

A man in a dark suit and tie stands against a light background. Instead of a head, he has a large, full money bag made of US dollar bills. He is holding a briefcase in his right hand.

Adjusted earnings

Even with fewer bonuses and stock options, the average CEO salary shot up 16.2 percent in 2003, thanks to a spike in casino business

By KEITH KEFGEN AND STEPHEN GOEBEL ■ HVS INTERNATIONAL

Consolidation continues to be the buzzword in the gaming industry. The past three years have seen the field of public gaming companies dwindle from 60 in 2001, to 45 in 2002 and just 39 in this year's survey. Indeed, 2004 will be another blockbuster year for mergers, with the combination of MGM Mirage and Mandalay, as well as Harrah's Entertainment and Caesars, if both deals gain federal approval.

Meanwhile, 2003 was a year of considerable change. Perhaps most notably: Penn National's acquisition of Hollywood Casinos and IGT's acquisition of Acres Gaming. That year also saw the industry going "global" with the opening of the Macau and U.K. markets to commercial casinos companies from the United States. Furthermore, 2003 saw "cashless" technology gather steam and Class II gaming legitimized. The overall performance of the gaming industry was strong in 2003 compared to many other industries.

Top performers

Our annual study analyzes CEO performance by comparing financial results relative to total compensation. Using our proprietary pay-for-performance model, each CEO was compared to his or her industry peers. The resulting HVS Value Index indicates whether a CEO earned his pay or not. This year's top performing CEO was Peter Carlino of Penn National Gaming with an HVS Value Index of 197.4 (see chart: *5 Best Performing CEO Operators*). This makes four of the last five years in which the top performer was a small operator.

Many of the other top performers have been fixtures on our list. Craig H. Nielsen of Ameristar Casinos was the top performer two years ago, while Randall Sampson of Canterbury Park and Thomas Winn of Nevada Gold make their second consecutive appearance. John Farahi of Monarch Casino Resorts was the only new name on the list. As a group, operators outperformed their supplier peers by a small margin.

Among the top suppliers, GameTech International's Clarence Thiesen was the only newcomer (see chart: *5 Best Performing CEO Suppliers*). Clifton Lind,

who assumed the role of CEO at Multimedia Games in 2003, continued a three-year run for the company. Barry Mindes of Interactive Systems and

Mark Yoseloff of Shuffle Master are both making their second consecutive appearances. As was the case with oper-

Text continues on Page 20

5 Best Performing CEO Operators

(CEO'S RANKED BY HVS VALUE INDEX)

CEO	COMPANY	Actual Compensation (\$K)	Should have been Compensated (\$K)	% Under Paid	HVS Value Index
CARLINO, Peter M.	Penn National Gaming	\$3,288	\$6,491	97.4%	197.4
WINN, H. Thomas	Nevada Gold & Casinos	\$387	\$755	95.0%	195.0
FARAH, John	Monarch Casino Resorts	\$440	\$644	46.5%	146.5
SAMPSON, Randall D.	Canterbury Park Holding Corp.	\$274	\$395	44.3%	144.3
NEILSEN, Craig H.	Ameristar Casinos, Inc.	\$2,135	\$2,789	30.6%	130.6

SOURCE: HVS Executive Search

5 Best CEO Suppliers

(CEO'S RANKED BY HVS VALUE INDEX)

CEO	COMPANY	Actual Compensation (\$K)	Should have been Compensated (\$K)	% Under Paid	HVS Value Index
MINDES, Barry	Interactive Systems Worldwide	\$350	\$655	87.2%	187.2
MORGAN, James B.	Daktronics	\$412	\$714	73.1%	173.1
LIND, Clifton E.	Multimedia Games, Inc.	\$4,303	\$6,503	51.1%	151.1
THEISEN, Clarence H.	GameTech International, Inc.	\$216	\$252	16.9%	116.9
YOSELOFF, Mark L.	Shuffle Master, Inc.	\$1,819	\$1,941	6.7%	106.7

SOURCE: HVS Executive Search

Top Gaming Salaries

(CEO'S RANKED BY SALARY)

CEO	COMPANY	Pay Rank	Salary (\$K)	HVS Value Index
LANNI, J. Terrence	MGM Mirage	2	\$2,000	91.3
TRUMP, Donald J.	Trump Hotels & Casino Resorts	14	\$1,500	83.4
FERTITTA, III, Frank J.	Station Casinos, Inc.	5	\$1,386	91.9
LOVEMAN, Gary W.	Harrah's Entertainment, Inc.	8	\$1,214	92.7
NEILSEN, Craig H.	Ameristar Casinos	12	\$1,111	130.6

