

MGM MIRAGE
Form DEF 14A
April 03, 2006

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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 9, 2006**

To the Stockholders:

The Annual Meeting of Stockholders of MGM MIRAGE, a Delaware corporation (the Company), will be held at Mandalay Bay Resort and Casino in the Mandalay Bay Events Center, located at 3950 Las Vegas Boulevard South, Las Vegas, Nevada 89119 on May 9, 2006, at 10:00 a.m., Pacific Time, for the following purposes:

1. To elect a Board of Directors;
2. To approve the Company's Amended and Restated Annual Performance-Based Incentive Plan for Executive Officers;
3. To ratify the selection of the independent registered public accounting firm for the year ending December 31, 2006; and
4. 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 14, 2006 are entitled to notice of and to vote at the meeting. A list of such stockholders will be available for examination by any stockholder, for any purpose germane to the meeting, 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.

By Order of the Board of Directors,

/s/ J. Terrence Lanni

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

April 3, 2006

**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 Blvd. South
Las Vegas, Nevada 89109**

**PROXY STATEMENT
April 3, 2006**

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 Mandalay Bay Resort and Casino in the Mandalay Bay Events Center, located at 3950 Las Vegas Boulevard South, Las Vegas, Nevada 89119 on May 9, 2006, 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 5, 2006.

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 14, 2006 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 14, 2006, 284,763,177 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. In May 2005, the Company completed a two-for-one stock split effected in the form of a 100% stock dividend. All share and per share amounts in this Proxy Statement have been restated for all periods presented to reflect the 100% stock dividend.

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 and Proposal 3, each 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,

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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 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 and Proposal 3, respectively, 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 proposals, 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 and Proposal 3.

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 2005 Annual Report are available on the Company's website at 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 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

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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 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 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 1-800-356-2017 or by visiting the Company's transfer agent's website at www.melloninvestor.com/ISD and following the instructions thereon.

PRINCIPAL STOCKHOLDERS

Shown below is certain information as of March 14, 2006 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 Compensation, 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 Beneficially Owned(2)	Percent of Class
Tracinda Corporation 150 South Rodeo Drive, Suite 250 Beverly Hills, California 90212	158,392,864(3)	55.6%
Marisco Capital Management, LLC 1200 17th Street, Suite 1600 Denver, Colorado 80202	34,623,323(4)	12.2%
Private Capital Management 8889 Pelican Bay Boulevard Naples, Florida 34108	26,058,479(5)	9.2%
J. Terrence Lanni	1,038,350(6)	(8)
Robert H. Baldwin	990,000(6)	(8)
John T. Redmond	446,662(6)	(8)
James J. Murren	2,338,662(6)	(8)
Gary N. Jacobs	983,533(6)	(8)
All directors and executive officers as a group (24 persons)	165,386,672(6)(7)	56.9%

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

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- (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) Tracinda Corporation (Tracinda), a Nevada corporation, is wholly owned by Kirk Kerkorian.
- (4) Based upon a Schedule 13G/A, dated February 13, 2006, filed 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 34,623,323 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 28,581,455 shares and sole dispositive power as to 34,623,323 shares.
- (5) Based upon a Schedule 13G, dated February 14, 2006, filed with the SEC by Private Capital Management, L.P. (PCM), Bruce S. Sherman and Gregg J. Powers, collectively, an investment advisor under the Investment Advisors Act of 1940, as amended, which is deemed to be the beneficial owner of shares of Common Stock as a result of acting as investment advisor to its clients as follows: (i) PCM 26,058,479 shares; (ii) Mr. Sherman 26,062,479; and (iii) Mr. Powers 26,058,479, as to which it reported shared voting and dispositive power as to 26,058,479 shares, and Mr. Sherman reported sole voting power as to 4,000 shares. Messrs. Sherman and Powers disclaim beneficial ownership for the shares held by PCM s clients and disclaim the existence of a group.
- (6) Included in these amounts are 800,000 shares, 840,000 shares, 320,000 shares, 2,190,000 shares and 927,800 shares underlying options that are exercisable as of March 14, 2006 or that become exercisable within 60 days thereafter held by Messrs. Lanni, Baldwin, Redmond, Murren, and Jacobs, respectively. Also included in these amounts are 150,000 shares of restricted stock held by Mr. Lanni, 75,000 shares of restricted stock held by each of Messrs. Baldwin, Redmond and Murren, and 25,000 shares of restricted stock held by Mr. Jacobs; the restrictions on all such shares are scheduled to lapse on June 3, 2006.
- (7) Also included are 333,750 shares subject to stock options exercisable as of March 14, 2006 or that become exercisable within 60 days thereafter, held by non-employee directors. Additionally included are a total of 685,500 shares underlying options that are exercisable as of March 14, 2006 or that become exercisable within 60 days thereafter held by non-director executive officers. Additionally included are 34,000 shares of restricted stock held by non-director executive officers; the restriction on all such shares are scheduled to lapse in 2006.
- (8) Less than one percent (1%).

