

MGM MIRAGE  
Form DEF 14A  
April 23, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.     )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to 240.14a-12

**MGM MIRAGE**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11

- 1) Title of each class of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- 2) Aggregate number of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  
  
  
  
  
  
  
  
- 4) Proposed maximum aggregate value of transaction:
  
  
  
  
  
  
  
  
  
  
- 5) Total fee paid:

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
  
  - 2) Form, Schedule or Registration Statement No.:
  
  - 3) Filing Party:
  
  - 4) Date Filed:
-

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**MGM MIRAGE  
3600 Las Vegas Boulevard South  
Las Vegas, Nevada 89109**

**NOTICE OF ANNUAL MEETING TO BE HELD ON  
May 22, 2007**

To the Stockholders:

The Annual Meeting of Stockholders of MGM MIRAGE, a Delaware corporation (the Company), will be held at MGM Grand Las Vegas in the Hollywood Theatre, located at 3799 Las Vegas Boulevard South, Las Vegas, Nevada 89109 on May 22, 2007, at 10:00 a.m., Pacific Time, for the following purposes:

1. To elect a Board of Directors;
2. To ratify the selection of the independent registered public accounting firm for the year ending December 31, 2007; and
3. To transact such other business as may properly come before the meeting or any adjournments thereof.

Stockholders of record at the close of business on March 30, 2007 are entitled to notice of and to vote at the meeting. A complete list of such stockholders will be available for examination by any stockholder during ordinary business hours at the Company's executive offices, located at 3600 Las Vegas Boulevard South, Las Vegas, Nevada 89109, for a period of 10 days prior to the meeting date.

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS  
THAT YOU VOTE FOR PROPOSALS 1 AND 2.**

By Order of the Board of Directors,

/s/ J. Terrence Lanni

J. Terrence Lanni  
*Chairman of the Board  
and Chief Executive Officer*

April 23, 2007

**PLEASE DATE, SIGN AND MAIL THE ENCLOSED PROXY CARD OR  
SUBMIT YOUR PROXY USING THE INTERNET OR TELEPHONE.  
Use of the enclosed envelope requires no postage for mailing in the United States.**

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**MGM MIRAGE  
3600 Las Vegas Boulevard South  
Las Vegas, Nevada 89109**

**PROXY STATEMENT  
April 20, 2007**

**General**

The form of proxy accompanying this Proxy Statement and the persons named therein as proxies have been approved by, and this solicitation is made on behalf of, the Board of Directors of MGM MIRAGE in connection with the Annual Meeting of Stockholders of MGM MIRAGE to be held at MGM Grand Las Vegas in the Hollywood Theatre, located at 3799 Las Vegas Boulevard South, Las Vegas, Nevada 89109 on May 22, 2007, at 10:00 a.m., Pacific Time, and at any postponements or adjournments thereof. MGM MIRAGE, together with its subsidiaries, is referred to herein as the Company, unless the context indicates otherwise.

Matters to be considered and acted upon at the meeting are set forth in the Notice of Annual Meeting accompanying this Proxy Statement and are more fully outlined herein. This Proxy Statement will be first mailed to stockholders on or about April 23, 2007.

**Voting Rights and Outstanding Shares**

Only stockholders of record of the Company's Common Stock, \$.01 par value per share (the Common Stock), as of March 30, 2007 will be entitled to vote at the meeting. The authorized capital stock of the Company presently consists of 600,000,000 shares of Common Stock. At the close of business on March 30, 2007, 283,527,190 shares of Common Stock were outstanding and entitled to vote. Each stockholder of record is entitled to one vote for each share held on that date on all matters that may come before the meeting. There is no cumulative voting in the election of directors.

You may vote in person by attending the meeting, by completing and returning a proxy by mail or by using the Internet or telephone. To submit your proxy by mail, mark your vote on the enclosed proxy card, then follow the instructions on the card. To submit your proxy using the Internet or by telephone, see the instructions on the proxy form and have the proxy form available when you access the Internet website or place your telephone call.

All shares represented by properly submitted proxies will, unless such proxies have previously been revoked, be voted at the meeting in accordance with the directions on the proxies. If no direction is indicated, the shares will be voted in favor of the nominees for the Board of Directors listed in this Proxy Statement and in favor of Proposal 2, as described herein. By signing, dating and returning the enclosed proxy card, you will confer discretionary authority on the named proxies to vote on any matter not specified in the Notice of Annual Meeting. Management knows of no other business to be transacted, but if any other matters do come before the meeting, the persons named as proxies or their substitutes will vote or act with respect to such other matters in accordance with their best judgment.

**Quorum and Votes Required**

The presence, in person or by proxy, of the holders of at least a majority of the total number of outstanding shares of the Common Stock is necessary to constitute a quorum at the meeting. If you are the beneficial owner of shares held in street name by a broker, your broker, as the record holder of the shares, must vote those shares in accordance with your instructions. In accordance with the rules of the New York Stock Exchange (the Exchange), certain matters submitted to a vote of stockholders are considered by the Exchange to be routine items upon which brokerage firms may vote in their discretion on behalf of their customers if such customers have not furnished voting instructions within a specified period prior to the meeting. For those matters that the Exchange determines to be non-routine, brokerage firms that have not received instructions from their customers would not have

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discretion to vote. Abstentions and broker non-votes are counted as present for the purpose of determining the presence or absence of a quorum for the transaction of business.

The affirmative vote of a plurality of the votes cast at the meeting will be required for the election of directors. The affirmative vote of a majority of the shares of Common Stock represented at the meeting in person or by proxy and entitled to vote on the proposal will be required for approval of Proposal 2, assuming that a quorum is present or represented at the meeting. A properly executed proxy marked **WITHHOLD AUTHORITY** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, and will have no effect. With respect to the other proposal, a properly executed proxy marked **ABSTAIN**, although counted for purposes of determining whether there is a quorum, will not be voted. Accordingly, an abstention will have the same effect as a vote cast against a proposal. Pursuant to Delaware law, a broker non-vote will have no effect on the outcome of Proposal 2.

## **How to Revoke or Change Your Vote**

Any proxy given pursuant to this solicitation is revocable by the communication of such revocation in writing to the Secretary of the Company at any time prior to the exercise thereof, and any person executing a proxy, if in attendance at the meeting, may vote in person instead of by proxy.

## **Electronic Delivery of Proxy Materials and Annual Report**

The Notice of Annual Meeting and Proxy Statement and the Company's 2006 Annual Report are available on the Company's website at [www.mgmmirage.com](http://www.mgmmirage.com) under the caption **Investor Relations**. In the future, instead of receiving copies of the proxy statement and annual report in the mail, stockholders may elect to receive an e-mail with a link to these documents on the Internet. Receiving your proxy materials online saves the Company the cost of producing and mailing documents to your home or business and gives you an automatic link to the proxy voting site.

*Stockholders of Record.* If your shares are registered in your own name, to enroll in the electronic delivery service go directly to our transfer agent's website at [www.melloninvestor.com/ISD](http://www.melloninvestor.com/ISD) and follow the instructions.

*Beneficial Stockholders.* If your shares are not registered in your name, to enroll in the electronic delivery service check the information provided to you by your bank or broker, or contact your bank or broker for information on electronic delivery service.

## **Delivery of One Proxy Statement and Annual Report to a Single Household to Reduce Duplicate Mailings**

Each year in connection with the Company's Annual Meeting of Stockholders, the Company is required to send to each stockholder of record a proxy statement and annual report and to arrange for a proxy statement and annual report to be sent to each beneficial stockholder whose shares are held by or in the name of a broker, bank, trust or other nominee. Because many stockholders hold shares of the Company's common stock in multiple accounts, this process results in duplicate mailings of proxy statements and annual reports to stockholders who share the same address. Stockholders may avoid receiving duplicate mailings and save the Company the cost of producing and mailing duplicate documents as follows:

*Stockholders of Record.* If your shares are registered in your own name and you are interested in consenting to the delivery of a single proxy statement or annual report, go directly to our transfer agent's website at [www.melloninvestor.com/ISD](http://www.melloninvestor.com/ISD) and follow the instructions.



*Beneficial Stockholders.* If your shares are not registered in your own name, your broker, bank, trust or other nominee that holds your shares may have asked you to consent to the delivery of a single proxy statement or annual report if there are other MGM MIRAGE stockholders who share an address with you. If you currently receive more than one proxy statement or annual report at your household, and would like to receive only one copy of each in the future, you should contact your nominee.

*Right to Request Separate Copies.* If you consent to the delivery of a single proxy statement and annual report but later decide that you would prefer to receive a separate copy of the proxy statement or annual report, as

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applicable, for each stockholder sharing your address, then please notify the Company or your nominee, as applicable, and the Company or your nominee will promptly deliver such additional proxy statements or annual reports. If you wish to receive a separate copy of the proxy statement or annual report for each stockholder sharing your address in the future, you may contact Mellon Investor Services directly by telephone at 1-800-358-2066 or by visiting the Company's transfer agent's website at [www.melloninvestor.com/ISD](http://www.melloninvestor.com/ISD) and following the instructions thereon.

**PRINCIPAL STOCKHOLDERS**

Shown below is certain information as of March 30, 2007 with respect to beneficial ownership, as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of shares of Common Stock by the only persons or entities known to the Company to be a beneficial owner of more than five percent of the outstanding shares of Common Stock, by the Named Executives, as defined under "Executive and Director Compensation and Other Information," and by all directors and executive officers of the Company as a group who held office as of the date of this Proxy Statement.

| Name and Address(1)   | Amount<br>Beneficially<br>Owned(2) | Percent of<br>Class(3) |
|---|------------------------------------|------------------------|
| Tracinda Corporation<br>150 South Rodeo Drive, Suite 250<br>Beverly Hills, California 90212 | 158,837,330(4)                     | 56.0%                  |
| Marisco Capital Management, LLC<br>1200 17th Street, Suite 1600<br>Denver, Colorado 80202   | 32,447,639(5)                      | 11.4%                  |
| Private Capital Management<br>8889 Pelican Bay Boulevard<br>Naples, Florida 34108           | 20,124,569(6)                      | 7.1%                   |
| J. Terrence Lanni   | 796,700(7)                         | (8)                    |
| Robert H. Baldwin   | 1,322,622(7)                       | (8)                    |
| John T. Redmond   | 324,000(7)                         | (8)                    |
| James J. Murren   | 2,346,824(7)                       | (8)                    |
| Gary N. Jacobs  | 754,420(7)                         | (8)                    |
| All directors and executive officers as a group (26 persons)                                | 165,364,586(7)(9)                  | 57.1%                  |

(1) Unless otherwise indicated, the address for the persons listed is 3600 Las Vegas Boulevard South, Las Vegas, Nevada 89109.

(2) Except as otherwise indicated, and subject to applicable community property and similar laws, the persons listed as beneficial owners of the shares have sole voting and investment power with respect to such shares.

(3) For purposes of calculating the percentage of outstanding shares beneficially owned by any person or group identified in the table above, the number of shares outstanding with respect to each person or group was deemed to be the sum of the total shares outstanding as of March 30, 2007 and the total number of shares subject to stock options and stock appreciation rights exercisable as of March 30, 2007 or that become exercisable within 60 days thereafter held by such person or group. The number of shares of Common Stock outstanding as of March 30, 2007 was 283,527,190.

- (4) Tracinda Corporation ( Tracinda ), a Nevada corporation, is wholly owned by Kirk Kerkorian.
- (5) Based upon a Schedule 13G/A filed February 12, 2007 with the Securities and Exchange Commission (the SEC ) by Marisco Capital Management, LLC, an investment advisor under the Investment Advisors Act of 1940, as amended, which is deemed to be the beneficial owner of 32,447,639 shares of Common Stock as a result of acting as investment advisor to its clients, as to which shares it reported sole voting power as to 28,470,988 shares and sole dispositive power as to 32,477,639 shares.

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- (6) Based upon a Schedule 13G/A filed February 14, 2007 with the SEC by Private Capital Management, L.P., an investment advisor under the Investment Advisors Act of 1940, as amended, which is deemed to be the beneficial owner of 20,124,569 shares of Common Stock as a result of acting as investment advisor to its clients, as to which it reported shared voting and dispositive power as to 20,124,569 shares, and sole voting and dispositive power as to 357,300 shares.
- (7) Included in these amounts are 660,000 shares, 1,200,000 shares, 320,000 shares, 2,230,000 shares and 707,800 shares underlying options that are exercisable as of March 30, 2007 or that become exercisable within 60 days thereafter held by Messrs. Lanni, Baldwin, Redmond, Murren, and Jacobs, respectively.
- (8) Less than one percent 1%.
- (9) Also included are 309,250 shares subject to stock options or stock appreciation rights exercisable as of March 30, 2007 or that become exercisable within 60 days thereafter held by non-employee directors and 539,000 shares underlying options that are exercisable as of March 30, 2007 or that become exercisable within 60 days thereafter held by non-director executive officers.

As indicated above, Mr. Kerkorian, through his ownership of Tracinda, beneficially owns over 50% of the currently outstanding shares of Common Stock. Tracinda intends to vote its shares of Common Stock in favor of the nominees for the Board of Directors listed in the Proxy Statement. Since the holders of Common Stock do not have cumulative voting rights and since Tracinda's shares represent more than 50% of the shares to be voted at the meeting, Tracinda will be able to elect the entire Board of Directors. Tracinda also intends to vote its shares in favor of Proposal 2, and Tracinda's vote will be sufficient to cause adoption of such proposal.