SOURCE: HVS Executive Search

Bonuses Babies

(CEO'S RANKED BY BONUS)

CEO	COMPANY	Pay Rank	Bonus (\$K)	HVS Value Index
LANNI, J. Terrence	MGM Mirage	2	\$1,989	91.3
FERTITTA, III, Frank J.	Station Casinos, Inc.	5	\$1,775	91.9
ENSIGN, Michael S.	Mandalay Resort Group	10	\$1,750	91.0
ARISON, Mickey	Carnival	6	\$1,675	90.4
MATTHEWS, Thomas J.	International Game Technology	13	\$1,554	100.3

SOURCE: HVS Executive Search

The 2004 Gaming Industry CEO Survey

(CEO'S RANKED BY TOTAL COMPENSATION)

Pay Rank	CEO	COMPANY	CEO SINCE	SALARY (\$K)	BONUS (\$K)	OTHER (\$K)(1)	LONG-TERM STOCK GRANTS (\$K)(2)	TOTAL (\$K)	VALUE OF IN-THE-MONEY OPTIONS (\$K)(3)	HVS Value Index(4)
1	BARR, Wallace R.	Caesars Entertainment, Inc.	2003	\$998,462	\$1,225,000	\$5,003,549	\$4,225,662	\$11,452,673	\$6,981,244	89.9
2	LANNI, J. Terrence	MGM Mirage	1995	\$2,000,000	\$1,989,345	\$909,995	\$5,595,093	\$10,494,433	\$17,927,160	91.3
3	TURNER, W. Bruce	GTECH Holdings Corp.	1997	\$493,846	\$0	\$2,313,362	\$7,023,026	\$9,830,234	\$59,698,051	101.2
4	WEIL, A. Lorne	Scientific Games Corp.	1992	\$790,958	\$1,000,000	\$398,352	\$5,199,413	\$7,388,723	\$39,498,721	102.9
5	FERTITTA, III, Frank J.	Station Casinos, Inc.	1992	\$1,385,500	\$1,775,313	\$3,102,477	\$0	\$6,263,290	\$71,837,859	91.9
6	ARISON, Micky	Carnival	1979	\$500,000	\$1,675,000	\$2,755,200	\$1,145,844	\$6,076,044	\$4,825,650	90.4
7	LIND, Clifton E.	Multimedia Games, Inc.	2003	\$360,577	\$501,800	\$12,807	\$3,428,089	\$4,303,273	\$14,976,024	151.1
8	LOVEMAN, Gary W.	Harrah's Entertainment, Inc.	2003	\$1,213,654	\$597,500	\$298,008	\$1,867,331	\$3,976,493	\$20,424,912	92.7
9	CARLINO, Peter M.	Penn National Gaming, Inc.	1994	\$785,016	\$800,000	\$313,303	\$1,389,890	\$3,288,209	\$14,466,790	197.4
10	ENSIGN, Michael S.	Mandalay Resort Group	1998	\$1,000,000	\$1,750,000	\$875	\$0	\$2,750,875	\$8,890,018	91.0
11	RUBELI, Paul E.	Aztar Corp.	1990	\$808,400	\$595,664	\$5,000	\$1,025,245	\$2,434,309	\$18,378,063	90.3
12	NEILSEN, Craig H.	Ameristar Casinos	1993	\$1,110,577	\$914,060	\$110,734	\$0	\$2,135,371	\$0	130.6
13	MATTHEWS, Thomas J.	International Game Technology	2003	\$450,000	\$1,554,000	\$49,884	\$0	\$2,053,884	\$31,950,240	100.3
14	TRUMP, Donald J.	Trump Hotels & Casino Resorts	2000	\$1,500,000	\$0	\$367,159	\$0	\$1,867,159	\$4,320,000	83.4
15	YOSELOFF, Mark L.	Shuffle Master, Inc.	2002	\$333,000	\$269,000	\$1,000	\$1,216,367	\$1,819,367	\$12,143,000	106.7
