

HAS THE FUN RUN OUT FOR THE BOSSES?

| BY KEITH KEFGEN



10 BEST PERFORMING CEOs

CEO	COMPANY	HVS VALUE INDEX ¹	ACTUAL COMPENSATION (\$ thousands)	SHOULD HAVE BEEN COMPENSATED (\$ thousands)	% UNDER PAID
HADDRILL, Richard	Bally Technologies	156.6	\$3,761	\$5,891	56.6%
HILLIOU, Andre M.	Full House Resorts	149.0	\$659	\$981	49.0%
BRODSKY, Michael	Yobet	148.2	\$647	\$959	48.2%
GAMACHE, Brian R.	WMS Industries	144.9	\$4,525	\$6,556	44.9%
MORGAN, James B.	Daktronics	131.3	\$488	\$641	31.3%
EVANS, Robert L.	Churchill Downs	121.7	\$4,189	\$5,100	21.7%
BERMAN, Lyle	Lakes Entertainment	120.7	\$948	\$1,143	20.7%
WYNN, Stephen A.	Wynn Resorts	117.1	\$8,454	\$9,904	17.1%
ARISON, Micky	Carnival	114.1	\$8,498	\$9,696	14.1%
WEIL, A. Lorne*	Scientific Games Corporation	113.1	\$10,046	\$11,362	13.1%

1) "HVS Value Index" is based on an average of 100

* no longer CEO

TOP GAMING SALARIES

CEO	COMPANY	SALARY
WYNN, Stephen A.	Wynn Resorts	\$3,250,000
LANNI, J. Terrence*	MGM Mirage	\$2,000,000
WEIL, A. Lorne*	Scientific Games Corporation	\$1,606,367
CARLINO, Peter M.	Penn National	\$1,560,000
SMITH, Keith E.	Boyd Gaming	\$1,100,000
ARNEAULT, Edson R.*	MTR Gaming	\$1,033,673
LEE, Daniel R.	Pinnacle Entertainment	\$1,000,000
ADELSON, Sheldon G.	Las Vegas Sands	\$1,000,000
HADDRILL, Richard	Bally Technologies	\$998,000
ARISON, Micky	Carnival	\$880,000

* no longer CEO

You thought it was tough being the CEO of a bank these days; the casino industry has been just as brutal. Bankruptcies and near failures abound. The difference is that the U.S. government bailed out the banks. No such luck for casinos. Just a year ago, MGM, LVS, WYNN and others were trading at all-time highs. What a difference a year makes.

CEO pay has also been one of the most hotly debated topics during this economic crisis. Congress has even gotten involved by passing new legislation regarding executive pay. With that as a backdrop, our annual survey of CEO performance demonstrates that a chief executive can perform well even in the worst of circumstances.

TOP PERFORMERS

Our annual survey evaluates the stock performance, EBITDA growth and market capitalization of public gaming companies and then compares it with CEO pay. The outcome is an index that determines whether a CEO earned his or her paycheck.

Richard Haddrill at Bally Technologies topped the list this year, with an HVS Value Index of 156 (see "10 Best Performing CEOs," Page 54). His rating means that despite the economic downturn and his \$3.7 million in total compensation, he still was underpaid by nearly \$2 million. In fact, Bally Technologies was one of only three companies to see a rise in their stock price over the survey period. WMS and Churchill Downs were the others. Additional top performers included Lyle Berman, Andre Hilliou and Steve Wynn, all past winners of our survey.

It was interesting to see an even split between operators and suppliers in this year's Top 10. Usually there has been a decided advantage for one side or the other.

SALARY and BONUS

The average salary of a gaming CEO was \$710,000, which was almost identical to last year's survey. The

GAMING INDUSTRY CEO SURVEY

(CEOs RANKED BY TOTAL COMPENSATION IN THOUSANDS)