**ELECTION OF DIRECTORS  
Proposal No. 1**

**Information Concerning the Nominees**

One of the purposes of the meeting is to elect 16 directors, each of whom will serve until the next annual meeting of stockholders or until his or her respective successor shall have been elected and qualified or until his or her earlier resignation or removal. Pursuant to the Company's Bylaws, the Board of Directors may determine the number of directors, not to exceed 20. The Board has fixed the number of directors at 17. James D. Aljian, a member of the Board of Directors since 1988, passed away on April 12, 2007. He had been a member of the proposed slate of directors. As a result, there will be only 16 directors after the annual meeting, assuming the election at the meeting of the nominees named below. After the annual meeting, the Board of Directors may determine to reduce the number of directors or to fill the vacancy, each of which actions is permitted in the Company's Bylaws. The Board of Directors wishes to acknowledge Mr. Aljian's years of service to the Company and the many contributions he has made to its success.

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The following table sets forth, for each nominee, his or her name, principal occupation for at least the past five years, beneficial ownership of the Common Stock and age as of March 30, 2007, and certain other matters. If any of these nominees should be unavailable to serve as director, which contingency is not presently anticipated, it is the intention of the persons named in the proxies to select and cast their votes for the election of such other person or persons as the Board of Directors may designate. Except for Mr. Guinn, Mr. Mandekic and Mr. Taylor, all of the nominees listed below were elected as directors at the last annual meeting of stockholders. Mr. Guinn was recommended as a nominee by the Company's Chief Executive Officer and the Board of Directors approved his nomination. Mr. Mandekic and Mr. Taylor were recommended by the Company's majority stockholder and were appointed as directors by the Board of Directors in May 2006 and March 2007, respectively.

| <b>Name (age)</b>          | <b>Principal Occupation and Other Directorships</b>  | <b>First Became a Director</b> | <b>Shares of Common Stock Beneficially Owned(1)</b> |
|----------------------------|--|--------------------------------|---|
| Robert H. Baldwin (56)     | President and Chief Executive Officer of Mirage Resorts, Incorporated for more than the past five years. President of Project CC, LLC since March 2005. President and Chief Executive Officer of Bellagio, LLC or its predecessor from June 1996 to March 2005.                                  | 2000                           | 1,322,662(2)(3)                                     |
| Willie D. Davis (72)       | President and Director of All-Pro Broadcasting, Inc., an AM and FM radio broadcasting company, for more than the past five years. Director and member of the Audit Committee of Sara Lee Corporation, Fidelity National Financial and Manpower, Inc. Director of Alliance Bancshares California. | 1989                           | 64,896(2)(3)  |
| Kenny G. Guinn (71)        | Governor of the State of Nevada from 1999 through 2006. Director of Service 1st Bank of Nevada.  |                                |   |
| Alexander M. Haig, Jr.(82) | Chairman of Worldwide Associates, Inc., an international business advisory firm, for more than the past five years. Consultant to the Company since 1990.  | 1990                           | 65,300(2)(3)  |
| Alexis Herman (59)         | Chair and Chief Executive Officer of New Ventures, Inc., a corporate consulting company, for more than the past five years. Director and member of the Audit Committee of Cummins Inc. Also Director of Entergy Corp. United States Secretary of Labor from 1997 to 2001.                        | 2002                           | 46,800(2)(3)  |

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| <b>Name (age)</b>        | <b>Principal Occupation and Other Directorships</b>   | <b>First Became a Director</b> | <b>Shares of Common Stock Beneficially Owned(1)</b> |
|--------------------------|---|--------------------------------|---|
| Roland Hernandez (49)    | Chairman and chief executive officer of Telemundo Group, Inc., a Spanish-language television station company from August 1998 to December 2000 and President and Chief Executive Officer of Telemundo Group, Inc. from March 1995 to August 1998. Director and Chairman of the Audit Committee of Wal-Mart Stores, Inc. Director and member of the Audit Committee of The Ryland Group and Vail Resorts, Inc. Director of Lehman Brothers Holdings Inc. | 2002                           | 32,000(2)(3)  |
| Gary N. Jacobs (61)      | Executive Vice President, General Counsel and Secretary of the Company for more than the past five years. Of counsel to Christensen, Glaser, Fink, Jacobs, Weil & Shapiro, LLP, a law firm, for more than the past five years. Director and Secretary of The InterGroup Corporation for more than the past five years.  | 2000                           | 754,420(2)(3)                                       |
| Kirk Kerkorian (89)      | Chief Executive Officer, President and sole director and stockholder of Tracinda.   | 1987                           | 158,837,330(4)                                      |
| J. Terrence Lanni (64)   | Chairman and Chief Executive Officer of the Company for more than the past five years. Director of KB Home.   | 1995                           | 796,700(2)(3)                                       |
| Anthony Mandekic (65)    | Secretary and Treasurer of Tracinda for more than the past five years.  | 2006                           | 6,000(2)(3)   |
| Rose McKinney-James (55) | Principal of Energy Works Consulting LLC, an energy consulting company, for more than the past five years. Managing Principal of McKinney James & Associates since 2003. Member of the Board of Directors of Mandalay Resort Group from 1999 until April 2005. Director and member of the Audit Committee of Employers Holdings, Inc. Director of Toyota Financial Savings Bank.  | 2005                           | 7,100(2)(3)   |
| James J. Murren (45)     | President, Chief Financial Officer and Treasurer of the Company for more than the past five years.  | 1998                           | 2,346,824(2)(3)                                     |
| Ronald M. Popeil (71)    | Founder of Ronco Inventions, LLC, a marketing and product invention company.  | 2000                           | 101,200(2)(3)                                       |
| John T. Redmond (48)     | President and Chief Executive Officer of MGM Grand Resorts, LLC and Chairman of MGM Grand Detroit, LLC for more than the past five years.   | 1999                           | 324,000(2)(3)                                       |



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| <b>Name (age)</b>        | <b>Principal Occupation and Other Directorships</b>  | <b>First Became a Director</b> | <b>Shares of Common Stock Beneficially Owned(1)</b> |
|--------------------------|--|--------------------------------|---|
| Daniel J. Taylor (50)    | Executive of Tracinda since 2007. President of Metro-Goldwyn-Mayer Inc. ( MGM Studios ) from April 2005 to January 2006 and Senior Executive Vice President and Chief Financial Officer of MGM Studios from June 1998 to April 2005. Director of Inforte Corp. | 2007                           |   |
| Melvin B. Wolzinger (86) | Principal owner of various privately-held restaurants and gaming establishments in Las Vegas for more than the past five years. Director of Colonial Bank.   | 2000                           | 75,800(2)(3)  |

- (1) Except as otherwise indicated and subject to applicable community property and similar laws, the persons listed as beneficial owners of the shares have sole voting and investment power with respect to such shares.
- (2) The number of shares shown as beneficially owned represents less than 1% of the outstanding shares.
- (3) Included in these amounts are shares underlying options and stock appreciation rights that are exercisable as of March 30, 2007 or become exercisable within 60 days thereafter, held as follows:

| <b>Name</b>        | <b>Shares Underlying Options and SARs</b> |
|--------------------|---|
| Mr. Baldwin        | 1,200,000                                 |
| Mr. Davis          | 32,250                                    |
| Mr. Guinn          |   |
| Mr. Haig           | 64,500                                    |
| Ms. Herman         | 45,000                                    |
| Mr. Hernandez      | 27,500                                    |
| Mr. Jacobs         | 707,800                                   |
| Mr. Lanni          | 660,000                                   |
| Mr. Mandekic       | 4,000                                     |
| Ms. McKinney-James | 7,000                                     |
| Mr. Murren         | 2,230,000                                 |
| Mr. Popeil         | 64,500                                    |
| Mr. Redmond        | 320,000                                   |
| Mr. Taylor         |   |
| Mr. Wolzinger      | 64,500                                    |



- (4) Shares are owned by Tracinda, which is wholly owned by Mr. Kerkorian. As of March 30, 2007, Tracinda owned 56.0% of the outstanding Common Stock (see Principal Stockholders ).

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's executive officers and directors to file reports of ownership of the Common Stock with the SEC. Executive officers and directors are required to furnish the Company with copies of all Section 16(a) forms that they file. Based upon a review of these filings and representations from the Company's directors and executive officers that no other reports were required, the Company notes that all reports for the year 2006 were filed on a timely basis, except that one Form 4 filed on behalf

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of Shawn T. Sani relating to one transaction was filed later than the two-day deadline, one Form 4 filed on behalf of Ronald M. Popeil relating to one transaction was filed later than the two-day deadline and one Form 5 filed on behalf of J. Terrence Lanni relating to one charitable donation was filed after the February 2007 deadline.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Guidelines**

The Board of Directors has adopted corporate governance guidelines for the Company ( Guidelines ) setting forth the general principles governing the conduct of the Company's business and the role, functions, duties and responsibilities of the Board of Directors, including, but not limited to such matters as (i) composition, (ii) membership criteria, (iii) orientation and continuing education, (iv) committees, (v) compensation, (vi) meeting procedures and (vii) annual evaluation. In addition to the foregoing, the Guidelines provide for management succession planning, communications with the Board and a code of conduct governing all directors, officers and certain employees of the Company. The Company believes that the Guidelines are in compliance with the listing standards adopted in 2003 by the Exchange. The Guidelines are posted and maintained on the Company's website at [www.mgmmirage.com](http://www.mgmmirage.com) under the caption Investor Relations Investor Information Corporate Governance Corporate Governance Policies, and a copy will be made available to any stockholder who requests it.

### **Code of Conduct**

The Board of Directors has adopted a Code of Business Conduct and Ethics and Conflict of Interest Policy (the Code of Conduct ) that applies to all of the Company's directors and officers and certain of its employees, including the chief executive officer and the chief financial officer, who is also the principal accounting officer. In addition, the Code of Conduct applies to all personnel of the Company and its operating subsidiaries at the Vice President, division director or more senior level, and to all accounting and finance personnel, and those personnel serving in such other categories as the Company designates from time to time. The Code of Conduct establishes policies and procedures that the Board believes promote the highest standards of integrity, compliance with the law and personal accountability. The Company's Code of Conduct and amendments and waivers thereto are posted on the Company's website at [www.mgmmirage.com](http://www.mgmmirage.com) under the caption Investor Relations Investor Information Corporate Governance Code of Business Conduct and Ethics and Conflict of Interest Policy and is provided to all new directors, new officers and certain new employees and distributed annually to all directors, officers and certain employees of the Company, each of whom is required to acknowledge in writing his or her receipt and understanding thereof and agreement to adhere to the principles contained therein. Additionally, the Company will provide a copy of the Code of Conduct to any stockholder who requests it.

### **New York Stock Exchange Listing Standards**

The Corporate Governance Rules of the Exchange were adopted in 2003. Certain provisions of the new rules are not applicable to controlled companies, defined by such rules to be companies of which more than 50 percent of the voting power is held by an individual, a group or another company. The Company currently is a controlled company under this definition by virtue of the ownership by Tracinda in excess of 50 percent of the voting power of the Common Stock and the ability to elect the entire Board of Directors. Accordingly, the Company has chosen to take advantage of certain of the exemptions provided in the new rules, specifically, the exemptions to the requirements that listed companies have: (i) a majority of independent directors, although a majority of the Company's directors are independent; (ii) a nominating/governance committee composed entirely of independent directors; and (iii) a compensation committee that is composed entirely of independent directors and that operates under a written charter. The Company's Compensation Committee is composed entirely of independent members but it does not have a written charter.

**Director Independence**

Pursuant to the Corporate Governance Rules of the Exchange, the Board of Directors assesses each director's independence annually by reviewing any potential conflicts of interest and outside affiliations, based on the

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standards set forth below. Using these standards and based upon information provided by each director, the Board of Directors has determined that Ms. Herman, Ms. McKinney-James and Messrs. Davis, Haig, Hernandez, Kerkorian, Mandekic, Popeil, Taylor and Wolzinger, who constitute a majority of the Board, are independent within the meaning of the rules of the Exchange. In addition, the Board of Directors has determined that Gov. Guinn, a director nominee, is independent within the meaning of the rules of the Exchange.

Under the standards of independence adopted by the Board of Directors, a director is deemed to be independent only if the Board of Directors determines that such director satisfies each of the criteria set forth below:

*No Material Relationship.* The director does not have *any* material relationship with the Company.

*Employment.* The director is not, and has not been at any time in the past three years, an employee of the Company. In addition, no member of the director's immediate family is, or has been in the past three years, an executive officer of the Company.

*Other Compensation.* The director or immediate family member has not received more than \$100,000 in direct compensation from the Company during any 12-month period within the past three years, other than in the form of director fees, pension or other forms of deferred compensation for prior service, provided such compensation is not contingent in any way on continued service. Compensation received by a director for former service as an interim Chairman, CEO or other executive officer or compensation received by an immediate family member for services as an employee (other than an executive officer) of the Company need not be considered in determining independence under this standard.

*Auditor Affiliation.* The director is not a current partner or employee of the Company's internal or external auditors; no member of the director's immediate family is a current partner of the Company's internal or external auditors or a current employee of such auditors who participates in such firm's audit, assurance or tax compliance (but not tax planning) practice; and the director or an immediate family member has not been within the past three years a partner or employee of the Company's internal or external auditors and has not personally worked on the Company's audit within that time.

*Interlocking Directorships.* The director or an immediate family member is not, and has not been within the past three years, employed as an executive officer by another entity where any of the Company's present executive officers at the same time serves or served on that entity's compensation committee.

*Business Transactions.* The director is not an employee, or an immediate family member is not an executive officer, of another entity that, during any one of the past three fiscal years, received payments from the Company, or made payments to the Company, for property or services that exceed the greater of \$1 million or 2% of the other entity's annual consolidated gross revenues.

For the purposes of determining whether a director who is a member of the Audit Committee is independent, the Company applies additional independence standards, including those set forth in Rule 10A-3 of the Exchange Act, and the Corporate Governance Rules of the Exchange applicable to audit committee composition.