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 Proposal 3, respectively, and Tracinda s vote will be sufficient to cause adoption of such proposals.

ELECTION OF DIRECTORS

Proposal No. 1

Information Concerning the Nominees

One of the purposes of the meeting is to elect 14 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.

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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 Company Common Stock and age as of March 14, 2006, and certain other matters. In the event any of said 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.

Name (age)	Principal Occupation and Other Directorships	First Became a Director	Shares of Common Stock Beneficially Owned(1)
James D. Aljian (73)	Executive of Tracinda since October 1987. Director of Chrysler Corporation from February 1996 to November 1998, and Member of Shareholder's Committee of DaimlerChrysler AG from November 1998 to December 2000.	1988	114,100(2)(3)
Robert H. Baldwin (55)	President and Chief Executive Officer of Mirage Resorts, Incorporated (Mirage Resorts) since June 2000. President of Project CC, LLC (CityCenter) since March 2005. Chief Financial Officer and Treasurer of Mirage Resorts on an interim basis from September 1999 to June 2000. President and Chief Executive Officer of Bellagio, LLC or its predecessor from June 1996 to March 2005. President and Chief Executive Officer of The Mirage Casino-Hotel from August 1987 to April 1997.	2000	990,000(2)(3)
Willie D. Davis (71)	President and a Director of All-Pro Broadcasting, Inc., an AM and FM radio broadcasting company, for more than the past five years. Director of and member of the Audit Committee of Sara Lee Corporation, Johnson Controls, Inc., and Manpower, Inc. Also Director of Alliance Bancshares California, Dow Chemical Company, Checkers Drive-In Restaurants Inc., Fidelity National Financial, and Fidelity National Title Group, Inc.	1989	57,896(2)(3)
Alexander M. Haig, Jr. (81)	Chairman of Worldwide Associates, Inc., an international business advisory firm, for more than the past five years. Host of World Business Review, a weekly television program. Consultant to the Company since 1990.	1990	73,300(2)(3)

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Name (age)	Principal Occupation and Other Directorships	First Became a Director	Shares of Common Stock Beneficially Owned(1)
Alexis Herman (58)	Chair and Chief Executive Officer of New Ventures. Director and member of the Audit Committee of Cummins Inc. Also Director of Presidential Life Insurance Corporation, Entergy Corp. and several non-profit organizations. Chairs diversity advisory boards for the Coca-Cola Company and Toyota. United States Secretary of Labor from 1997 to 2001. Prior to that, served for four years as Assistant to the President and Director of the White House Office of Public Liaison.	2002	34,800(2)(3)
Roland Hernandez (48)	Owner and manager of media holdings in Texas. Director and Chairman of the Audit Committee of Wal-Mart Stores, Inc. Director and member of the Audit Committee and Finance Committee of the Ryland Group. Director and member of the Audit Committee and Nominating Committee of Vail Resorts, Inc. Director and member of the Finance Committee of Lehman Brothers Holdings Inc. Chairman of the Board and Chief Executive Officer of Telemundo Group, Inc. from August 1998 to December 2000, and President and Chief Executive Officer of Telemundo Group, Inc. from March 1995 to July 1998.	2002	32,500(2)(3)
Gary N. Jacobs (60)	Executive Vice President and General Counsel of the Company since June 2000 and Secretary of the Company since January 2002. Prior to June 2000, partner, Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP. Mr. Jacobs is of counsel to that firm and is a Director and Secretary of The InterGroup Corporation.	2000	983,533(2)(3)
Kirk Kerkorian (88)	Chief Executive Officer, President and sole director and stockholder of Tracinda.	1987	158,392,864(4)

