

GOLDEN NUGGET, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 28, 1987

The Annual Meeting of Stockholders of Golden Nugget, Inc. (the "Company") will be held at the Golden Nugget Hotel, 129 Fremont Street, Las Vegas, Nevada on Thursday, May 28, 1987, at 1:00 P.M., for the following purposes:

1. To elect three directors for the term set forth in the accompanying Proxy Statement;
2. To approve an amendment to the Company's Articles of Incorporation to eliminate the personal liability of directors or officers to the Company or its stockholders for damages for certain breaches of fiduciary duty as a director or officer; and
3. To transact such other business as may properly come before the Meeting and any adjournments thereof.

Pursuant to the By-laws of the Company, the Board of Directors has fixed the time and date for the determination of stockholders entitled to notice of and to vote at the Meeting as of the close of business on April 10, 1987. Accordingly, only stockholders of record on such date and at such time will be entitled to vote at the Meeting, notwithstanding any transfer of stock on the books of the Company thereafter.

Whether or not you expect to attend the Meeting in person, please date and sign the accompanying Proxy card and return it promptly to Valley Bank of Nevada in the envelope enclosed for that purpose.

KENNETH R. WYNN,
Secretary

Las Vegas, Nevada
April 16, 1987

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GOLDEN NUGGET, INC.

129 Fremont Street
Las Vegas, Nevada 89101

April 16, 1987

PROXY STATEMENT

The accompanying Proxy is solicited by and on behalf of the Board of Directors of Golden Nugget, Inc. (the "Company"), for use only at the Annual Meeting of Stockholders to be held on May 28, 1987, and at any and all adjournments thereof (the "Meeting"). Unless the accompanying Proxy has been previously revoked, the shares represented by the Proxy will, unless otherwise directed, be voted at the Meeting for the nominees for election as directors named below and for all other matters described in this Proxy Statement. A stockholder may revoke the Proxy at will at any time prior to the voting of shares by voting in person at the Meeting or by filing with the Secretary of the Company a duly executed Proxy bearing a later date or an instrument revoking the Proxy. The total cost of solicitation of Proxies will be paid by the Company.

In addition to soliciting Proxies by mail, the Company's officers, directors and other regular employees, without additional compensation, may solicit Proxies personally or by other appropriate means. It is anticipated that banks, brokers, fiduciaries and other custodians and nominees will forward proxy soliciting material to their principals and that the Company will reimburse such persons' out-of-pocket expenses.

It is anticipated that this Proxy Statement and accompanying Proxy will first be mailed to stockholders on or about April 20, 1987.

VOTING RIGHTS

Holders of the Company's \$.02 par value common stock (the "Common Stock"), of record as of the close of business on April 10, 1987, will be entitled to vote on all matters presented to the Meeting. On April 10, 1987, there were outstanding 34,459,360 shares of the Common Stock, which constituted all of the outstanding voting securities of the Company. There will be no cumulative voting for members of the Board of Directors. The election requires the affirmative vote for each nominee of a plurality of the votes cast. Approval of the proposed amendment to the Company's Articles of Incorporation requires the affirmative vote of the holders of a majority of the outstanding shares of Common Stock. Typically, any other matters that may be presented at the Meeting will require for approval a majority of the votes cast.

MAJOR STOCKHOLDERS

The following table sets forth as of March 15, 1987 certain information with regard to each person who owned "beneficially," as such term is defined in the Rules of the Securities and Exchange Commission, to the knowledge of the Company, more than 5% of the Common Stock and with regard to all officers and directors of the Company as a group.

<u>Name and Address of Beneficial Owner</u>	<u>Shares of Common Stock Beneficially Owned</u>	<u>Approximate Percentage of Outstanding Common Stock</u>
Stephen A. Wynn P.O. Box 610 Las Vegas, NV 89101	5,000,000(1)	13.9%
Drexel Burnham Lambert Incorporated 60 Broad Street New York, New York 10004	3,278,500(2)	8.8%
All officers and directors as a group (18 persons)	6,565,160(3)	17.9%

- (1) Includes 1,575,000 shares of Common Stock subject to options and warrants exercisable within 60 days of March 15, 1987.
- (2) Includes 2,975,100 shares of Common Stock subject to warrants exercisable within 60 days of March 15, 1987 (of which 13,200 warrants were held by brokerage accounts over which Drexel Burnham Lambert Incorporated ("DBL") exercises discretion) and 3,400 outstanding shares of Common Stock held by brokerage accounts over which DBL exercises discretion. The information with respect to DBL is as of December 31, 1986 and is based solely on a Schedule 13G filed by DBL with the Securities and Exchange Commission on February 16, 1987.
- (3) Includes 2,115,900 shares of Common Stock subject to options and warrants exercisable within 60 days of March 15, 1987. Does not include 340,138 shares of Common Stock (1.0%) beneficially owned by the Estate of Earl E. Wilson, of which Melvin B. Wolzinger, a director of the Company, serves as Executor. See Note (8) to the table under "Directors and Executive Officers."