## **Information Regarding Board and Committees**

*Board of Directors.* The Board of Directors held eight meetings during 2006. The work of the Company's directors is performed not only at meetings of the Board of Directors and its committees, but also by consideration of the Company's business through the review of documents and in numerous communications among Board members and others. During 2006, each member of the Board of Directors attended at least 75% of all meetings of the Board of

Directors and the committees on which they served (held during the period for which they served). Directors are expected to attend each annual meeting of stockholders. Of the 14 members of the Board of Directors in May 2006, 13 of them attended last year's annual meeting.

*Executive Committee.* Until May 2006, the Board of Directors had an Executive Committee, which, during intervals between the meetings of the Board of Directors, exercised all the powers of the Board, except those powers specifically reserved by Delaware law or by the Company's bylaws to the full Board of Directors, in the management and direction of the Company's business and conduct of the Company's affairs in all cases in which specific directions have not been given by the Board. The Executive Committee held one meeting during 2006.

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*Audit Committee.* For a complete discussion of the functions of the Audit Committee, see Corporate Governance Audit Committee below. The current members of the Audit Committee are Roland Hernandez (Chair), Alexis Herman and Rose McKinney-James. The Audit Committee held six meetings during 2006.

*Compensation Committee.* For a complete discussion of the functions of the Compensation Committee (the Compensation Committee, formerly the Compensation and Stock Option Committee), see Corporate Governance Compensation Committee below. The current members of the Compensation Committee are Anthony Mandekic (Acting Chair), Willie D. Davis, , Rose McKinney-James, Ronald M. Popeil, Daniel J. Taylor and Melvin B. Wolzinger. The Compensation Committee held 14 meetings during 2006.

*The Diversity Committee.* The functions of the Diversity Committee include developing, implementing and monitoring the Company's diversity initiatives. The current members of the Diversity Committee are Alexis Herman (Chair), Willie D. Davis, Roland Hernandez, Gary N. Jacobs, Anthony Mandekic, and Melvin B. Wolzinger. The Diversity Committee held seven meetings during 2006.

## **Presiding Director**

In accordance with the applicable rules of the Exchange, the Board of Directors has scheduled regular executive sessions of the non-management directors in which directors have an opportunity to meet outside the presence of management. Such sessions are chaired by Mr. Hernandez, as Presiding Director, who was elected by, and serves at the pleasure of, the Board of Directors. The Presiding Director was selected by a majority of the non-management directors and is responsible for convening such sessions and setting the agenda.

## **Nomination of Directors**

The Board of Directors does not have a standing nominating committee, and as a controlled company as defined by the Exchange's corporate governance rules, the Company is not required to have a nominating committee comprised solely of independent directors. Identification, consideration and nomination of potential candidates to serve on the Board of Directors are conducted by the entire Board of Directors. The Board of Directors believes it is in the best interests of the Company to avail itself of the extensive business and other experience of each member of the Board, including directors who may not be deemed independent, in identifying, evaluating and nominating potential candidates to serve as directors.

In determining the criteria for membership, the Board considers the appropriate skills and personal characteristics required in light of the then-current makeup of the Board and in the context of the perceived needs of the Company at the time, including the following experience and personal attributes: financial acumen; general business experience; industry knowledge; diversity; special business experience and expertise; leadership abilities; high ethical standards; independence; interpersonal skills; and overall effectiveness. The Board of Directors may receive recommendations for Board candidates from various sources, including the Company's directors, management and stockholders. In addition, the Board may engage an independent executive search firm to assist in identifying qualified candidates.

The Board will review all recommended candidates in the same manner regardless of the source of the recommendation. Recommendations from public stockholders should be in writing and addressed to: Corporate Secretary, MGM MIRAGE, 3600 Las Vegas Boulevard South, Las Vegas, Nevada 89109, Attention: Stockholder Communications, and must include the proposed candidate's name, address, age and qualifications together with the information required under federal securities laws and regulations. Such communication must be received in a timely manner and also include the recommending stockholder's name, address and the number of shares of the Common Stock, and the length of time, beneficially held. See Notice Concerning Stockholder Proposals and Nominations.

**Audit Committee**

The Audit Committee's responsibilities are described in a written charter adopted by the Board of Directors. The charter is posted on the Company's website at [www.mgmmirage.com](http://www.mgmmirage.com) under the caption "Investor Relations - Investor Information - Corporate Governance - Audit Committee." The Audit Committee is responsible for

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providing independent, objective oversight of the Company's financial reporting system. Amongst its various activities, the Audit Committee reviews:

1. The adequacy of the Company's internal controls and financial reporting process and the reliability of the Company's financial statements;
2. The independence and performance of the Company's internal auditors and independent accountants; and
3. The Company's compliance with legal and regulatory requirements.

The Audit Committee also appoints the independent accountants; reviews with such firm the plan, scope and results of such audit, and the fees for the services performed; and periodically reviews their performance and independence from management.

Under written guidelines adopted by the Board of Directors in connection with its Code of Conduct, the Audit Committee, or its designated member, is required to review reports of potential conflict of interest involving directors, members of the management committee comprised of the Named Executives and Mr. Aldo Manzini, the Company's Executive Vice President and Chief Administrative Officer, and to the extent not otherwise determined by the management committee, the other executive officers of the Company. With respect to such reports, it is the Audit Committee's responsibility to determine whether a conflict exists and whether or not to waive the conflict. In determining whether a conflict of interest exists, the Audit Committee considers the materiality of the relationship between the third party and the Company pursuant to standards set forth in such written guidelines. In determining whether a conflict of interest should be waived, the Audit Committee considers the effectiveness of any safeguards that may be implemented, the feasibility of the individual's recusal in matters that affect the Company and the third party, and the materiality of lost services for the Company that may result from the recusal.

The Audit Committee meets regularly in open sessions with the Company's management, independent accountants and internal auditors. In addition, the Audit Committee meets regularly in closed sessions with the Company's management, independent accountants and internal auditors, and reports its findings to the full Board of Directors.

The Board of Directors has determined that Mr. Hernandez, Ms. Herman and Ms. McKinney-James meet the current independence and experience requirements of the Exchange's listing standards. The Board of Directors has determined that each of the members of the Audit Committee is financially literate and that Mr. Hernandez qualifies as an audit committee financial expert, as defined in the Exchange's listing standards and the Commission's regulations. In addition, the Board of Directors has determined that the service of Mr. Hernandez on other audit committees, as described earlier in the description of his principal occupation and other directorships under Election of Directors, would not impair his ability to effectively serve on the Company's Audit Committee. The Board of Directors will review such determination at its meeting following the stockholders' meeting, when it makes committee assignments for the coming year.

## **Compensation Committee**

The Compensation Committee does not operate under a written charter. The primary function of the Compensation Committee is to ensure that the compensation program for executives of the Company (1) is effective in attracting and retaining key officers, (2) links pay to business strategy and performance and (3) is administered in a fair and equitable fashion in the stockholders' interests. The Compensation Committee recommends the executive compensation policy to the Board, determines compensation of senior executives of the Company, determines the performance criteria and bonuses to be granted pursuant to the Company's Annual Performance-Based Incentive Plan and administers and approves granting of share-based awards under the Company's 2005 Omnibus Incentive Plan. The



Compensation Committee's authority and oversight extends to total compensation, including base salaries, bonuses, share-based awards, and other forms of compensation. The Compensation Committee's authority is not delegated to others.

In carrying out its functions, the Compensation Committee obtains recommendations from senior executives with respect to various elements of compensation, including, but not limited to, determining the employees, other

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than the Named Executives, to whom share-based awards are granted and the amount of compensation to be paid to such employees, above a certain threshold. The Compensation Committee consults with the Named Executives to obtain performance results, legal and regulatory guidance, and market and industry data that may be relevant in determining compensation. In addition, the Compensation Committee consults with the Chief Executive Officer regarding the performance goals of the Company and of the Named Executives. However, other than in connection with negotiating their respective employment agreements, the Named Executives do not participate in determining the amount and type of compensation paid by the Company to the Named Executives. In addition, the Compensation Committee periodically engages outside consultants on various compensation-related matters. The Compensation Committee has the authority to engage services of independent legal counsel and consultants to assist the committee in analyzing and reviewing the compensation policies, the elements of compensation, and the aggregate compensation for the Named Executives. See Executive and Director Compensation and Other Information Compensation Discussion and Analysis.

Each of the members of the Compensation Committee meet the current independence requirements of the Exchange's listing standards.

## **Stockholder and Interested Parties Communications with the Board**

The Board of Directors has established a process for stockholders and other interested parties to communicate with members of the Board, including the non-management directors and the Presiding Director. All such communications should be in writing and should be addressed to the Corporate Secretary, MGM MIRAGE, 3600 Las Vegas Boulevard South, Las Vegas, Nevada 89109, Attention: Stockholder Communications. All inquiries are reviewed by the Corporate Secretary, who forwards to the Board a summary of all such correspondence and copies of all communications that he determines requires their attention. Matters relevant to other departments of the Company are directed to such departments with appropriate follow-up to ensure that inquiries are responded to in a timely manner. Matters relating to accounting, auditing and/or internal controls are referred to the Chairman of the Audit Committee and included in the report to the Board, together with a report of any action taken to address the matter. The Board of Directors or the Audit Committee, as the case may be, may direct such further action deemed necessary or appropriate.

## **Compensation Committee Interlocks and Insider Participation**

Messrs. Mandekic and Taylor are executives of Tracinda.

## **TRANSACTIONS WITH RELATED PERSONS**

### **Description of Transactions**

Christensen, Glaser, Fink, Jacobs, Weil & Shapiro, LLP, a law firm of which Terry Christensen, a former member of the Board of Directors of the Company, is a partner and Gary N. Jacobs is of counsel (see Election of Directors ), has performed extensive legal services for the Company. Such services rendered relate to litigation, sales of securities, financing transactions, acquisitions and dispositions of certain assets and operations, tax matters and other business transactions, contracts and agreements. For the year ended December 31, 2006, the Company paid legal fees to Christensen, Glaser, Fink, Jacobs, Weil & Shapiro, LLP in the amount of \$6,459,000. In 2006, Mr. Jacobs received \$10,000 from Christensen, Glaser, Fink, Jacobs, Weil & Shapiro, LLP, which payment was related to participation in fees received from clients unrelated to the Company. Mr. Jacobs had been a senior partner of the firm, and left that position on becoming employed by the Company, and he continues with the law firm in an of counsel capacity. The foregoing payment was a fixed contractual obligation of the law firm, and was payable without regard to any legal services rendered to the Company.

Robert H. Baldwin is a director of the Keep Memory Alive Foundation. For the year ended December 31, 2006, the Company made a contribution of cash, goods and services to the Keep Memory Alive Foundation in the aggregate amount of \$94,000, and the Keep Memory Alive Foundation purchased goods and services from the Company and its subsidiaries in the amount of \$509,000.

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James J. Murren was a founder of and currently serves as a Director of the Nevada Cancer Institute, a non-profit organization. Gary N. Jacobs serves as a Director of the Nevada Cancer Institute, and Mr. Murren's wife, Heather Hay Murren, serves as Chairman of the Board and Chief Executive Officer of the Nevada Cancer Institute. For the year ended December 31, 2006, the Company made contributions of cash, goods and services to the Nevada Cancer Institute in the amount of \$223,000, and the Nevada Cancer Institute purchased goods and services from the Company and its subsidiaries in the amount of \$523,000.

During 2006, the Company rented office space from Tracinda for various business purposes. The aggregate amount of rental which was paid by the Company to Tracinda for the year ended December 31, 2006 was \$12,000, which management believes to be at rates generally comparable to those offered to third parties.

During 2006, the Company paid Tracinda \$1,864,000 for the use of Tracinda's aircraft, primarily for business travel to Asia related to the Company's development initiatives. Management believes the rates paid to charter Tracinda's aircraft were generally comparable to those offered by third parties.

For the year ended December 31, 2006, Tracinda paid the Company the aggregate amount of \$45,000 for usage of the Company's aircraft. In addition, Mr. Kirk Kerkorian, the sole stockholder of Tracinda, and Tracinda collectively paid the Company the aggregate amount of \$160,000 for hotel services provided by the Company. Tracinda also leases office space from MGM MIRAGE's hotel affiliates, and in 2006, Tracinda paid the Company \$5,000 for rent for such office space.

In connection with the Company's sales of condominium units at its CityCenter project on the Las Vegas Strip, certain of the directors and Named Executives and its principal stockholder have entered into purchase agreements and paid deposits. On January 19, 2007, James J. Murren entered into a contract for the purchase of a condominium unit for a price of \$4,049,000, including a non-refundable deposit of \$404,900. On January 22, 2007, Tracinda Corporation entered into a contract for the purchase of a condominium unit for a price of \$8,618,000, including a non-refundable deposit of \$861,800. On January 23, 2007, J. Terrence Lanni entered into a contract in the name of a family trust for the purchase of a condominium unit for a price of \$8,742,000, including a non-refundable deposit of \$874,200. The prices paid pursuant to these purchase agreements were the same as paid by other persons concurrently purchasing comparable units.

**Review, Approval or Ratification of Transactions**

The Company's Board of Directors has approved separate written guidelines under the Company's Code of Conduct for the reporting, review and approval of potential conflicts of interest (the Conflict of Interest Guidelines). Each potential conflict of interest that is reportable under the Conflict of Interest Guidelines is reviewed internally on a case by case basis. Any such reportable potential conflict of interest involving a director or a member of the management committee, including any of the Named Executives, or their respective spouses, minor children or other dependents, must be reviewed by the Audit Committee, or a designated member thereof. Furthermore, all such reportable potential conflicts of interest involving other executive officers who are not members of the management committee, or other employees, or their respective spouses, minor children or other dependent, are reviewed by the Company's internal legal department or its management committee.