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Name (age)	Principal Occupation and Other Directorships	First Became a Director	Shares of Common Stock Beneficially Owned(1)
J. Terrence Lanni (63)	Chairman of the Company since July 1995. Chairman of the Executive Committee since June 1995. Chief Executive Officer of the Company from June 1995 to December 1999, and since March 2001. President of the Company from June 1995 to July 1995. President and Chief Operating Officer of Caesars World, Inc. from April 1981 to February 1995, and a director from January 1982 to February 1991. Director of KB Home since August 2003.	1995	1,038,350(2)(3)
Rose McKinney-James (54)	Principal of Energy Works Consulting LLC since March 2002. President of Brown & Partners from August 2001 until February 2002. President of Government Affairs of Faiss Foley Merica from May 2000 until June 2001. President and Chief Executive Officer of the Corporation for Solar Technology and Renewable Resources from January 1996 until May 2000. Director of the Nevada Department of Business and Industry from October 1993 until December 1995. Member of the Nevada Public Service Commission from January 1989 until October 1993. Member of the Board of Directors of Mandalay Resort Group (MRG) from 1999 until April 2005.	2005	
James J. Murren (44)	President and Chief Financial Officer of the Company since December 1999, and Treasurer since November 2001. Executive Vice President and Chief Financial Officer of the Company from January 1998 to December 1999. Prior thereto, Managing Director and Co-Director of research for Deutsche Morgan Grenfell (DMG), having served DMG in various other capacities since 1984.	1998	2,338,662(2)(3)

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Name (age)	Principal Occupation and Other Directorships	First Became a Director	Shares of Common Stock Beneficially Owned(1)
Ronald M. Popeil (70)	Founder of Ronco Inventions, LLC. Mr. Popeil was also a Director of Mirage Resorts from 1979 to May 2000.	2000	72,500(2)(3)
John T. Redmond (47)	President and Chief Executive Officer of MGM Grand Resorts, LLC (MGM Grand Resorts) since March 2001. Co-Chief Executive Officer of the Company from December 1999 to March 2001. President and Chief Operating Officer of Primm Valley Resorts from March 1999 to December 1999. Senior Vice President of MGM Grand Development, Inc. from August 1996 to February 1999. Director of MGM Grand Detroit, LLC since July 1997, Vice-Chairman from April 1998 to February 2000, and Chairman since February 2000. Prior to 1996, Senior Vice President and Chief Financial Officer of Caesars Palace and Desert Inn, having served in various other senior operational and development positions with Caesars World, Inc.	1999	446,662(2)(3)
Melvin B. Wolzinger (85)	A principal owner of various privately-held restaurants and casino gaming establishments in Las Vegas since 1991. Director of Mirage Resorts from 1973 to May 2000. Director of Colonial Bank, and Director of several non-profit organizations. Formerly, a general partner in W. W. Investment Co., a real estate holding company in Las Vegas, Nevada, from 1980 through 1998. Member of the Board of Trustees for the University of Nevada Las Vegas.	2000	63,800(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.

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- (3) Included in these amounts are (a) shares underlying options that are exercisable as of March 14, 2006 or become exercisable within 60 days thereafter, and (b) shares of restricted stock, which restrictions are scheduled to lapse on June 3, 2006, held as follows:

Name	Shares Underlying Options	Shares of Restricted Stock
Mr. Aljian	72,500	
Mr. Baldwin	840,000	75,000
Mr. Davis	20,250	
Mr. Haig	72,500	
Ms. Herman	33,000	
Mr. Hernandez	30,500	
Mr. Jacobs	927,800	25,000
Mr. Lanni	800,000	150,000
Mr. Murren	2,190,000	75,000
Mr. Popeil	52,500	
Mr. Redmond	320,000	75,000
Mr. Wolzinger	52,500	

- (4) Shares are owned by Tracinda, which is wholly-owned by Mr. Kerkorian. As of March 14, 2006, Tracinda owned 55.6% 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 Securities and Exchange Commission. 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 2005 were filed on a timely basis, except that a Form 4 filed on behalf of each of J. Terrence Lanni (with respect to 1 transaction) and Alan Feldman (with respect to 1 transaction) was filed one business day later than the two-day deadline.