16	GOLDSTEIN, Bernard	Isle of Capri Casinos, Inc.	1995	\$550,000	\$102,606	\$45,993	\$933,012	\$1,631,611	\$1,773,852	92.4
17	ARNEAULT, Edson R.	MTR Gaming Group, Inc.	1995	\$880,466	\$100,000	\$630,973	\$0	\$1,611,439	\$6,490,000	111.3
18	MIODUNSKI, Robert	Alliance Gaming	1999	\$450,000	\$522,000	\$5,500	\$628,401	\$1,605,901	\$1,102,000	105.7
19	WESTERMAN, William L.	Riviera Holdings Corp.	1992	\$1,000,000	\$0	\$547,591	\$0	\$1,547,591	\$0	73.1
20	McMEEKIN, Russel H.	Mikohn Gaming	2002	\$406,923	\$225,000	\$637,805	\$0	\$1,269,728	\$0	91.8
21	GLASIER, Richard J.	Argosy Gaming	2002	\$625,000	\$500,337	\$72,546	\$0	\$1,197,883	\$982,000	87.3
22	McALPINE, Jim	Magna Entertainment Corp.	2001	\$409,600	\$600,000	\$0	\$0	\$1,009,600	\$56,250	73.8
23	LEE, Daniel R.	Pinnacle Entertainment, Inc.	2002	\$600,000	\$400,000	\$8,326	\$0	\$1,008,326	\$753,247	63.2
24	TASSINARI, Ronald J.	American Vantage Co.	1979	\$287,857	\$100,000	\$40,000	\$350,106	\$777,963	\$143,361	78.5
25	MEEKER, Thomas H.	Churchill Downs, Inc.	1984	\$450,000	\$119,532	\$100,000	\$0	\$669,532	\$4,191,866	76.9
26	SZONY, Ferenc B.	Sands Regent	1997	\$370,000	\$228,159	\$0	\$0	\$598,159	\$423,800	96.8
27	BERMAN, Lyle	Lakes Entertainment, Inc.	1998	\$400,000	\$100,000	\$73,921	\$0	\$573,921	\$4,512,800	35.7
28	FINLEY, Johan P.	PDS Gaming Corp.	1988	\$341,250	\$0	\$25,740	\$97,917	\$464,907	\$0	101.9
29	HAITZMANN, Erwin	Century Casinos, Inc.	1994	\$180,737	\$262,390	\$6,930	\$0	\$450,057	\$2,641,500	98.7
30	FARAH, John	Monarch Casino & Resort, Inc.	1993	\$237,232	\$150,000	\$52,357	\$0	\$439,589	\$0	146.5
31	MORGAN, James B.	Daktronics	2003	\$254,327	\$62,500	\$6,461	\$89,153	\$412,441	\$3,125,600	173.1
32	WINN, H. Thomas	Nevada Gold & Casinos, Inc.	1994	\$200,000	\$8,333	\$0	\$178,960	\$387,293	\$841,904	195.0
33	MULCAHY, Michael R.	Trans Lux Corp.	2002	\$276,314	\$78,992	\$21,630	\$0	\$376,936	\$2,950	85.7
34	MINDES, Barry	Interactive Systems Worldwide	1996	\$350,000	\$0	\$0	\$0	\$350,000	\$0	187.2
35	McGLYNN, Denis	Dover Downs Entertainment, Inc.	1979	\$200,000	\$0	\$0	\$125,359	\$325,359	\$132,718	45.0
36	SAMPSON, Randall D.	Canterbury Park Holding Corp.	1994	\$135,895	\$47,852	\$5,811	\$84,163	\$273,721	\$1,978,600	144.3
37	THIESEN, Clarence H.	GameTech International, Inc.	2001	\$200,000	\$0	\$221	\$15,769	\$215,990	\$1,110	116.9
38	KERN, Martin H.*	Global Payment Technologies	2003	\$195,000	\$0	\$0	\$5,810	\$200,810	\$13,694	0.0
39	MINCH, Jeffrey L.	Littlefield Corp.	1999	\$163,000	\$0	\$11,580	\$0	\$174,580	\$0	2.9