Because the Conflict of Interest Guidelines were designed to implement a procedure by which the Company can review and take action with respect to potential conflicts of interest, the criteria for determining which proposed transactions are reportable under the Conflict of Interest Guidelines are based on various factors designed to determine the materiality of such transaction with respect to the corresponding employee or director, including the size of the transaction or investment, the nature of the investment or transaction, the nature of the relationship between the third

party and the Company, the nature of the relationship between the third-party and the director or employee, and the net worth of the employee or director, and are not based on the threshold set forth in Item 404(a) of Regulation S-K. Furthermore, the Conflict of Interest Guidelines are not applicable to any shareholder of the Company who is not otherwise an employee or a director of the Company. Therefore, while certain transactions that are reportable under Item 404(a) of Regulation S-K might be reportable under the Conflict of Interest Guidelines, none of the transactions reported above under Description of Transactions was reported or reviewed pursuant to the Conflict of Interest Guidelines. Nevertheless, each of such transactions reported above was reported to, and

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reviewed and approved by, one or more of the disinterested members of the management committee pursuant to an informal procedure.

**AUDIT COMMITTEE REPORT**

The Audit Committee reviewed and discussed the audited financial statements with management and Deloitte & Touche LLP, and management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles. The discussions with Deloitte & Touche LLP also included the matters required by Statement on Auditing Standards No. 61 (communication with Audit Committees), as well as the written disclosures and delivery of the letter regarding its independence as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).

The Audit Committee also: (i) reviewed and discussed with management, the Company's internal auditors and Deloitte & Touche LLP the Company's internal control over its financial reporting process; (ii) monitored management's review and analysis of the adequacy and effectiveness of those controls and processes; and (iii) reviewed and discussed with management and Deloitte & Touche LLP their respective assessment of the effectiveness and adequacy of the Company's internal control over financial reporting.

Based on the Audit Committee's review of the audited financial statements and the review and discussions described in the foregoing paragraphs, the Audit Committee recommended to the Board of Directors that the audited financial statements for the fiscal year ended December 31, 2006 be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 for filing with the Securities and Exchange Commission.

ROLAND HERNANDEZ, Chairman  
ALEXIS HERMAN  
ROSE MCKINNEY-JAMES

*The foregoing report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates such report by reference therein.*

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Board of Directors has reviewed the Compensation Discussion and Analysis included in this proxy statement with management. Based on the Compensation Committee's review and discussion with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

ANTHONY MANDEKIC, Acting Chairman  
WILLIE D. DAVIS  
ROSE MCKINNEY-JAMES  
RONALD M. POPEIL  
MELVIN B. WOLZINGER

*The foregoing report of the Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates such report by reference therein.*



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**EXECUTIVE AND DIRECTOR COMPENSATION AND OTHER INFORMATION**

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

***Roles in Establishing Compensation***

*Compensation Committee.* The Compensation Committee is responsible for establishing, implementing and reviewing the compensation program for the Named Executives, which includes the Chief Executive Officer, Chief Financial Officer and the other three most highly compensated executive officers of the Company at December 31, 2006. The compensation for the Named Executives is presented in the tables that follow this Compensation Discussion and Analysis, beginning with the Summary Compensation Table.

The current members of the Compensation Committee are Anthony Mandekic (Acting Chair), Willie D. Davis, Rose McKinney-James, Ronald M. Popeil, Daniel J. Taylor and Melvin B. Wolzinger. Each of the members of the Compensation Committee meets the current independence requirements of the Exchange's listing standards.

The Compensation Committee recommends the executive compensation policy to the Board, determines compensation of senior executives of the Company, determines the performance criteria and incentive awards to be granted pursuant to the Company's Annual Performance-Based Incentive Plan and administers and approves granting of share-based awards under the Company's 2005 Omnibus Incentive Plan. The Compensation Committee's authority and oversight extends to total compensation, including base salaries, bonuses, non-equity incentive awards, equity-based awards, and other forms of compensation. The Compensation Committee's authority is not delegated to others.

*Executive Officers.* In carrying out its functions, the Compensation Committee obtains recommendations from senior executives with respect to various elements of compensation, including, but not limited to, determining the employees, other than the Named Executives, to whom share-based awards are granted and the amount of compensation to be paid to such employees. The Compensation Committee consults with the Named Executives to obtain performance results, legal and regulatory guidance, and market and industry data that may be relevant in determining compensation. In addition, the Compensation Committee consults with the Chief Executive Officer regarding the performance goals of the Company and of the Named Executives. However, other than in connection with negotiating their respective employment agreements, the Named Executives do not participate in determining the amount and type of compensation paid by the Company to the Named Executives. Instead, the Compensation Committee's assessment of the individual performance of the Named Executives is based primarily on the Committee's independent observation and judgment of the responsibilities, duties, performance, and leadership skills of the Named Executives as well as the performance of the Company.

*Outside Consultants.* The Compensation Committee periodically engages outside consultants on various compensation-related matters. The Compensation Committee has the authority to engage services of independent legal counsel and consultants to assist the committee in analyzing and reviewing the compensation policies, the elements of compensation, and the aggregate compensation for the Named Executives. Recently, the Compensation Committee engaged outside consultants as follows:

During 2004 and 2005, Hewitt Associates LLC was engaged by the Compensation Committee to assist the Company in developing the Company's 2005 Omnibus Incentive Plan. This engagement involved assisting the committee in preparing the corresponding documentation and determining the types of the incentive awards



that may be awarded under such plan.

During 2005 and 2006, Hewitt Associates LLC was engaged by the Compensation Committee to assist the Company in determining the long-term and short-term compensation strategies for the Named Executives, including determining the appropriate peer group companies, the appropriate performance measures, and the appropriate elements of compensation.

During 2004, 2005 and 2006, Deloitte & Touche LLP was engaged by the Compensation Committee to assist with the Compensation Committee's review of the achievement of the financial goals set pursuant to the

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Annual Performance-Based Incentive Plan and the corresponding non-equity incentive awards payable to the Named Executives under such plan.

***Objectives of Our Compensation Program***

The Compensation Committee's primary objectives in setting total compensation and the elements of compensation for each of the Named Executives are to:

- attract talented and experienced executive officers and retain their services on a long-term basis;
- motivate the Named Executives to achieve the Company's annual and long-term strategic goals;
- align the interest of the Named Executives with those of the Company and the Company's stockholders;
- provide assurances of minimum level of compensation while providing for majority of the potential compensation to be dependent on the level of performance of the Company achieved during the relevant year;
- motivate and reward the Named Executives in connection with ongoing management of development projects;
- motivate and reward the Named Executives in connection with negotiations of strategic partnerships; and
- ensure favorable tax treatment to the Company for such compensation.

***Certain Factors in Determining Compensation***

*Employment Agreements.* As described in Footnote (A) to the Summary Compensation Table, the Company entered into amended employment agreements with each of the Named Executives on September 16, 2005. We entered into the amended employment agreements primarily to ensure the long-term retention of the Named Executives and to ensure their continued availability for the development and implementation of the Company's strategic plans throughout the world, including, for example, the development of CityCenter on the Las Vegas Strip, MGM Grand Macau and MGM Grand Detroit. The employment agreements determine the annual base salary and severance packages available to the Named Executives.

*Annual Performance-Based Incentive Plan for Executive Officers.* As further described below, the Compensation Committee adopts performance goals on an annual basis, including specific performance objectives, and establishes computation formulae or methods for determining each participant's non-equity incentive award for that year under the Company's Annual Performance-Based Incentive Plan for Executive Officers. Once the performance goals and individual participation percentage have been set, the Compensation Committee has no discretion to increase the amount of any participant's non-equity incentive award payable under the plan as determined by the formulae. However, even if the performance goals are met for any particular year, the Compensation Committee has the authority to reduce or totally eliminate any participant's non-equity incentive award.

In determining the target and maximum non-equity incentive awards that should be paid to the Named Executives, the Compensation Committee reviews the most recent results of operations of the Company, the performance of the Company in recent years relative to the corresponding performance measures, the individual performances of the Named Executives, the compensation paid to the Named Executives in the prior years, and, to a lesser extent, the compensation of executive officers at companies within the peer group described below.

In addition, the Compensation Committee also considered the tax benefits of allocating a certain amount of total compensation as performance-based compensation rather than as base salary. Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation over \$1 million paid to such company's executive officers. Qualifying performance-based compensation is not subject to the deduction limitation if certain requirements are met. Therefore, the Compensation Committee has determined that a majority of the potential compensation payable to the Named Executives on an annual basis should be based on the achievement of qualified performance-based targets to ensure that, whenever possible, such compensation is tax deductible to the Company.

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*Targeted Overall Compensation and Peer Group Review.* In order to assess whether the Company's compensation to the Named Executives is fair, reasonable and competitive, the Compensation Committee periodically gathers data regarding compensation practices of other public and private companies in the Company's industry. The relevant information for members of the peer group are gathered from publicly-available proxy data, which data generally reflects only such compensation paid by such companies in years prior to their disclosure. In determining the compensation for 2006, the Compensation Committee reviewed the compensation data of the following companies:

Aztar Corporation

Boyd Gaming Corporation

Harrah's Entertainment Inc.

Hilton Hotels Corporation

International Game Technology

Las Vegas Sands Corporation

Starwood Hotels & Resorts Worldwide, Inc.

Station Casinos, Inc.

Wynn Resorts, Limited

When reviewing the compensation of the executive officers of the peer group, the Compensation Committee compared the results of operations, stockholders' equity, and market capitalization of the peer group with those of the Company. In addition, the Compensation Committee also reviewed the total compensation, as well as the amount and type of each element of such compensation, of the executive officers of the peer group with the compensation of the Named Executives. The purpose of reviewing such data regarding the peer group was for the Compensation Committee to determine whether the compensation paid to the Named Executives was generally competitive with that paid by the peer group companies to their executive officers. Because the Company strives to retain the Named Executives in its highly competitive industry, and because the Compensation Committee believes that the Company requires the Named Executives to execute on average more complex and geographically diverse business operations than those required of the executive officers by many of the other companies in the peer group, the Compensation Committee believes that the Named Executives should generally be compensated at the higher end of the range of the compensation paid by the peer group.

Although the Compensation Committee believes that it is important to review periodically the compensation policies of the peer group, Compensation Committee also believes that each company must adopt a compensation policy that incorporates the business objectives and culture of such company. Therefore, while the Compensation Committee reviews the data, including the total and type of compensation paid to executive officers, pertaining to the peer group companies to ensure that the compensation paid to the Named Executives remains competitive, the Compensation Committee does not annually adjust the compensation paid to the Named Executives based on the compensation policies or activities of the companies in the peer group.

***Elements of Compensation***

*Base Annual Compensation.* The Named Executives' respective employment agreements provide for annual base salaries as described in Footnote (A) to the Summary Compensation Table. In connection with finalizing the employment agreements with the Named Executives, the Compensation Committee approved the annual base salaries set forth in such agreements that it believed would be required to retain the services of the Named Executives for the term of the amended employment agreements. The base salaries for Mr. Lanni, Mr. Baldwin and Mr. Jacobs were maintained at the same level that had been in place pursuant to their prior agreements. The Compensation Committee believes that these base salaries afford Mr. Lanni, Mr. Baldwin, and Mr. Jacobs sufficient guaranteed compensation and reflect the minimum annual compensation that is appropriate for each of them based on their past and anticipated contributions to the Company's business. The amended employment agreements for Mr. Murren and Mr. Redmond increased their annual base salaries to match the annual base salary being paid to

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Mr. Baldwin. This decision by the Compensation Committee was made based on its determination that the value and importance of services provided by Mr. Murren and Mr. Redmond are comparable to those provided by Mr. Baldwin.

*Non-Equity Incentive Awards.* Non-equity incentive awards, when appropriate, are determined by the Compensation Committee after the end of the fiscal year. The non-equity incentive awards to the Named Executives for 2006 were paid pursuant to the MGM MIRAGE Annual Performance-Based Incentive Plan for Executive Officers, which we refer to in this discussion as the Incentive Plan, as initially adopted in 1997. Only the Named Executives are eligible to participate in this plan.

Within 90 days of the beginning of each calendar year, the Compensation Committee establishes performance goals, including specific performance objectives, and computation formulae or methods for determining each participant's non-equity incentive award for that year. For 2006, the Compensation Committee established a pool based on a percentage of pretax net income. As defined by the Compensation Committee for 2006, pretax net income consisted of consolidated net income before taxes, less extraordinary items and certain other items, including gains or losses from the sale of discontinued operations and certain asset write-downs. The Compensation Committee then set the minimum performance measure to be achieved in order for non-equity incentive awards to be available under the Incentive Plan and set the percentage of the pool payable to each participant if the target performance measure is met. The Compensation Committee took into account that, based on the Company's performance during recent years and the relevant targets in the Company's 2006 projections, such performance measure for 2006 was likely to be achieved. In 2006, the maximum participation percentage in the pool for Messrs. Lanni, Murren, Baldwin, Redmond, and Jacobs were 27.9%, 20.8%, 20.8%, 20.8%, and 9.7%, respectively. Pursuant to the Incentive Plan, at or after the end of each calendar year, the Compensation Committee is required to certify in writing whether the pre-established performance goals and objectives have been satisfied in such year. For 2006, the Compensation Committee performed this step in March 2007. The Compensation Committee has no discretion to increase the amount of any participant's award as determined by the formula, but even if the performance goals are met for any particular year the Compensation Committee may reduce or totally eliminate any participant's award if it determines, in its sole and absolute discretion, that such a reduction or elimination is appropriate with respect to the participant's performance or any other factors material to the goals, purposes, and administration of the Incentive Plan. In any case, no award to any individual under the plan may exceed \$8,000,000 in any given year. The foregoing notwithstanding, the Compensation Committee has the ability to award bonus awards to the Named Executives outside of the Incentive Plan in any amount deemed appropriate by the Compensation Committee; provided, however, that any such bonus payments may not be entitled to the same beneficial tax treatment for the Company provided with respect to the non-equity incentive award under the Incentive Plan.

