirage will be able to be settled in a fair way based on their ability to pay," said Culinary staff director D. Taylor.

Privately, one union activist said the awarding of bonuses will "only fuel fire to the anger of the work force."

"That's corporate America now," said the source who requested anonymity. "It's been obscene for years. This is not new."

This story is located at:

http://www.reviewjournal.com/lvrj_home/2002/Mar-30-Sat-2002/business/18417085.html