INFORMATION REGARDING BOARD AND COMMITTEES

Board of Directors. The Board of Directors held four meetings during 2005 and acted by unanimous consent on three occasions. 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 2005, each director attended 100% of all meetings of the Board of Directors and at least 75% of all meetings of committees on which they served (held during the period for which they served). The Board of Directors does not have a standing nominating committee see Corporate Governance. The candidates for election at this annual meeting were nominated by the Board of Directors. Directors are expected to attend each annual meeting of stockholders. Of the 17 members of the Board of Directors in May 2005, all of them attended last year's annual meeting.

Executive Committee. During intervals between the meetings of the Board of Directors, the Executive Committee exercises 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 current members of the Executive Committee are J. Terrence Lanni (Chair), James D. Aljian, Robert H. Baldwin, Roland Hernandez, Gary N. Jacobs, Kirk Kerkorian, James J. Murren, John T. Redmond and Melvin B. Wolzinger. The Executive Committee held eight meetings during 2005.

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Audit Committee. The functions of the Audit Committee are to review and approve the selection and retention of an registered public independent accounting firm to conduct an annual audit of the Company's consolidated financial statements and to review with such firm the plan, scope and results of such audit, and the fees for the services performed. The Audit Committee also reviews with the independent registered public accounting firm and the Company's internal auditors the adequacy of internal control systems, receives internal audit reports and reports its findings to the full Board of Directors. The Audit Committee is composed exclusively of directors who are not salaried employees of the Company, each of whom have been determined by the Board of Directors to be independent within the meaning of the listing standards of the Exchange and free from any relationship which would interfere with the exercise of independent judgment as a committee member. The current members of the Audit Committee are Roland Hernandez (Chair), Alexis Herman and Rose McKinney-James. 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. The Audit Committee held six meetings during 2005.

Compensation and Stock Option Committee. The primary function of the Compensation and Stock Option Committee (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 stock options and other equity-based forms of compensation, including awards of restricted stock. The Compensation Committee's authority and oversight extends to total compensation, including base salaries, bonuses, stock options, and other forms of compensation. The Compensation Committee is comprised exclusively of directors who are not salaried employees of the Company and who are, in the opinion of the Board of Directors, free from any relationship that would interfere with the exercise of independent judgment as a Compensation Committee member. The current members of the Compensation Committee are James D. Aljian (Chair), Willie D. Davis, Rose McKinney-James, Ronald M. Popeil and Melvin B. Wolzinger. The Compensation Committee held 14 meetings during 2005.

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 and Melvin B. Wolzinger. The Diversity Committee held five meetings during 2005.

Compensation Committee Interlocks and Insider Participation. Mr. Aljian is an executive of Tracinda.

Director Compensation. 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. As of January 1, 2005, each director who was not a full-time employee of the Company or its subsidiaries was paid \$38,000 per annum, plus \$1,500 for each Board meeting attended (\$750 if such Board meeting was attended telephonically) plus, in the case of members of the Executive Committee, \$1,000 per meeting for each Executive Committee meeting attended (\$500 if such meeting of the Executive Committee was attended telephonically). The Chair of the Audit Committee received a fee of \$2,500 per meeting attended (\$1,250 if such meeting of the Audit Committee was attended telephonically), and each other member of the Audit Committee received \$1,500 for each meeting attended (\$750 if such meeting of the Audit Committee was attended telephonically). The Chair of the Compensation Committee received \$1,000 per quarter, and each other member of the Compensation Committee received \$750 per quarter. The Chair of the Diversity Committee received a fee of \$2,500 per meeting attended (\$1,250 if such meeting of the Diversity Committee was attended telephonically), and the other members of the Diversity Committee received a fee of \$1,500 per

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meeting attended (\$750 if such meeting of the Diversity Committee was attended telephonically). Directors are also reimbursed expenses for attendance at Board and Committee meetings. The foregoing fees are paid quarterly.