In fiscal 2006, the pretax net income exceeded the performance measure set by the Compensation Committee. Based on the foregoing factors and pursuant to the Incentive Plan, the Compensation Committee declared a non-equity incentive award of approximately \$6.6 million, \$4.9 million, \$4.9 million, \$4.9 million and \$2.3 million earned in 2006 by Messrs. Lanni, Murren, Baldwin, Redmond and Jacobs, respectively, under the Incentive Plan. The awards were approximately 3.3 times the base salary paid to each of the Named Executives in 2006. Furthermore, the awards paid to Mr. Murren, Mr. Baldwin, and Mr. Redmond reflect the Compensation Committee's determination that the value of the services provided by each of such executive officers were comparable.

For 2007, the Compensation Committee increased by 30% the minimum pretax net income that must be achieved for any award under the Incentive Plan to become payable and slightly decreased the percentage of the fiscal 2007 pretax net income that will constitute the pool for 2007. Based on the Company's performance during recent years and the relevant targets in the Company's 2007 projections, the Compensation Committee believes that such performance measure for 2007 is likely to be achieved. Each Named Executive's participation percentage in such pool for 2007 was set at the same respective percentage set for 2006.

*Equity-Based Compensation.* The Compensation Committee grants equity-based compensation under the MGM MIRAGE 2005 Omnibus Incentive Plan (the Omnibus Incentive Plan ), which allows for the issuance of various forms of equity-based compensation, such as stock options, stock appreciation rights and restricted stock.

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The Compensation Committee administers all aspects of the Omnibus Incentive Plan and is the only authorized body that can grant equity-based awards. The Compensation Committee generally meets on the first Monday of each month and considers recommendations from the Named Executives at each meeting regarding grants of equity-based awards to other executive officers and non-management employees. The dates for the regular meetings of the Compensation Committee are set at the beginning of the year. In connection with any award of stock options or stock appreciation rights, the exercise price for such stock options or stock appreciation rights is established as the closing price of the Company's common stock on the day of the Compensation Committee meeting in which such award is approved. With respect to a grant of an equity award to a new employee, although the Compensation Committee may pre-approve the terms of employment, including the proposed equity compensation, offered to a potential new employee prior to the acceptance or commencement of the employment, such grant of stock options or stock appreciation rights made in connection with such new employment occurs at the next scheduled meeting of the Compensation Committee following the commencement of such employment, and the exercise price of stock options or stock appreciation rights granted in connection with such employment is established as the closing price on the date the Compensation Committee reaffirms such grant. The Compensation Committee does not time the issuance or grant of any equity-based awards with the release of material, non-public information. In addition, the Company does not time the release of material non-public information for the purpose of affecting the value of equity awards.

The Compensation Committee did not award any equity-based compensation to the Named Executives in 2006. The Compensation Committee believes that non-equity incentive awards paid to the Named Executives in 2006 as well as the grants of equity-based compensation in prior years were sufficient to align the interests of the Named Executives with those of the Company's stockholders. In addition, the Compensation Committee believes that the base salary that is guaranteed to the Named Executives in their employment agreements, the rights and benefits in the employment agreements that would be triggered if the Named Executives' employment were terminated without cause or upon a change of control, and the unvested equity ownership in the Company held by the Named Executives were sufficient in 2006 to provide incentives for the executive officers to remain with the Company.

The Compensation Committee has generally awarded equity grants to the Named Executives in connection with the recruitment of the Named Executives and in connection with the successful consummation or implementation of significant transactions. For example, the Compensation Committee awarded options to purchase 1,200,000, 700,000, 600,000, 600,000, and 400,000 shares of the Company's common stock to Messrs. Lanni, Murren, Baldwin, Redmond, and Jacobs, respectively, in 2005 in connection with the successful consummation of the Mandalay Resorts Group acquisition. The awards reflect the Compensation Committee's assessment of the additional responsibilities of the Named Executives as a result of the acquisition, the benefit to the Company from the acquisition, and the Named Executives' role in consummating the transaction. Furthermore, the awards to Mr. Lanni and Mr. Murren also included options to purchase 100,000 shares of the Company's common stock as a reward for their specific roles in negotiating and finalizing the terms and conditions of the acquisition.

The foregoing notwithstanding, the Compensation Committee has on occasion awarded equity grants to the Named Executives independent of their recruitment and independent of any material corporate transaction. For example, in fiscal 2003, the Compensation Committee awarded equity grants to broad categories of employees, including the Named Executives, based upon the Compensation Committee's assessment of the employee's past and prospective value to the Company, the performance of the employee, and the amount of equity awards previously granted, including the amount of such awards then vested, to such employee. In connection with such grant in fiscal 2003, Messrs. Lanni, Murren, Baldwin, Redmond, and Jacobs received options to purchase 1,400,000, 1,000,000, 1,200,000, 1,000,000, and 600,000 shares, respectively.

In order to assess the potential dilution to the Company's stockholders, the Compensation Committee may take into account the total outstanding but unexercised equity awards when determining the total number of shares that would



be subject to any new equity award. Furthermore, the Compensation Committee may consider the number of shares that remain subject to outstanding but unvested equity awards in determining whether any additional grants of equity awards should be made. However, the Compensation Committee does not take into account an employee's holdings of vested but unexercised awards in determining additional awards to such employee, including a Named Executive. The Compensation Committee believes that calibrating future awards based on the holdings of

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previously vested but unexercised awards would create incentives for employees to exercise or sell shares subject to their prior grants. The Compensation Committee also does not take into account the value realized by an employee during a fiscal year from the exercise of equity awards granted during a prior year. The Compensation Committee believes that value realized by an employee from the exercise of any such equity award relates to services provided during the year of the grant or of vesting and not necessarily during the year of exercise. Furthermore, since certain equity awards to an employee have been made in connection with the employee's contribution to the successful consummation and implementation of a transaction, the Compensation Committee believes that an equity award designed to reward a separate transaction should not be affected by the employee's determination not to exercise a previously granted equity award.

When determining the type of equity award to be granted, the Compensation Committee makes its determination based on whether the Company should award grants that would have some realizable value irrespective of the performance of the Company (e.g., restricted stock versus stock options or stock appreciation rights), and the potential dilution to the stockholders. For example, the Compensation Committee has in the past elected to issue restricted stock to certain executives in order to provide assurances that those executive officers would be entitled to a certain number of shares. In most cases, however, the Compensation Committee grants to Named Executives equity-based awards, such as stock options or stock appreciation rights, that require an increase in the Company's stock price for such awards to have any monetary value to the Named Executives.

*Retirement Benefits.* As part of the Company's overall benefits program for executives and key employees, the Company maintains nonqualified deferred compensation plans (the "DCP") and supplemental executive retirement plans (the "SERP") in addition to a traditional 401(k) plan. The Compensation Committee believes these programs are an integral part of the total compensation for the Named Executives, as they provide a measure of long-term security to the Named Executives and are designed, in part, to provide an incentive for the Named Executives to remain with the Company. The Compensation Committee also believes that offering such plans is necessary in order to retain the Named Executives considering the fact that most of the Company's competitors provide supplemental retirement plans or benefits for its executives.

Under the DCP, participants are permitted to defer any portion of their salary or non-equity incentive awards on a pre-tax basis and accumulate tax-deferred earnings on their account. The Company matches up to 4% of the participants' base salary, less any amount contributed to the participants' 401(k) plan, which contribution vests ratably over a three-year period. The contributions made by participants vest immediately. All of the Named Executives are participants in the DCP. In 2006, the Company contributed the maximum amount of \$73,400, \$53,400, \$53,400, \$53,400, and \$21,400 on behalf of Messrs. Lanni, Murren, Baldwin, Redmond, and Jacobs, respectively, which contributions reflect 4% of the corresponding Named Executive's salary less a contribution of \$6,600 made to each of the Named Executives' 401(k) plans.

Under the SERP, which is a nonqualified plan, the Company makes an annual contribution that is estimated to provide a retirement benefit up to 65% of the final five-year average annual salary of the participant. However, a participant is not guaranteed any specific amount of benefits upon retirement, but is entitled to only such amount of the vested contributions and earnings on such contributions available in such participant's account at the time of retirement. All contributions to the SERP are made by the Company. A portion of such contributions vest over three years of participation in the SERP. The remainder of such contributions vest over the later of five years of participation in the SERP and ten years of continuous service. All of the Named Executives are participants in the SERP. In 2006, the Company contributed \$716,956, \$230,124, \$374,904, \$258,733, and \$151,018 to the SERP accounts of Messrs. Lanni, Murren, Baldwin, Redmond, and Jacobs, respectively.

*Perquisites and Other Benefits.* As an owner and operator of full-service hotels, the Company is able to provide many perquisites relating to hotel and related services to the Named Executives at little or no additional cost to the

Company. To the extent such products or services are for personal use, the Named Executive reimburses the Company for the cost of such product or service. The Company currently provides access to the fitness facilities located in the hotel in which a Named Executive's office is located and offers certain products and services from the Company's hotels at prices equal to the Company's costs for such products and services. In addition, for the convenience of the Named Executives and of the Company, the Company provides complimentary meals for business purposes at the Company's restaurants to the Named Executives.

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Pursuant to his employment agreement, Mr. Lanni may request the use of aircraft owned by the Company for personal use to travel between Nevada and California. Additionally, Mr. Lanni may request the use of such aircraft for up to three personal round trips in any calendar year, subject to availability. In 2006, Mr. Lanni reimbursed the Company in the amount of \$87,333 for a portion of the costs associated with such flights based upon Standard Industrial Fare Level rates. The unreimbursed portion of incremental cost associated with Mr. Lanni's aircraft usage was \$251,868, which consisted of \$215,063 for traveling between Nevada and California and \$36,805 for personal usage.

In addition, the aggregate amount of premiums paid for group life insurance and long term disability insurance on behalf of, and reimbursement for medical expenses and associated taxes to, Messrs. Lanni, Murren, Baldwin, Redmond, and Jacobs in 2006 was \$38,382, \$62,197, \$39,882, \$16,352, and \$86,167, respectively. Instead of providing medical coverage through a third-party insurance company, the Company reimburses the Named Executives for medical expenses incurred by them for covered procedures.

*Severance Benefits and Change of Control.* In order to assist the Company in retaining the services of the Named Executives, the Company has agreed to provide them with severance benefits in the event that their employment is terminated without cause or in the event of a change of control. In light of the fact that the success of the Company has made the services of the Named Executives extremely marketable, the Compensation Committee believes that it is necessary to provide assurances to the Named Executives that the Company will not terminate their employment without cause and without providing a certain level of severance benefits. When determining the level of the severance benefits to be offered in the employment agreements, the Compensation Committee considered the period of time it would normally require an executive officer to find comparable employment. The details of the specific severance benefits available under various termination or change of control scenarios are discussed in "Other Post-Employment Compensation" below, along with an estimate of the amounts to be paid to each Named Executive under each scenario.

**Summary Compensation Table**

The following table summarizes the compensation of the Named Executives for the year ended December 31, 2006.

| Name   | Year | Salary<br>(A) | Bonus<br>(B) | Stock<br>Awards<br>(C) | Option<br>Awards<br>(D) | Change<br>in<br>Pension<br>Value<br>and<br>Non-Equity<br>Incentive |   |                                  | Total         |
|--|------|---------------|--------------|------------------------|-------------------------|--|---|----------------------------------|---------------|
|  |      |               |              |                        |                         | Plan<br>Compensation<br>(E)  | Deferred<br>Compensation<br>Earnings<br>(F) | All Other<br>Compensation<br>(G) |               |
| J. Terrence<br>Lanni<br>Chairman<br>and<br>Chief<br>Executive<br>Officer | 2006 | \$ 2,000,000  | \$           | \$ 550,458             | \$ 5,481,564            | \$ 6,567,893   | \$  | \$ 1,087,206                     | \$ 15,687,121 |

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|   |      |           |         |           |           |         |              |
|---|------|-----------|---------|-----------|-----------|---------|--------------|
| James J. Murren<br>President,<br>Chief<br>Financial<br>Officer<br>and<br>Treasurer                        | 2006 | 1,500,000 | 275,229 | 3,296,472 | 4,896,493 | 352,321 | 10,320,515   |
| Robert H. Baldwin<br>President and<br>Chief<br>Executive<br>Officer<br>Mirage<br>Resorts,<br>Incorporated | 2006 | 1,500,000 | 275,229 | 2,997,698 | 4,896,493 | 474,786 | 10,144,206   |
| John T. Redmond<br>President and<br>Chief<br>Executive<br>Officer<br>MGM Grand<br>Resorts, LLC            | 2006 | 1,500,000 | 275,229 | 2,893,368 | 4,896,493 | 335,085 | \$ 9,900,175 |
| Gary N. Jacobs<br>Executive<br>Vice<br>President,<br>General<br>Counsel and<br>Secretary                  | 2006 | 700,000   | 91,743  | 1,894,136 | 2,283,461 | 266,570 | 5,235,910    |

(A) On September 16, 2005, the Company entered into new employment agreements with each of the Named Executives. Each employment agreement provides for a term through January 4, 2010 and an annual base

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salary for each Named Executive as follows: \$2,000,000 for Mr. Lanni; \$1,500,000 for Mr. Baldwin; \$1,500,000 for Mr. Redmond; \$1,500,000 for Mr. Murren; and \$700,000 for Mr. Jacobs. The Company does not provide additional compensation to officers who serve on the Board of Directors; therefore, none of the amounts reflected in this table represent additional compensation for services as directors.