PAY RANK	CEO	COMPANY	SALARY	SHORT-TERM INCENTIVES	OTHER	LONG-TERM INCENTIVES	TOTAL	HVS VALUE INDEX ¹
1	WEIL, A. Lorne*	Scientific Games Corporation	\$1,606	\$567	\$157	\$7,716	\$10,046	113.1
2	ARISON, Micky	Carnival	\$880	\$0	\$404	\$7,213	\$8,498	114.1
3	WYNN, Stephen A.	Wynn Resorts	\$3,250	\$4,063	\$1,142	\$0	\$8,454	117.1
4	CARLINO, Peter M.	Penn National	\$1,560	\$0	\$279	\$5,405	\$7,244	112.4
5	GAMACHE, Brian R.	WMS Industries	\$835	\$1,614	\$108	\$1,967	\$4,525	144.9
6	EVANS, Robert L.	Churchill Downs	\$468	\$437	\$51	\$3,233	\$4,189	121.7
7	MATTHEWS, Thomas J.*	International Game Technology	\$840	\$882	\$71	\$2,056	\$3,849	110.8
8	LANNI, J. Terrence*	MGM Mirage	\$2,000	\$0	\$1,342	\$473	\$3,815	110.1
9	HADRILL, Richard	Bally Technologies	\$998	\$250	\$11	\$2,503	\$3,761	156.6
10	LEE, Daniel R.	Pinnacle Entertainment	\$1,000	\$600	\$37	\$1,631	\$3,268	107.1
11	SMITH, Keith E.	Boyd Gaming	\$1,100	\$0	\$46	\$1,758	\$2,905	104.3
12	ARNEAULT, Edson R.*	MTR Gaming	\$1,034	\$500	\$623	\$0	\$2,157	112.1
13	PERRY, James B.	Isle of Capri	\$708	\$558	\$0	\$876	\$2,142	112.0
14	BETTS, Scott	Global Cash Access	\$451	\$200	\$19	\$1,415	\$2,084	106.1
15	KANOFKY, Gordon R.	Ameristar Casinos	\$674	\$427	\$89	\$780	\$1,970	110.7
16	YOSELOFF, Mark L.*	Shuffle Master	\$400	\$242	\$16	\$1,176	\$1,833	102.6
17	ADELSON, Sheldon G.	Las Vegas Sands	\$1,000	\$0	\$279	\$293	\$1,572	107.0
18	HAITZMANN, Erwin	Century Casinos	\$462	\$0	\$61	\$646	\$1,169	92.1
19	FARAH, John	Monarch Casino & Resort	\$400	\$0	\$0	\$685	\$1,085	99.4
20	SHULDMAN, Bart C.	Transact	\$426	\$358	\$40	\$233	\$1,056	109.3
21	BERMAN, Lyle	Lakes Entertainment	\$500	\$200	\$237	\$11	\$948	120.7
22	SANFILIPPO, Anthony M.	Multimedia Games	\$450	\$182	\$31	\$212	\$874	95.8
23	LOWDEN, Paul W.	Archon Corporation	\$550	\$200	\$39	\$0	\$789	101.6
24	HILLIOU, Andre M.	Full House Resorts	\$267	\$215	\$5	\$172	\$659	149.0
25	BRODSKY, Michael	Youbet	\$250	\$0	\$8	\$389	\$647	148.2
26	STURGES, Robert	Nevada Gold & Casinos	\$400	\$125	\$37	\$0	\$562	0.3
27	HANLON, David*	Empire Resorts	\$500	\$0	\$31	\$0	\$531	0.0
28	MORGAN, James B.	Daktronics	\$317	\$86	\$6	\$80	\$488	131.3
29	McGLYNN, Denis	Dover Downs Entertainment	\$300	\$0	\$70	\$96	\$466	83.9
30	ROBERSON, Mark	PokerTek	\$160	\$0	\$294	\$0	\$454	52.2
31	CHARLIER, Gerard P.*	Gaming Partners International	\$369	\$0	\$54	\$0	\$423	86.0
32	MEILSTRUP, Jay M.	GameTech International	\$315	\$10	\$13	\$10	\$348	75.2
33	CHUNG, Clarence	Elixir Gaming Technologies	\$0	\$0	\$0	\$255	\$255	87.0
34	SAMPSON, Randall D.	Canterbury Park	\$208	\$0	\$5	\$38	\$251	82.1
35	SALERNO, Victor	American Wagering	\$204	\$0	\$16	\$0	\$219	3.3

1) "HVS Value Index" is based on an average of 100

* no longer CEO

About the Author



Keith Kefgen is president of HVS Executive Search, a career placement firm specializing in the lodging, gaming and restaurant industries. Kefgen is a frequent lecturer on industry-related

issues and has written more than 90 articles on the topics of executive selection, pay-for-performance, corporate governance and executive leadership. He is the founder of two e-commerce initiatives: hospitalitycareernet.com, a Web-based recruiting site; and 2020skills.com, an online assessment profile. He has served on the board of the Association of Executive Search Consultants and was co-president of the International Association of Corporate and Professional Recruitment's New York City Chapter.

largest salary went to Steve Wynn at \$3.5 million. Nine of the Top 10 salaries were \$1 million or more (see "Top Gaming Salaries," Page 54). The average bonus, on the other hand, went down dramatically, from \$900,000 in 2007 to \$300,000 in 2008. Most bonus plans were based on financial metrics such as profitability, and 2008 was a rough year. The largest bonus also went to Steve Wynn at roughly \$4 million, but that was \$3.5 million less than his bonus the previous year. We further note that 15 gaming CEOs received no bonus at all in 2008.

LONG-TERM INCENTIVES

Long-term incentives for gaming executives were predominately in the form of restricted stock grants and stock options. Sixteen of the CEOs had a blend of both. The average value of L-T incentives was \$1.2 million, not much different than the \$1.5 million the previous year. These types of incentives tend to be programmed over a long period of time so it was not surprising to see little movement. We note that the median L-T incentive was only \$300,000, which illustrates that a few very large stock packages were granted. The largest incentive went to Lorne Weil at nearly \$8 million. Weil gave up his CEO seat at Scientific Games but remains chairman.

Each of the top 10 incentive packages was greater than \$1 million. We found it startling to see the average market capitalization for a gaming company go from \$5 billion to \$2 billion, demonstrating the destructive force of the economic meltdown. Likewise, overall compensation for gaming CEOs went down by almost \$1.3 million in 2008.

RICHER, POORER

The list of gaming's richest CEOs didn't change much year over year, but the value of their stock holdings has been greatly diminished. For example, Sheldon Adelson was worth \$19 billion at the end of 2007, and at the end of 2008 was worth only \$1.5 billion. Steve Wynn and Micky Arison remained billionaires as well but saw the value of their stock decrease by 50 percent.

As the gaming industry is in survival mode, we predict that executive compensation will continue to fall. Not until the economy rebounds and consumers start spending discretionary dollars will things improve for the industry and its CEOs. ●