On May 3, 2005, the Board of Directors approved an increase in the fees paid to directors and committee members effective as of the commencement of the second quarter of 2005. Following such increase, each director who was not a full-time employee of the Company or its subsidiaries was paid \$50,000 per annum, plus \$1,500 for each Board meeting attended (regardless of whether such Board meeting was attended in person or telephonically) plus, in the case of members of the Executive Committee, \$1,500 per meeting for each Executive Committee meeting attended (regardless of whether such meeting of the Executive Committee was attended in person or telephonically). The Chair of the Audit Committee received an annual fee of \$12,000 plus a fee of \$2,500 per meeting attended (regardless of whether such meeting of the Audit Committee was attended in person or telephonically). Each other member of the Audit Committee received \$1,500 for each meeting attended (regardless of whether such meeting of the Audit Committee was attended in person or telephonically). The Chair of the Compensation Committee received a fee of \$1,500 per meeting attended (regardless of whether such meeting of the Compensation Committee was attended in person or telephonically). Each other member of the Compensation Committee received \$1,000 for each meeting attended (regardless of whether such meeting of the Compensation Committee was attended in person or telephonically). The Chair of the Diversity Committee received an annual fee of \$10,000 plus a fee of \$2,500 per meeting attended (regardless of whether such meeting of the Diversity Committee was attended in person or telephonically). Each other member of the Diversity Committee received \$1,500 for each meeting attended (regardless of whether such meeting of the Diversity Committee was attended in person or telephonically). The Presiding Director received an annual fee of \$20,000. On December 6, 2005, the Executive Committee approved a further increase in the annual fee payable to the Chair of the Audit Committee from \$12,000 to \$25,000, which increase was retroactive to the beginning of the fourth quarter of 2005.

The Board of Directors of the Company has adopted a policy on benefits available to 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 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.

Under the Company's former Nonqualified Stock Option Plan, members of the Company's Board of Directors who were not full-time employees of the Company received an initial grant of 20,000 stock options, and subsequent yearly grants of 10,000 stock options during their respective terms as directors. Effective May 3, 2005, the Company replaced the foregoing stock option grant program for such directors with a new stock option grant program pursuant to the Company's 2005 Omnibus Incentive Plan. Pursuant to the new stock option grant program, members of the Company's Board of Directors who are not full-time employees of the Company would receive an initial grant of 15,000 stock options and subsequent yearly grants of 15,000 stock options during their respective terms as directors. In November 2005, the annual grants were increased to 20,000 stock options and the subsequent yearly grants were increased to 20,000 stock options during their respective terms as directors. Mr. Kerkorian waived his right to receive stock options from the Company for service on the Company's Board of Directors. Furthermore, commencing in 2006, the Compensation Committee determined that future awards to non-employee directors would be in the form of stock appreciation rights.

During 2005, Alexander M. Haig, Jr., a member of the Board of Directors of the Company, rendered consulting services to the Company, for which he received a fee of \$50,000.

Table of Contents**Corporate Governance**

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) and (ii) a nominating/governance committee composed entirely of independent directors.

Independence of Directors. 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 standards set forth below. The Board of Directors has determined that Ms. Herman, Ms. McKinney-James and Messrs. Aljian, Davis, Haig, Hernandez, Kerkorian, Popeil and Wolzinger, who constitute a majority of the Board, are 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

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of the Exchange Act, and the Corporate Governance Rules of the Exchange applicable to audit committee composition.

Code of Conduct. The Board of Directors has adopted a Code of 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 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 under the caption Investor Relations Corporate Governance Code of Conduct 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.

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.

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.

Stockholder Communications with the Board. The Board of Directors has established a process for stockholders 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

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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.

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 under the caption Investor Relations Corporate Governance Guidelines, and a copy will be made available to any stockholder who requests it from the Company s Secretary.

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EXECUTIVE COMPENSATION AND OTHER INFORMATION

The following table summarizes the annual and long-term compensation for services in all capacities to the Company for the years ended December 31, 2005, 2004 and 2003, of the following: (i) the Chief Executive Officer of the Company; and (ii) the other four most highly compensated executive officers of the Company at December 31, 2005 (collectively, the Named Executives).

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards		
		Salary	Bonus	Other Annual	Restricted Stock Awards	Shares Underlying Options	All Other Compensation
		(A)	(B)	(C)	(D)	(E)	(F)
		&					