- (B) Amounts paid under the MGM MIRAGE Annual Performance-Based Incentive Plan for Executive Officers (the Incentive Plan ) are reported in the Non-Equity Incentive Plan Compensation column. These amounts had historically been classified as bonus compensation in the Summary Compensation Table.
- (C) There were no grants of stock to the Named Executives during 2006 and there are no outstanding stock awards at December 31, 2006. The amount reflected in the table is the amount of compensation recognized during the year ended December 31, 2006 for financial reporting purposes in accordance with Statement of Financial Accounting Standards No. 123, Share-Based Payment ( SFAS 123(R) ), and relates to grants of restricted stock made in 2002. The shares were awarded when the fair market value of the Company s stock was \$17.62 and the restrictions lapsed with respect to 50% of the shares in 2005 and with respect to 50% of the shares in 2006. Mr. Lanni was awarded 300,000 restricted shares; Messrs. Murren, Baldwin and Redmond were awarded 150,000 restricted shares each; and Mr. Jacobs was awarded 50,000 restricted shares.
- (D) There were no grants of options to the Named Executives during 2006. A detailed list of stock options previously awarded to the Named Executives and still outstanding is shown in the table below under Outstanding Equity Awards at Fiscal Year-End. The amount reflected in the table is the amount of compensation recognized during the year ended December 31, 2006 for financial reporting purposes in accordance with SFAS 123(R), except that no forfeiture rate assumption has been applied to the amounts in the table. These stock options were valued using the Black-Scholes Model with assumptions as described in Footnote 14 to the Company s Consolidated Financial Statements, which are included in the Company s 2006 Annual Report to Stockholders which accompanies this proxy statement.
- (E) Each Named Executive is eligible for an annual payment under the Incentive Plan; only the Named Executives are eligible to participate in the Incentive Plan. The Incentive Plan provides for payments to be made at the Compensation Committee s discretion if the Company achieves a certain level of a defined performance measure, generally based on net income adjusted for certain items. The exact amount of the payment is based on the performance of the Company relative to the base target established earlier in the year by the Compensation Committee. See also Compensation Discussion and Analysis for a further discussion of such awards to the Named Executives in 2006. See also the Grants of Plan-Based Awards table for information about the performance-based grants under the Incentive Plan in 2006.
- (F) All other compensation includes the following:

| Name        | Personal Use of     |              | Insurance Premiums and Other |                      |             |                | Total        |
|-------------|---------------------|--------------|------------------------------|----------------------|-------------|----------------|--------------|
|             | Company Aircraft(1) | 401(k) Match | DCP Match(2)                 | SERP Contribution(3) | Benefits(4) | Perquisites(5) |              |
| Mr. Lanni   | \$ 251,868          | \$ 6,600     | \$ 73,400                    | \$ 716,956           | \$ 38,382   | \$             | \$ 1,087,206 |
| Mr. Murren  |                     | 6,600        | 53,400                       | 230,124              | 62,197      |                | 352,321      |
| Mr. Baldwin |                     | 6,600        | 53,400                       | 374,904              | 39,882      |                | 474,786      |
| Mr. Redmond |                     | 6,600        | 53,400                       | 258,733              | 16,352      |                | 335,085      |

|            |       |       |        |         |        |         |
|------------|-------|-------|--------|---------|--------|---------|
| Mr. Jacobs | 1,385 | 6,600 | 21,400 | 151,018 | 86,167 | 266,570 |
|------------|-------|-------|--------|---------|--------|---------|

(1) The amounts in this column represent the value of personal use of Company aircraft, which was determined based on incremental cost to the Company. Incremental cost for all years shown was calculated based on average variable operating cost per flight hour multiplied by flight hours for each Named Executive Officer, less any amounts reimbursed by such Named Executive Officer based on Standard Industrial Fare Level (SIFL) rates. The average variable operating cost per hour was calculated based on aggregate variable costs for each year, including fuel, engine reserves, repair and maintenance costs, travel expenses for flight crew, landing costs, related catering and miscellaneous handling charges, divided by aggregate hours flown. Fixed costs, such as flight crew salaries, wages and other employment costs, training, depreciation, hanger rent, utilities, insurance and taxes, are not included in incremental cost since these expenses are incurred by the Company

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irrespective of personal use of aircraft. In accordance with his employment agreement, Mr. Lanni is permitted to use Company aircraft for personal and commuter travel. The incremental cost associated with Mr. Lanni's aircraft usage was \$251,868 which consisted of \$215,063 for traveling between Nevada and California and \$36,805 for personal usage for 2006.

- (2) The amounts in this column represent the Company's matching contributions under the Company's Deferred Compensation Plan (DCP). The DCP allows participants to defer, on a pre-tax basis, a portion of their salary and bonus and accumulate tax deferred earnings, plus investment earnings on the deferred balances, as a retirement fund. Participants receive a Company match of up to 4% of salary, net of any Company match received under the Company's 401(k) plan. All employee deferrals vest immediately. The Company matching contributions vest ratably over a three-year period.
- (3) The amounts in this column represent the Company's contributions under the Company's Supplemental Executive Retirement Plan (SERP). The SERP is a nonqualified plan under which the Company makes quarterly contributions that are intended to provide a retirement benefit that is a fixed percentage of a participant's estimated final five-year average annual salary, up to a maximum of 65%. Company contributions and investment earnings on the contributions are tax-deferred and accumulate as a retirement fund. Employees do not make contributions under this plan. A portion of the Company contributions and investment earnings thereon vests after three years of SERP participation and the remaining portion vests after both five years of SERP participation and ten years of continuous service. The plan provides for defined contributions and the amount of the benefit is not guaranteed.
- (4) The amounts in this column represent group life insurance premiums paid for the benefit of the Named Executives, reimbursement of medical expenses and associated taxes, and premiums for long term disability insurance for the benefit of the Named Executives.
- (5) As an owner and operator of full-service hotels, the Company is able to provide many perquisites relating to hotel and hotel-related services to the Named Executives at little or no additional cost to the Company. To the extent such products or services are for personal use, the Named Executive reimburses the Company for the cost of such product or service. The Company currently provides access to the fitness facilities located in the hotel in which a Named Executive's office is located and offers certain products and services from the Company's hotels at prices equal to the Company's costs for such products and services. In addition, for the convenience of the Named Executives and the Company, the Company provides complimentary meals for business purposes at the Company's restaurants to the Named Executives. In no case did the value of such perquisite, computed based on the incremental cost to the Company, exceed \$10,000 per individual in 2006.

**Grants of Plan-Based Awards**

The table below sets forth certain information regarding plan-based awards granted during 2006 to the Named Executives.

**Estimated Future Payouts Under Non-**

**All Other Stock Awards: Number of Securities**  
**All Other Option Awards: Number of Exercise Securities**



| Name              | Grant Date | Equity Incentive Plan Awards (A) |              |              | Estimated Future Payouts Under Equity Incentive Plan Awards |        |         | Shares of Stock or Underlying | Options | Price of |
|-------------------|------------|----------------------------------|--------------|--------------|---|--------|---------|-------------------------------|---------|----------|
|                   |            | Threshold                        | Target       | Maximum      | Threshold   | Target | Maximum | Units                         | Awards  | Awards   |
| J. Terrence Lanni | NA         | \$ 3,627,000                     | \$ 4,925,000 | \$ 8,000,000 | NA  | NA     | NA      | NA                            | NA      | NA       |
| James J. Murren   | NA         | 2,704,000                        | 3,671,000    | 8,000,000    | NA  | NA     | NA      | NA                            | NA      | NA       |
| Robert H. Baldwin | NA         | 2,704,000                        | 3,671,000    | 8,000,000    | NA  | NA     | NA      | NA                            | NA      | NA       |
| John T. Redmond   | NA         | 2,704,000                        | 3,671,000    | 8,000,000    | NA  | NA     | NA      | NA                            | NA      | NA       |
| Gary N. Jacobs    | NA         | 1,261,000                        | 1,712,000    | 8,000,000    | NA  | NA     | NA      | NA                            | NA      | NA       |

(A) The Compensation Committee approved the criteria for determining 2006 payouts under the Annual Performance-Based Incentive Plan for Executive Officers (the Incentive Plan ) in March 2006. Awards may be made if the Company achieves a minimum level of pre-tax operating income, defined as income from continuing operations before income taxes, excluding write-downs of long-lived assets and including the results of discontinued operations prior to the date of disposition. The Compensation Committee established a pool of 2.6% of pre-tax operating income that could be allocated among the Named Executives, based on

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the following percentages: Mr. Lanni 27.9%; Messrs. Murren, Baldwin and Redmond 20.8% each; and Mr. Jacobs 9.7%. For 2006, the threshold amount of pre-tax operating income was set at \$500,000,000. See Compensation Discussion and Analysis Elements of Compensation Non-Equity Incentive Awards.

The target amount is not defined in the Incentive Plan. For purposes of the disclosure above, the target amount was calculated based on the corresponding amount of the defined performance measure actually realized for the year ended December 31, 2005. The maximum individual award under the Incentive Plan is \$8 million in each case.

The Compensation Committee retains full discretion to reduce or eliminate a payment under the Incentive Plan, even if the threshold or target amounts set pursuant to the Incentive Plan are achieved. In March 2007, the Compensation Committee made awards for 2006 as set forth under the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table above.

**Outstanding Equity Awards at Fiscal Year-End**

The table below sets forth certain information regarding outstanding equity awards of the Named Executives at December 31, 2006. At December 31, 2006, there were no securities underlying unexercised unearned options as part of equity incentive plans and there were no outstanding stock awards that have not vested.

| Name              | Option Awards  |   |                       |                        |
|-------------------|--|---|-----------------------|------------------------|
|                   | Number of Securities Underlying Unexercised Options: Exercisable | Number of Securities Underlying Unexercised Options: Unexercisable(A) | Option Exercise Price | Option Expiration Date |
| J. Terrence Lanni | 120,000  | 560,000   | \$ 12.74              | 2/27/2013              |
| J. Terrence Lanni | 220,000  | 880,000   | 34.05                 | 5/3/2012               |
| J. Terrence Lanni | 20,000   | 80,000  | 34.36                 | 5/10/2012              |
| James J. Murren   | 450,000  |   | 6.66                  | 6/22/2008              |
| James J. Murren   | 500,000  |   | 11.94                 | 12/13/2009             |
| James J. Murren   | 300,000  |   | 16.25                 | 5/31/2010              |
| James J. Murren   | 600,000  | 400,000   | 12.74                 | 2/27/2013              |
| James J. Murren   | 120,000  | 480,000   | 34.05                 | 5/3/2012               |
| James J. Murren   | 20,000   | 80,000  | 34.36                 | 5/10/2012              |
| Robert H. Baldwin | 720,000  | 480,000   | 12.74                 | 2/27/2013              |
| Robert H. Baldwin | 120,000  | 480,000   | 34.05                 | 5/3/2012               |
| John T. Redmond   | 200,000  | 400,000   | 12.74                 | 2/27/2013              |
| John T. Redmond   | 120,000  | 480,000   | 34.05                 | 5/3/2012               |
| Gary N. Jacobs    | 577,800  |   | 16.66                 | 6/1/2010               |
| Gary N. Jacobs    |  | 240,000   | 12.74                 | 2/27/2013              |
| Gary N. Jacobs    | 80,000   | 320,000   | 34.05                 | 5/3/2012               |

(A) Outstanding unexercisable options vest as follows:



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| <b>Name</b>       | <b>Securities<br/>Underlying<br/>Unexercised<br/>Options<br/>Unexercisable</b> | <b>Option<br/>Exercise<br/>Price</b> | <b>Option<br/>Expiration<br/>Date</b> | <b>Vesting</b>  |
|-------------------|--|--------------------------------------|---------------------------------------|---|
| J. Terrence Lanni | 560,000  | \$ 12.74                             | 2/27/2013                             | 280,000 vested 2/27/2007; 280,000 vest 2/27/2008.   |
| J. Terrence Lanni | 880,000  | 34.05                                | 5/3/2012                              | 220,000 vest 5/3/2007; 220,000 vest 5/3/2008; 220,000 vest 5/3/2009; 220,000 vest 5/3/2010. |
| J. Terrence Lanni | 80,000   | 34.36                                | 5/10/2012                             | 20,000 vest 5/10/2007; 20,000 vest 5/10/2008; 20,000 vest 5/10/2009; 20,000 vest 5/10/2010. |
| James J. Murren   | 400,000  | 12.74                                | 2/27/2013                             | 200,000 vested 2/27/2007; 200,000 vest 2/27/2008.   |
| James J. Murren   | 480,000  | 34.05                                | 5/3/2012                              | 120,000 vest 5/3/2007; 120,000 vest 5/3/2008; 120,000 vest 5/3/2009; 120,000 vest 5/3/2010. |
| James J. Murren   | 80,000   | 34.36                                | 5/10/2012                             | 20,000 vest 5/10/2007; 20,000 vest 5/10/2008; 20,000 vest 5/10/2009; 20,000 vest 5/10/2010. |
| Robert H. Baldwin | 480,000  | 12.74                                | 2/27/2013                             | 240,000 vested 2/27/2007; 240,000 vest 2/27/2008.   |
| Robert H. Baldwin | 480,000  | 34.05                                | 5/3/2012                              | 120,000 vest 5/3/2007; 120,000 vest 5/3/2008; 120,000 vest 5/3/2009; 120,000 vest 5/3/2010. |
| John T. Redmond   | 400,000  | 12.74                                | 2/27/2013                             | 200,000 vested 2/27/2007; 200,000 vest 2/27/2008.   |
| John T. Redmond   | 480,000  | 34.05                                | 5/3/2012                              | 120,000 vest 5/3/2007; 120,000 vest 5/3/2008; 120,000 vest 5/3/2009; 120,000 vest 5/3/2010. |
| Gary N. Jacobs    | 240,000  | 12.74                                | 2/27/2013                             | 120,000 vested 2/27/2007; 120,000 vest 2/27/2008.   |
| Gary N. Jacobs    | 320,000  | 34.05                                | 5/3/2012                              | 80,000 vest 5/3/2007; 80,000 vest 5/3/2008; 80,000 vest 5/3/2009; 80,000 vest 5/3/2010.     |

**Option Exercises and Stock Vested**

The following table sets forth option exercises and vesting of stock for the Named Executives during 2006.

| <b>Option Awards</b>                         |                           | <b>Stock Awards</b>                          |                           |
|--|---------------------------|--|---------------------------|
| <b>Number<br/>of<br/>Shares<br/>Acquired</b> | <b>Value<br/>Realized</b> | <b>Number<br/>of<br/>Shares<br/>Acquired</b> | <b>Value<br/>Realized</b> |

| <b>Name</b>       | <b>on<br/>Exercise<br/>(#)</b> | <b>on Exercise<br/>(\$)</b> | <b>on<br/>Vesting<br/>(#)</b> | <b>on Vesting<br/>(\$)</b> |
|-------------------|--------------------------------|-----------------------------|-------------------------------|----------------------------|
| J. Terrence Lanni | 440,000                        | \$ 14,146,968               | 150,000                       | \$ 6,313,500               |
| James J. Murren   | 200,000                        | 7,676,050                   | 75,000                        | 3,156,750                  |
| Robert H. Baldwin |                                |                             | 75,000                        | 3,156,750                  |
| John T. Redmond   |                                |                             | 75,000                        | 3,156,750                  |
| Gary N. Jacobs    | 270,000                        | 8,560,718                   | 25,000                        | 1,052,250                  |

For option awards, the value realized is computed as the difference between the market price on the date of exercise and the exercise price, times the number of options exercised. For stock awards, the value realized is computed as the market price on the date the restrictions lapsed times the number of shares vested.

