

Earnest earnings

HVS International's 2004 Gaming Industry CEO Survey shows majority of gaming executives deserving of their pay

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The old saying reads, "the proof is in the pudding." Well if so, gaming CEOs have provided excellent pudding to investors this year. Of the 42 CEOs in this year's survey, 26 received HVS Value Index ratings of 100 or higher (an HVS Value Index rating of 100 means that the CEO's compensation was exactly what it should have been). Compared to most other industry segments, gaming has been a terrific investment.

Many landmark events happened this year. The two "big" mergers of Mandalay Resort Group-MGM Mirage and Caesars Entertainment-Harrah's Entertainment have created



mega brands for the industry. The acquisition of Argosy Gaming by Penn National has created a powerhouse in the mid-cap segment.

The year also saw some notable returns to the industry such as Gordon Graves and his new venture Aces Wired, and Mike Rumbolz at Cash Systems.

5 Best Performing CEO Operators

(CEO'S RANKED BY HVS VALUE INDEX)

HVS Value Index	CEO	COMPANY	Actual Compensation (\$K)	Should have been Compensated (\$K)	% Under Paid
197.4	SZONY, Ferenc B.	Sands Regent	\$624	\$1,191	90.9%
195.0	WESTERMAN, William L.	Riviera Holdings Corp.	\$1,448	\$2,450	69.3%
146.5	SAMPSON, Randall D.	Canterbury Park Holding Corp.	\$277	\$438	58.4%
144.3	BERMAN, Lyle	Lakes Entertainment, Inc.	\$574	\$835	45.5%
130.6	FARAH, John	Monarch Casino Resorts	\$2,190	\$2,762	26.1%

SOURCE: HVS Executive Search

5 Best CEO Suppliers

(CEO'S RANKED BY HVS VALUE INDEX)

HVS Value Index	CEO	COMPANY	Actual Compensation (\$K)	Should have been Compensated (\$K)	% Under Paid
187.2	CHAMPION, Charles F.	Youbet.com, Inc.	\$692	\$1,253	81.2%
173.1	SCHULMAN, Bart C.	TransAct Technologies	\$1,084	\$1,962	80.9%
151.1	CHARLIER, Gerard P.	Gaming Partners Int. Corp.	\$342	\$564	64.8%
116.9	MORGAN, James B.	Daktronics	\$418	\$520	24.4%
106.7	McMEEKIN, Russell H.	Progressive Gaming Int.	\$1,988	\$2,268	14.1%

SOURCE: HVS Executive Search

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 their industry peers.

The resulting HVS Value Index indicates whether a CEO earned their pay or not. We further leveled the playing field by looking at suppliers and operators separately.

The year's top-performing CEO was Ferenc Szony of Sands Regent whose HVS Value Index rating of 190.9 indicates that he was underpaid by 90.9 percent (see chart: 5 Best Performing CEO Operators). His performance also makes this the fifth year in the last six that the honor of top performer has gone to the CEO of a small-cap gaming operator.

John Farahi makes his second

consecutive appearance on the list of top operators, which marks a resurgence of the Reno market. Lyle Berman and William L. Westerman had the biggest turnaround making the top-performing list one year after being on the worst. The final member of the top-performing pantheon was Randall Sampson of Canterbury Park, making his third consecutive appearance on this list. As a group, operators outperformed suppliers with an average HVS Value Index of 162.8 compared to 147.0.

Among top suppliers, the only holdover from last year's list is James Morgan of Daktronics (see chart: 5 Best CEO Suppliers). Both Russell McMeekin and Gerard Charlier have been responsible for leading major turnarounds at Mikohn (Progressive Gaming International Corp.) and Gaming Partners International (formerly Paul-Son Gaming). Charles Champion of Youbet.com and Bart C. Schulman of TransAct Technologies round out the list.

Top salaries and bonuses

The list of the industry's top salaries has not changed much in recent years (see chart: Top Gaming Salaries). William Boyd rejoins the list, while Craig Neilsen departs. The average salary among the top five increased very slightly from \$1,442,000 in 2003 to \$1,506,000 in 2004. With the exception of Donald Trump, the HVS Value Index of the group suggests that they all deserved their big paychecks. The average salary for the entire group increased 2.6 percent from \$587,015 to \$602,374.