* Interim CEO

(1) Other includes other annual compensation, restricted stock awards and LTIPS (2) Long-Term Stock Grants is the Black-Scholes value of stock options granted in 2001 (3) Value of In-The-Money Options includes both exercisable and unexercisable options (4) HVS Pay-For-Performance Index is based on an average of 100.0; must be CEO for a year and make more than \$100k Stock Market data provided by MSN & Smart Money and based on years ending December 31, 1998-2001

SOURCE: HVS Executive Search

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ators, small and mid-cap companies completely dominate the list of top performing suppliers.

Top salaries and bonuses

The list of the largest salaries remained almost unchanged from last year, with the exception of Craig H. Nielsen replacing William S. Boyd (see chart: *Top Gaming Salaries*). The average salary of the top five increased 14.1 percent over last year's survey, from \$1,264,000 to \$1,442,000. However, this year's average HVS Value Index for the top five salary earners increased by 15 per-

cent, from 85.2 to 98.0.

The average CEO salary industry-wide increased 16.2 percent from \$505,200 to \$587,015. This is almost identical to the 16.0 percent increase in average base salary that we noted in 2002.

The average bonus for the top five CEOs dropped from \$2,263,000 last year to \$1,749,000 in 2003 (see chart: *Bonus Babies*). However, it was significantly larger than the 2001 average of \$1,256,000. The average bonus for all CEOs was down slightly from \$476,467 in 2002 to \$468,061 this year. We predict that cash compensation will trend

upward with the increased scrutiny of stock option grants.

Top stock incentives

As we noted above, fewer gaming companies granted options. Nearly half of the industry chose not to grant stock options in 2003 as compared to 38 percent in 2002 (see chart: *Top Stock Incentives*).

The number of options decreased as well. The top five CEO grants in 2003 totaled \$5,094,000 compared to \$7,138,000 in last year's study.

Richest CEO's

Two newcomers to the list of largest stock option packages were Thomas J. Matthews of IGT and Lorne Weil of Scientific Games (see chart: *Fortunes In Waiting*). Station Casinos' Frank Fertitta III, GTECH Holdings' Bruce Turner and Harrah's Entertainment's Gary Loveman were holdovers from last year. Matthews should be no stranger to this list as former IGT CEOs Thomas Baker and Charles Matthewson have been members of this group. Michael Ensign of Mandalay is off the list for the first time in three years by exercising a large portion of his holdings.

Mickey Arison of Carnival is the only billionaire on this year's list. Many of the industry's billionaires were no longer involved in day-to-day operations, such as Kirk Kerkorian, Steve Wynn and Barron Hilton. Wynn will most likely be a part of next year's survey with the emergence of the publicly traded Wynn Resorts.

Pay-for-performance

The need for well-conceived compensation plans has never been greater with the surfacing of new Sarbanes-Oxley, SEC and FASB regulations. CEO compensation will continue to be a lightning rod for shareholders dissent and boards need to take particular care in drafting compensation policy. The gaming industry, like all others will have to respond to these changes as they face 2004 and beyond. **CJ**

HVS Executive Search is a human resources consulting firm dedicated to the gaming, lodging and restaurant industries. For further information on the CEO survey, contact Keith Kefgen, president, at kkefgen@hvsinternational.com, or Stephen Goebel, vice president, at sgoebel@hvsinternational.com.

Top Stock Incentives

(CEO'S RANKED BY VALUE OF STOCK OPTION GRANTS IN 2001)

CEO	COMPANY	Pay Rank	Value of Stock Grants (\$K)(2)	HVS Value Index
TURNER, W. Bruce	GTECH Holdings Corp.	3	\$7,023	101.2
LANNI, J. Terrence	MGM Mirage	2	\$5,595	91.3
WEIL, A. Lorne	Scientific Games Corp.	4	\$5,199	102.9
BARR, Wallace R.	Caesar's Entertainment, Inc.	1	\$4,226	89.9
LIND, Clifton E.	Multimedia Games, Inc.	7	\$3,428	151.1

(2) Value of stock grants calculated using Black-Scholes Valuation Model

SOURCE: HVS Executive Search

A Piece of the Action

(CEO'S RANKED BY VALUE OF STOCK BENEFICIALLY OWNED)¹

CEO	COMPANY	Pay Rank	Value of Beneficial Ownership (\$MM)(1)	HVS Value Index
ARISON, Micky	Carnival	6	\$7,567	90.4
NEILSEN, Craig H.	Ameristar Casinos	12	\$379	130.6
FERTITTA, III, Frank J.	Station Casinos, Inc.	5	\$220	91.9
CARLINO, Peter M.	Penn National Gaming	9	\$169	197.4
WEIL, A. Lorne	Scientific Games Corp.	4	\$77	102.9

¹ The value of beneficial ownership is the number of shares owned by the CEO multiplied by the share price on Dec. 31st

SOURCE: HVS Executive Search

Fortunes in Waiting

(CEO'S RANKED BY HVS VALUE OF IN-THE-MONEY OPTIONS)

CEO	COMPANY	Pay Rank	Value of In-The-Money Options (\$K) (3)	HVS Value Index
FERTITTA, III, Frank J.	Station Casinos, Inc.	5	\$71,838	91.9
TURNER, W. Bruce	GTECH Holdings Corp.	3	\$59,698	101.2
WEIL, A. Lorne	Scientific Games Corp.	4	\$39,499	102.9
MATTHEWS, Thomas J.	International Game Technology	13	\$31,950	100.3
LOVEMAN, Gary W.	Harrah's Entertainment, Inc.	8	\$20,425	92.7

(3) Value of in-the-money options includes both exercisable and unexercisable options

SOURCE: HVS Executive Search