**Table of Contents****Nonqualified Deferred Compensation**

The following table sets forth information regarding nonqualified deferred compensation for the Named Executives during 2006.

| Name              | Executive Contributions | Company Contributions(A) | Aggregate Earnings(B) | Aggregate Withdrawals/ Distributions | Aggregate Balance at Year-End(C) |
|-------------------|-------------------------|--------------------------|-----------------------|--------------------------------------|----------------------------------|
| J. Terrence Lanni |                         |                          |                       |                                      |                                  |
| DCP(D)            | \$ 611,373              | \$ 73,400                | \$ 484,778            | \$                                   | \$ 2,622,883                     |
| SERP(E)           |                         | 716,956                  | 787,980               |                                      | 4,793,477                        |
| Total             | 611,373                 | 790,356                  | 1,272,758             |                                      | 7,416,360                        |
| James J. Murren   |                         |                          |                       |                                      |                                  |
| DCP               | 989,849                 | 53,400                   | 204,945               |                                      | 4,323,556                        |
| SERP              |                         | 230,124                  | 68,457                |                                      | 1,228,492                        |
| Total             | 989,849                 | 283,524                  | 273,402               |                                      | 5,552,048                        |
| Robert H. Baldwin |                         |                          |                       |                                      |                                  |
| DCP               | 62,400                  | 53,400                   | 321,099               |                                      | 3,170,231                        |
| SERP              |                         | 374,904                  | 249,914               |                                      | 2,534,768                        |
| Total             | 62,400                  | 428,304                  | 571,013               |                                      | 5,704,999                        |
| John T. Redmond   |                         |                          |                       |                                      |                                  |
| DCP               | 62,407                  | 53,400                   | 70,982                |                                      | 1,025,583                        |
| SERP              |                         | 258,733                  | 98,728                |                                      | 1,437,973                        |
| Total             | 62,407                  | 312,133                  | 169,710               |                                      | 2,463,556                        |
| Gary N. Jacobs    |                         |                          |                       |                                      |                                  |
| DCP               | 496,059                 | 21,400                   | 169,605               |                                      | 2,387,455                        |
| SERP              |                         | 151,018                  | 75,239                |                                      | 998,362                          |
| Total             | 496,059                 | 172,418                  | 244,844               |                                      | 3,385,817                        |

(A) All of these amounts were included as All Other Compensation in the Summary Compensation Table.

(B) None of these amounts were included as Change in Pension Value and Nonqualified Deferred Compensation Earnings in the Summary Compensation Table.

(C) Of these amounts, the following were included in the Summary Compensation Table in the current and previous years:

| DCP<br>Company | SERP<br>Company | Total<br>Company |
|----------------|-----------------|------------------|
|----------------|-----------------|------------------|

| <b>Name</b>       | <b>Contributions</b> | <b>Contributions</b> | <b>Contributions</b> |
|-------------------|----------------------|----------------------|----------------------|
| J. Terrence Lanni | \$ 413,700           | \$ 3,853,639         | \$ 4,267,339         |
| James J. Murren   | 305,700              | 1,096,745            | 1,402,445            |
| Robert H. Baldwin | 289,700              | 2,093,214            | 2,382,914            |
| John T. Redmond   | 269,700              | 1,306,601            | 1,576,301            |
| Gary N. Jacobs    | 133,700              | 853,870              | 987,570              |

- (D) The DCP allows participants to defer, on a pre-tax basis, a portion of their salary and bonus and accumulate tax deferred earnings, plus investment earnings on the deferred balances, as a retirement fund. Participants receive a Company match of up to 4% of salary, net of any Company match received under the Company's 401(k) plan. All employee deferrals vest immediately. The Company matching contributions vest ratably over a three-year period. The vested balance of a participant's account is payable either as a lump sum in quarterly installments upon retirement, termination or death of the participant. In addition, a participant may elect to receive the vested balance of his account in a lump sum in an amount equal to the participant's corresponding annual

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deferral, as adjusted in accordance with the indexing of the account to select investment funds, on date that is no earlier than five years from the date of the deferral. On a limited basis, and upon approval by the plan committee, the participant may receive a lump sum payment in the case of an unforeseen financial emergency. In connection with the adoption of the Deferred Compensation Plan II ( DCP II ) in January 2005, which complies with the American Jobs Creation Act of 2004, the balance of matching contributions under the Company's former deferred compensation plan were transferred to the DCP II. Contributions to the prior plan were suspended effective January 1, 2005.

- (E) The SERP is a nonqualified plan under which the Company makes quarterly contributions that are intended to provide a retirement benefit that is a fixed percentage of a participant's estimated final five-year average annual salary, up to a maximum of 65%. Company contributions and investment earnings on the contributions are tax-deferred and accumulate as a retirement fund. Employees do not make contributions under this plan. A portion of the Company contributions and investment earnings thereon vests after three years of SERP participation and the remaining portion vests after both five years of SERP participation and ten years of continuous service. The plan provides for defined contributions and the amount of the benefit is not guaranteed. The vested and non-forfeited balance of a participant's account under the SERP is payable as a lump sum or in quarterly installments upon retirement, termination or death. On a limited basis, and upon approval by the plan committee, the participant may receive a lump sum payment in the case of an unforeseen financial emergency. In connection with the adoption of the Supplemental Executive Retirement Plan II ( SERP II ) in January 2005, which complies with the American Jobs Creation Act of 2004, the balance of matching contributions under the Company's former supplemental executive retirement plan were transferred to the SERP II. Contributions to the prior plan were suspended effective January 1, 2005.

**Other Post-Employment Compensation**

The Company may terminate any of its employment agreements with the Named Executives for good cause, which includes termination for death or disability. If the termination is for good cause other than for death or disability, the Named Executive will be entitled to exercise his vested share-based awards in accordance with their terms as of the date of termination, but the Company will have no further obligations to the Named Executive.

If the agreement is terminated as a result of death or disability, the Named Executive (or his beneficiary) will be entitled to receive his salary for a 12-month period following such termination and a prorated portion of any bonus attributable to the fiscal year in which the death or disability occurs. Additionally, the Named Executive (or his beneficiary) will be entitled to exercise those of his unexercised share-based awards that would have vested as of the first anniversary of the date of termination, and any shares of restricted stock will immediately vest.

If the Company terminates any of the employment agreements for other than good cause, the Company will pay the Named Executive's salary for the remaining term of the agreement and his bonus during the 12-month period (or shorter period if the termination occurs within the last year of the term) during which he is restricted from working for or otherwise providing services to a competitor of the Company. Additionally, each of the Agreements provide that for the remainder of the term, (i) all unvested share-based awards will vest in accordance with their terms, (ii) the Company will provide contributions, on the Named Executive's behalf, to the DCP and SERP and (iii) certain other employee benefits, such as health and life insurance will continue. Notwithstanding the foregoing, all compensation and benefits are subject to mitigation if a Named Executive works for or otherwise provides services to a third party.

If a Named Executive seeks to terminate his employment agreement for good cause, he must give the Company 30 days notice to cure the breach. If such breach is not cured (and the Company does not invoke its right to arbitration), the termination will be treated as a termination for other than good cause by the Company as described in the preceding paragraph. However, if the Company invokes its arbitration right, the Named Executive must continue



to work until the matter is resolved, otherwise it becomes a termination by him without cause.

If there is a change of control of the Company, all of the Named Executive's unvested share-based awards will fully vest. Furthermore, the Named Executive officer may terminate his employment agreement upon delivery of 30 days prior notice to the Company, no later than 90 days following the date of the change of control. In such event, the Company will pay the Named Executive a lump sum amount equal to the sum of (x) his unpaid salary through

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the end of the term of the agreement, and (y) an amount in lieu of his bonus (the calculation of which is further described therein). Additionally, through the end of the term, the Company will provide contributions, on his behalf, to the SERP and DCP in accordance with their terms, and certain employee benefits, such as health and life insurance.

The following tables indicate the estimated amounts that would be payable to each Named Executive upon a termination under the scenarios outlined above, excluding termination for good cause other than death or disability, assuming that such termination occurred on December 31, 2006 and using the closing price of the Company's common stock at December 29, 2006 for purposes of the calculations as required by the Securities and Exchange Commission. Therefore, there can be no assurance that these scenarios would produce the same or similar results as those disclosed herein if a termination occurs in the future. Given these guidelines, the Company believes the assumptions listed below, which were used to calculate the amounts disclosed in the table, are reasonable for purposes of this disclosure.

|                                   | Salary(A)    | Non-Equity<br>Incentive<br>Plan<br>Payments(B) | Pension<br>Enhancement(C) | Early<br>Vesting of<br>Stock<br>Options(D) | Other(E)   | Total         |
|-----------------------------------|--------------|--|---------------------------|--|------------|---------------|
| <b><u>Death or Disability</u></b> |              |  |                           |  |            |               |
| J. Terrence Lanni                 | \$ 2,000,000 | 6,567,893                                      | \$                        | \$ 18,076,600                              | \$         | \$ 26,644,493 |
| James J. Murren                   | 1,500,000    | 4,896,493                                      |                           | 12,177,800                                 |            | 18,574,293    |
| Robert H. Baldwin                 | 1,500,000    | 4,896,493                                      |                           | 13,502,400                                 |            | 19,898,893    |
| John T. Redmond                   | 1,500,000    | 4,896,493                                      |                           | 11,718,000                                 |            | 18,114,493    |
| Gary N. Jacobs                    | 700,000      | 2,283,461                                      |                           | 7,217,200                                  |            | 10,200,661    |
| <b><u>Without Cause</u></b>       |              |  |                           |  |            |               |
| J. Terrence Lanni                 | \$ 6,000,000 | 13,135,786                                     | \$ 2,390,868              | \$ 41,739,000                              | \$ 115,146 | \$ 63,380,800 |
| James J. Murren                   | 4,500,000    | 9,792,986                                      | 870,372                   | 27,611,400                                 | 186,591    | 42,961,349    |
| Robert H. Baldwin                 | 4,500,000    | 9,792,986                                      | 1,304,712                 | 29,800,800                                 | 119,646    | 45,518,144    |
| John T. Redmond                   | 4,500,000    | 9,792,986                                      | 956,199                   | 26,232,000                                 | 49,056     | 41,530,241    |
| Gary N. Jacobs                    | 2,100,000    | 4,566,922                                      | 537,054                   | 16,298,400                                 | 258,501    | 23,760,877    |
| <b><u>Change of Control</u></b>   |              |  |                           |  |            |               |
| J. Terrence Lanni                 | \$ 6,000,000 | 26,271,572                                     | \$ 2,390,868              | \$ 47,324,800                              | \$ 115,146 | \$ 82,102,386 |
| James J. Murren                   | 4,500,000    | 19,585,972                                     | 870,372                   | 30,867,200                                 | 186,591    | 56,010,135    |
| Robert H. Baldwin                 | 4,500,000    | 19,585,972                                     | 1,304,712                 | 32,596,800                                 | 119,646    | 58,107,130    |
| John T. Redmond                   | 4,500,000    | 19,585,972                                     | 956,199                   | 29,028,000                                 | 49,056     | 54,119,227    |
| Gary N. Jacobs                    | 2,100,000    | 9,133,844                                      | 537,054                   | 18,162,400                                 | 258,501    | 30,191,799    |

(A) Salary is paid for 12 months following the date of death or disability. Salary is paid for the remaining term of the employment contract upon termination without cause or a change of control.

(B) Non-equity incentive plan amounts payable upon death or disability are assumed to be equal to the non-equity incentive plan amounts paid in 2007 for 2006. Such amounts upon termination without cause are based upon a

non-discretionary payment for one year after termination based on amounts paid in 2007 for 2006. Non-equity incentive amounts paid upon a change of control are based upon a non-discretionary payment through the remaining term of the employment agreement based on amounts paid in 2007 for 2006.