The average bonus for the top five increased dramatically from \$1,749,000 in 2003 to \$2,589,000 in 2004 (see chart: Bonus Babies). Furthermore, the average bonus for all CEOs moved from \$468,061 to \$535,596. This is in keeping with our expectation that cash incentives would be trending upward in reaction to increased scrutiny and new accounting procedures for stock option awards.

Top stock incentives

As noted above, the trend away from stock options continued as 21 of the 42 CEOs received no stock options. In addition, 12 of the 21 companies that did offer long-term incentives used restricted stock awards rather than stock options.

The average value of long-term incentives to the top five CEOs was

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Top Gaming Salaries

(CEO'S RANKED BY SALARY)

CEO	COMPANY	Pay Rank	Salary (\$K)	HVS Value Index
LANNI, J. Terrence	MGM Mirage	9	\$2,000	103.1
FERTITTA, III, Frank J.	Station Casinos, Inc.	1	\$1,541	104.9
TRUMP, Donald J.	Trump Entertainment Resorts	18	\$1,500	84.8
LOVEMAN, Gary W.	Harrah's Entertainment, Inc.	5	\$1,323	101.4
BOYD, William S.	Boyd Gaming Corp.	2	\$1,167	108.6

SOURCE: HVS Executive Search

Bonus Babies

(CEO'S RANKED BY BONUS)

CEO	COMPANY	Pay Rank	Bonus (\$K)	HVS Value Index
LANNI, J. Terrence	MGM Mirage	9	\$3,394	103.1
FERTITTA, III, Frank J.	Station Casinos, Inc.	1	\$3,150	104.9
ARISON, Mickey	Carnival	4	\$2,400	102.9
BOYD, William S.	Boyd Gaming Corp.	2	\$2,000	108.6
LOVEMAN, Gary W.	Harrah's Entertainment, Inc.	5	\$2,000	101.4

SOURCE: HVS Executive Search

Top Stock Incentives

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

CEO	COMPANY	Pay Rank	Value of Stock Grants (\$K)*	HVS Value Index
BOYD, William S.	Boyd Gaming Corp.	2	\$9,104	108.6
MATTHEWS, Thomas J.	International Game Technology	3	\$8,888	102.6
YOSELOFF, Mark L.	Shuffle Master, Inc.	6	\$6,025	107.6
LOVEMAN, Gary W.	Harrah's Entertainment, Inc.	5	\$5,462	101.4
ARISON, Mickey	Carnival	4	\$3,459	102.9

* 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)*

CEO	COMPANY	Pay Rank	Value of Beneficial Ownership (\$MM)	HVS Value Index
ARISON, Mickey	Carnival	4	\$118,338	102.9
BOYD, William S.	Boyd Gaming Corp.	2	\$11,117	108.6
CARLINO, Peter M.	Penn National Gaming	7	\$4,149	108.9
FERTITTA, III, Frank J.	Station Casinos, Inc.	1	\$3,925	104.9
NEILSEN, Craig H.	Ameristar Casinos	10	\$3,297	101.2