- (C) Includes estimated continued company contributions to the SERP and DCP under each of the termination scenarios.
- (D) As stated above, the value of unvested stock options that would vest under each of these termination scenarios is based on the Company's common stock price at December 29, 2006.
- (E) Includes an estimate of health and life insurance benefits to be provided under each of the scenarios based on actual amounts paid out in 2006.

**Table of Contents****DIRECTOR COMPENSATION**

The following table sets forth information regarding director compensation during 2006.

| Name                           | Fees<br>Earned<br>or Paid<br>in Cash(A) | Stock<br>Awards | Stock<br>Appreciation<br>Rights and<br>Option<br>Awards(B) | Non-Equity<br>Incentive<br>Plan<br>Compensation | Deferred<br>Earnings<br>Compensation | All Other<br>Compensation(C) | Total      | Change<br>in<br>Pension<br>Value<br>and<br>Nonqualified |
|--------------------------------|---|-----------------|--|---|--------------------------------------|------------------------------|------------|---|
|                                |   |                 |  |   |                                      |                              |            |   |
| <b><u>Directors</u></b>        |   |                 |  |   |                                      |                              |            |   |
| Willie D. Davis                | \$ 86,500                               | \$              | \$ 124,487   | \$  | \$                                   | \$                           | \$ 210,987 |   |
| Alexander M. Haig, Jr.         | 60,500                                  |                 | 124,487  |   |                                      | 50,000                       | 234,987    |   |
| Alexis Herman                  | 99,000                                  |                 | 125,247  |   |                                      |                              | 224,247    |   |
| Roland Hernandez               | 132,000                                 |                 | 130,112  |   |                                      |                              | 262,112    |   |
| Kirk Kerkorian                 | 63,500                                  |                 |  |   |                                      |                              | 63,500     |   |
| Anthony Mandekic               | 56,000                                  |                 | 40,455   |   |                                      |                              | 96,455     |   |
| Rose McKinney-James            | 89,500                                  |                 | 118,508  |   |                                      |                              | 208,008    |   |
| Ronald M. Popeil               | 76,000                                  |                 | 124,487  |   |                                      |                              | 200,487    |   |
| Melvin B. Wolzinger            | 85,500                                  |                 | 124,487  |   |                                      |                              | 209,987    |   |
| <b><u>Former Directors</u></b> |   |                 |  |   |                                      |                              |            |   |
| James D. Aljian(D)             | 81,500                                  |                 | 124,487  |   |                                      |                              | 205,987    |   |
| Terry N. Christensen(E)        | 20,500                                  |                 |  |   |                                      |                              | 20,500     |   |

(A) Directors who are compensated as full-time employees of the Company or its subsidiaries receive no additional compensation for service on the Board of Directors or its committees. Each director who is not a full-time employee of the Company or its subsidiaries is paid \$50,000 per annum, plus \$1,500 for each Board meeting attended (regardless of whether such Board meeting is attended in person or telephonically). The Chair of the Audit Committee receives an annual fee of \$25,000 plus a fee of \$2,500 per meeting attended. Each other member of the Audit Committee receives \$1,500 for each meeting attended. The Chair of the Compensation Committee receives a fee of \$1,500 per meeting attended. Each other member of the Compensation Committee receives \$1,000 for each meeting attended. The Chair of the Diversity Committee receives an annual fee of \$10,000 plus a fee of \$2,500 per meeting attended. Each other member of the Diversity Committee receives \$1,500 for each meeting attended. The Presiding Director receives an annual fee of \$20,000. For the period when there was an Executive Committee, each member received \$1,500 per meeting for each Executive Committee meeting attended. Directors are also reimbursed expenses for attendance at Board and Committee meetings. The foregoing fees are paid quarterly.

(B)

The amount reflected in the table is the amount of compensation recognized during the year ended December 31, 2006 for financial reporting purposes in accordance with SFAS 123(R), except that no forfeiture rate assumption has been applied to the amounts in the table. Each of the directors, except Mr. Kerkorian and directors who are full-time employees of the Company or its subsidiaries, received a grant of 20,000 stock appreciation rights in 2006, with a total grant-date fair value of \$313,000 for each director who received the grant. All grants to directors were valued using the Black-Scholes Model with assumptions as described in Footnote 14 to the Company's Consolidated Financial Statements, which are included in the Company's 2006 Annual Report to Stockholders which accompanies this proxy statement. As of December 31, 2006, the above directors had outstanding option and stock appreciation rights awards as follows: 92,000 for Mr. Aljian; 59,750 for Mr. Davis; 92,000 for Mr. Haig; 72,500 for Ms. Herman; 55,000 for Mr. Hernandez; 20,000 for Mr. Mandekic; 35,000 for Ms. McKinney-James; 92,000 for Mr. Popeil; and 92,000 for Mr. Wolzinger.

- (C) Except for Mr. Haig, the amounts in this column represent total perquisites, which individually do not exceed \$10,000. The Board of Directors of the Company has adopted a policy on benefits available to non-employee directors. The policy provides for a limited number of complimentary entertainment tickets for the personal use of directors, as well as complimentary rooms, food and beverages for directors and their spouses or

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significant others when staying at a Company property on Company business and for complimentary rooms only when not on Company business. The policy further provides for a limited number of discounted rooms, on a space available basis, for friends and family of directors staying at a Company property. During 2006, Mr. Haig rendered consulting services to the Company, for which he received a fee of \$50,000.

(D) Mr. Aljian passed away in April 2007.

(E) Mr. Christensen resigned as a director in February 2006.

**EXECUTIVE OFFICERS**

Information regarding the name, age and position of each of the Company's executive officers was provided in Item 1 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, except for Mr. Aldo Manzini who was appointed as an executive officer of the Company after the Company had filed its Annual Report on Form 10-K. Mr. Manzini, 43, has served as Executive Vice President and Chief Administrative Officer since March 2007. Prior to joining the Company, Mr. Manzini was Senior Vice President - Strategic Planning of The Walt Disney Company since 1999.

**SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
Proposal No. 2**

The Audit Committee of the Board of Directors of the Company is scheduled to meet prior to the stockholders meeting to select, subject to ratification by the stockholders, the independent registered public accounting firm to audit the consolidated financial statements of the Company during the year ended December 31, 2007. It is anticipated that the Audit Committee will select the firm of Deloitte & Touche LLP, an independent registered public accounting firm.

A representative of Deloitte & Touche LLP will be present at the stockholders' meeting with the opportunity to make a statement if he or she desires to do so and to respond to appropriate questions.

**The Board of Directors recommends a vote FOR adoption of this proposal.**

**Fees Paid To Auditors**

The following table sets forth fees paid to our auditors, Deloitte & Touche LLP, in 2006 and 2005 for audit and non-audit services.

|                    | 2006         | 2005         |
|--------------------|--------------|--------------|
| Audit Fees         | \$ 2,874,000 | \$ 2,400,000 |
| Audit-Related Fees | 115,000      | 60,000       |
| Tax Fees           | 90,000       | 236,000      |
| All other fees     | 2,000        | 29,000       |
| Total              | \$ 3,081,000 | \$ 2,725,000 |

The category of Audit Fees includes fees for our annual audit and quarterly reviews, the attestation reports on the Company's internal control over financial reporting, accounting consultations, statutory audits required by gaming

regulators and assistance with SEC filings.

The category of **Audit-Related Fees** includes employee benefit plan audits, due diligence in connection with acquisitions and internal control reviews not associated with the attestation reports on the Company's internal control over financial reporting.

The category of **Tax Fees** includes tax consultation and planning fees and tax compliance services.

The category of **All Other Fees** includes other consulting fees related primarily to the Company's overseas development initiatives.

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**Pre-Approved Policies and Procedures**

Our current Audit Committee Charter contains our policies related to pre-approval of services provided by the independent auditor. The Audit Committee, or the Chairman of the Audit Committee to whom such authority was delegated by the Audit Committee, must pre-approve all services provided by the independent auditor. Any such pre-approval by the Chairman must be presented to the Audit Committee at its next scheduled meeting.

**NOTICE CONCERNING STOCKHOLDER PROPOSALS AND NOMINATIONS**

Proposals of stockholders intended to be presented at the 2008 Annual Meeting of Stockholders, including nominations for directors, must be received by the Company on or before December 26, 2007 and must satisfy the requirements of Rule 14a-8 of Regulation 14A under the Exchange Act in order to be considered by the Board of Directors for inclusion in the form of proxy and proxy statement to be issued by the Board of Directors for that meeting. All such stockholder proposals and nominations should be submitted to the Secretary of the Company as follows: Corporate Secretary, MGM MIRAGE, 3600 Las Vegas Boulevard South, Las Vegas, Nevada 89109, Attention: Stockholder Communications. With respect to the Annual Meeting of Stockholders for 2008, under Rule 14a-4 of Regulation 14A, the Company may exercise discretionary voting authority under proxies it solicits for that meeting to vote on any matter not specified in the proxy unless the Company is notified about the matter no later than March 9, 2008 and the stockholder satisfies the other requirements of Rule 14a-4(c).

**OTHER INFORMATION**

The Company will bear all costs in connection with the solicitation of proxies. The Company intends to reimburse brokerage houses, custodians, nominees and others for their out-of-pocket expenses and reasonable clerical expenses related thereto. Officers, directors and regular employees of the Company and its subsidiaries may request the return of proxies from stockholders, for which no additional compensation will be paid to them.

The Company's Annual Report to Stockholders for the year ended December 31, 2006 accompanies this Proxy Statement.

By Order of the Board of Directors,

/s/ J. Terrence Lanni

*Chairman of the Board  
and Chief Executive Officer*



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**This Proxy will be voted as specified herein; if no specification is made, this Proxy will be voted for Items 1 and 2.**

Please Mark  Here for Address Change or Comments  
**SEE REVERSE SIDE**

1. Election of Directors

**FOR** all nominees named (except as marked to the contrary)

**WITHHOLD AUTHORITY** for all nominee(s) named

Names of Nominees: 01 Robert H. Baldwin, 02 Willie D. Davis, 03 Kenny G. Guinn, 04 Alexander M. Haig, Jr., 05 Alexis M. Herman, 06 Roland Hernandez, 07 Gary N. Jacobs, 08 Kirk Kerkorian, 09 J. Terrence Lanni, 10 Anthony Mandekic, 11 Rose McKinney-James, 12 James J. Murren, 13 Ronald M. Popeil, 14 John T. Redmond, 15 Daniel J. Taylor, 16 Melvin B. Wolzinger

**(INSTRUCTION: To withhold authority to vote for any individual nominee(s), write that nominee's name on the following lines.)**

2. Ratification of the selection of the independent registered public accounting firm for the year ending December 31, 2007

**FOR**  **AGAINST**  **ABSTAIN**

**Consenting to receive all future annual meeting materials and shareholder communications electronically is simple and fast!** Enroll today at [www.melloninvestor.com/ISD](http://www.melloninvestor.com/ISD) for secure online access to your proxy materials, statements, tax documents and other important shareholder correspondence.

I plan to attend meeting

Signature

Signature

Date

Please sign your name exactly as it appears hereon. In the case of joint owners, each should sign. If signing as executor, trustee, guardian or in any other representative capacity or as an officer of a corporation, please indicate your full title as such.

**5 FOLD AND DETACH HERE 5**

**WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING, BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.**

**Internet and telephone voting is available through 11:59 PM Eastern Time the day prior to annual meeting day.**

**Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.**

**INTERNET**  
<http://www.proxyvoting.com/mgg>

**OR**

**TELEPHONE**  
**1-866-540-5760**

Use the internet to vote your proxy.

Have your proxy card in hand  
when you access the web site.

Use any touch-tone telephone to  
vote your proxy. Have your proxy  
card in hand when you call.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card. To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

Choose **MLink**<sup>SM</sup> for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect**<sup>®</sup> at [www.melloninvestor.com/isd](http://www.melloninvestor.com/isd) where step-by-step instructions will prompt you through enrollment.

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**MGM MIRAGE  
Proxy for Annual Meeting of Stockholders  
May 22, 2007**

**Solicited on Behalf of the Board of Directors**

The undersigned hereby appoints WILLIE D. DAVIS, ALEXANDER M. HAIG, JR. and ROLAND HERNANDEZ and each of them, Proxies, with full power of substitution, to represent and vote all shares of common stock which the undersigned would be entitled to vote if personally present at the Annual Meeting of Stockholders of MGM MIRAGE (the Company) to be held at MGM Grand Las Vegas in the Hollywood Theatre, 3799 Las Vegas Boulevard South, Las Vegas, NV 89109 on May 22, 2007, at 10:00 a.m., and at any adjournments thereof, upon any and all matters which may properly be brought before said meeting or any adjournments thereof. The undersigned hereby revokes any and all proxies heretofore given with respect to such meeting.

The Board of Directors recommends a vote FOR Items 1 and 2.

*(Continued and to be SIGNED on the other side)*

**Address Change/Comments (Mark the corresponding box on the reverse side)**

**5 FOLD AND DETACH HERE 5**

Admission Ticket

*Annual Meeting*

*of*

*MGM MIRAGE*

*May 22, 2007 10:00 a.m. (Pacific Time)*

**MGM GRAND LAS VEGAS**

**3799 LAS VEGAS BOULEVARD SOUTH**

**LAS VEGAS, NV 89109**

**This ticket must be presented at the door for entrance to the meeting.**

Stockholder Name:

**WITH SPOUSE/SIGNIFICANT OTHER**       **WITHOUT SPOUSE/SIGNIFICANT OTHER**

Stockholder Address:

(Please Print)

**Agenda**

- 1: To elect a Board of Directors; and
- 2: To ratify the selection of the independent registered public accounting firm for the year ending December 31, 2007.