* 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

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	FERTITTA, III, Frank J.	Station Casinos, Inc.	1992	\$1,541,154	\$3,150,000	\$14,367,882	\$0	\$19,059,036	\$71,837,859	104.9
2	BOYD, William S.	Boyd Gaming Corp.	1988	\$1,166,667	\$2,000,000	\$728,131	\$9,104,253	\$12,999,051	\$39,796,819	108.6
3	MATTHEWS, Thomas J.	International Game Technology	2003	\$655,769	\$1,579,955	\$61,461	\$8,887,798	\$11,184,983	\$49,134,240	102.6
4	ARISON, Micky	Carnival	1979	\$700,000	\$2,400,000	\$3,864,700	\$3,458,643	\$10,423,343	\$17,086,290	102.9
5	LOVEMAN, Gary W.	Harrah's Entertainment, Inc.	2002	\$1,322,692	\$2,000,000	\$231,010	\$5,462,226	\$9,015,928	\$37,975,278	101.4
6	YOSELOFF, Mark L.	Shuffle Master, Inc.	2002	\$393,000	\$373,000	\$1,440,000	\$6,024,856	\$8,230,856	\$16,173,325	107.6
7	CARLINO, Peter M.	Penn National Gaming, Inc.	1994	\$842,585	\$832,000	\$2,807,331	\$2,517,754	\$6,999,670	\$14,179,020	108.9
8	TURNER, W. Bruce	GTECH Holdings Corp.	2002	\$746,154	\$0	\$2,406,070	\$3,350,098	\$6,502,322	\$42,584,200	103.0
9	LANNI, J. Terrence	MGM Mirage	1995	\$2,000,000	\$3,393,553	\$859,824	\$0	\$6,253,377	\$43,501,300	103.1
10	NEILSEN, Craig H.	Ameristar Casinos	1993	\$930,288	\$740,324	\$93,133	\$3,113,233	\$4,876,978	\$40,950	101.2
11	WEIL, A. Lorne	Scientific Games Corp.	1992	\$816,000	\$1,000,000	\$17,524	\$2,601,675	\$4,435,199	\$49,864,591	106.5
12	RUBELI, Paul E.*	Aztar Corp.	1990	\$904,938	\$806,885	\$5,125	\$2,354,787	\$4,071,735	\$28,980,043	100.0
13	GLASIER, Richard J.	Argosy Gaming	2002	\$675,961	\$709,760	\$902,219	\$0	\$2,287,940	\$4,826,627	94.0
14	GAMACHE, Brian R.	WMS Industries, Inc.	2001	\$587,500	\$350,000	\$744,966	\$515,021	\$2,197,487	\$5,996,842	94.3
15	FARAH, John	Monarch Casino & Resort, Inc.	1993	\$386,155	\$200,000	\$0	\$1,603,856	\$2,190,011	\$1,718,000	126.1
16	McMEEKIN, Russel H.	Progressive Gaming Int.	2002	\$426,923	\$264,000	\$843,441	\$453,442	\$1,987,806	\$781,800	114.1
17	MIODUNSKI, Robert*	Alliance Gaming	1999	\$478,846	\$465,000	\$63,754	\$964,191	\$1,971,791	\$114,000	91.8
18	TRUMP, Donald J.	Trump Entertainment Resorts	2000	\$1,500,000	\$0	\$447,853	\$0	\$1,947,853	\$0	84.8
19	HAITZMANN, Erwin	Century Casinos, Inc.	1994	\$199,703	\$341,690	\$0	\$1,359,283	\$1,900,676	\$14,075,751	120.0
20	ARNEAULT, Edson R.	MTR Gaming Group, Inc.	1995	\$907,607	\$100,000	\$675,269	\$0	\$1,682,876	\$2,418,000	86.5
21	WESTERMAN, William L.	Riviera Holdings Corp.	1992	\$1,000,000	\$0	\$447,616	\$0	\$1,447,616	\$0	169.3
22	GOLDSTEIN, Bernard	Isle of Capri Casinos, Inc.	1995	\$550,000	\$104,903	\$46,857	\$514,596	\$1,216,356	\$7,293,440	95.4
23	MEEKER, Thomas H.	Churchill Downs, Inc.	1984	\$463,500	\$121,633	\$591,371	\$0	\$1,176,504	\$6,708,762	83.2
24	SCHULMAN, Bart C.	TransAct Technologies	1996	\$390,000	\$52,650	\$641,805	\$0	\$1,084,455	\$5,183,226	180.9
25	LEE, Daniel R.	Pinnacle Entertainment, Inc.	2002	\$600,000	\$400,000	\$1,845	\$0	\$1,001,845	\$9,809,525	122.9
26	McALPINE, Jim	Magna Entertainment Corp.	2001	\$409,600	\$400,000	\$0	\$0	\$809,600	\$541,250	46.4
27	WINN, H. Thomas	Nevada Gold & Casinos Inc.	1994	\$275,000	\$0	\$0	\$423,782	\$698,782	\$5,282,466	112.3
28	CHAMPION, Charles F.	Yobet.com Inc.	2002	\$471,443	\$220,000	\$101	\$0	\$691,544	\$6,094,500	181.2
29	SZONY, Ferenc B.	Sands Regent	1997	\$370,000	\$220,000	\$33,800	\$0	\$623,800	\$1,726,300	190.9
30	BERMAN, Lyle	Lakes Entertainment, Inc.	1998	\$400,000	\$100,000	\$73,921	\$0	\$573,921	\$4,512,800	145.5
31	LIND, Clifton E.	Multimedia Games, Inc.	2003	\$437,885	\$25,000	\$0	\$0	\$462,885	\$11,702,571	84.1
32	MORGAN, James B.	Daktronics	2003	\$257,450	\$76,176	\$12,748	\$71,503	\$417,883	\$2,311,020	124.4
33	OLIVERI, Thomas	Global Payment Technologies	2004	\$200,000	\$0	\$0	\$192,472	\$392,472	\$39,000	31.9
34	MINDES, Barry	Interactive Systems Worldwide	1996	\$350,000	\$0	\$0	\$0	\$350,000	\$0	0.0
35	CHARLIER, Gerard P.	Gaming Partners Int. Corp.	2002	\$298,000	\$0	\$44,000	\$0	\$342,000	\$5,169,000	164.82
36	TASSINARI, Ronald J.	American Vantage Co.	1979	\$300,923	\$0	\$41,000	\$0	\$341,923	\$97,749	124.3
37	BLAD, Steven J.*	VendingData Corp.	1999	\$340,000	\$0	\$0	\$0	\$340,000	\$180,000	52.3
38	McGLYNN, Denis	Dover Downs Entertainment, Inc.	1979	\$250,000	\$0	\$69,720	\$0	\$319,720	\$272,840	41.0
39	MULCAHY, Michael R.	Trans Lux Corp.	2002	\$281,094	\$5,885	\$22,444	\$0	\$309,423	\$10,450	40.3
40	SAMPSON, Randall D.	Canterbury Park Holding Corp.	1994	\$143,403	\$62,598	\$6,446	\$64,271	\$276,718	\$2,284,600	158.4
41	THIESEN, Clarence H.*	GameTech Int., Inc.	2001	\$169,487	\$0	\$28,888	\$29,805	\$228,180	\$0	18.5
42	MINCH, Jeffrey L.	Littlefield Corp.	1999	\$160,000	\$0	\$11,580	\$0	\$171,580	\$0	0.3

* 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, 2001-2004 SOURCE: HVS Executive Search

\$6,588,000 up from \$5,094,000 one year ago, but less than the average of \$7,138,000 in 2002 (see chart: *Top Stock Incentives*). We expect to see this trend continue until issues surrounding valuation and accounting of options awards are sorted out.

Richest CEOs

The only change to our list of CEOs with the largest value of in-the-money-options was J. Terrence Lanni of MGM Mirage replacing Gary W. Loveman of Harrah's (see chart: *Fortunes in Waiting*). The average value of in-the-money-options moved to \$51,384,000 up from \$44,682,000 last year. However the average HVS Value Index of 104.0 for the top five CEOs in this category dispels any idea that these fortunes have not been deserved.

Mickey Arison of Carnival continues to lead our list of CEOs with the largest value of beneficial ownership. CEOs on this list share two interesting traits. First, all of their names are literally synonymous with their companies, and second they have an average HVS Value

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.	1	\$71,838	104.9
WEIL, A. Lorne	Scientific Games Corp.	11	\$49,865	106.5
MATTHEWS, Thomas J.	International Game Technology	3	\$49,134	102.6
LANNI, J. Terrence	MGM Mirage	9	\$43,501	103.1
TURNER, W. Bruce	GTECH Holdings Corp.	8	\$42,584	103.0

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

SOURCE: HVS Executive Search

Index rating of 104.6 indicating that they are much more than just figure-heads.

Pay-for-performance

Overall, trends in this year's survey showed very minimal increases in CEO compensation while CEO performance, as noted, was generally high. We feel that compensation committees are more aware than ever before of the need for compensation practices that

are carefully constructed, articulated, and truly designed to pay-for-performance. **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.