DIRECTORS AND EXECUTIVE OFFICERS

The Company's Articles of Incorporation and By-laws provide for from three to 11 directors, to be elected in a manner determined by the Board of Directors. Currently, there are 10 directors, all of whom, except Mr. Wayson, who was appointed by the Board of Directors in March 1987, have been previously elected by the stockholders. The three directors to be elected at the Meeting are to be elected to hold office for three years each and until the election of their respective successors. All Proxies received by the Board of Directors will be voted for the election, as directors, of the nominees listed below if no direction to the contrary is given. In the event that any nominee is unable or declines to serve, an event that is not anticipated, the Proxies will be voted for the election of any nominee who may be designated by the Board of Directors.

The information set forth below is submitted with respect to the nominees to the Board for which it is intended that Proxies will be voted, for directors whose terms of office continue after the Meeting and for executive officers who are not directors.

Information Concerning Nominees for Election as Directors (1) (2)

<u>Name</u>	<u>Year First Elected</u>	<u>Shares of Common Stock Beneficially Owned as of March 15, 1987</u>	<u>Approximate Percentage of Common Stock (*indicates less than 1%)</u>
Clyde T. Turner, 49 Executive Vice President, Chief Financial Officer, Treasurer and Director Mr. Turner joined the Company as Senior Vice President, Chief Financial Officer and Treasurer on March 28, 1979 and was appointed Executive Vice President on November 19, 1982.	1984; Appointed March 18, 1983	100,000(3)	*
Gary S. Darman, 43 Director and Consultant Mr. Darman served as Senior Vice President — Real Estate and Corporate Development of the Company between January 23, 1983 and October 31, 1983. For more than five years prior to such appointment, Mr. Darman was a self-employed real estate developer and investor, and he has been so engaged since leaving the Company.	1984; Appointed February 24, 1982	—	—
John H. Kissick, 45 Director and Member of Stock Option Committee Mr. Kissick is an Executive Vice President of DBL, the Company's investment banker (see "Certain Transactions"), and the Director of its West Coast Corporate Finance Department, and has been employed by such firm for more than five years.	1984; Appointed February 24, 1982	—(4)	—

Information Concerning Directors Whose Terms of Office Will Continue After the Annual Meeting(1) (2)

<u>Name</u>	<u>Year First Elected</u>	<u>Expiration of Term as Director</u>	<u>Shares of Common Stock Beneficially Owned as of March 15, 1987</u>	<u>Approximate Percentage of Common Stock (*indicates less than 1%)</u>
Stephen A. Wynn, 45 Chairman of the Board of Directors, President and Chief Executive Officer (6) Mr. Wynn has been Chairman and a director of the Company for more than five years.	1973	1989	5,000,000(5)	13.9%
Kenneth R. Wynn, 34 Vice President of Design and Construction, Secretary and Director (6) Mr. Wynn is also the President of Atlandia Design and Furnishings, Inc., a wholly owned subsidiary of the Company; Mr. Wynn has been Secretary and a director of the Company for more than five years.	1973	1989	350,135(7)	1.0%

<u>Name</u>	<u>Year First Elected</u>	<u>Expiration of Term as Director</u>	<u>Shares of Common Stock Beneficially Owned as of March 15, 1987</u>	<u>Approximate Percentage of Common Stock (*indicates less than 1%)</u>
<p>Ronald M. Popeil, 51 Director and Member of Audit and Stock Option Committees Mr. Popeil has been the President of Innovations 2000, Inc., the principal business of which is the production and marketing of consumer products, since he co-founded that company in May 1984. Prior to that, Mr. Popeil was the Chairman of the Board, Chief Executive Officer and founder of RONCO Teleproducts, Inc., Chicago, Illinois, the principal business of which was the marketing of consumer products, and was significantly involved in the affairs of such company for more than 20 years. In 1984, RONCO Teleproducts, Inc. filed a petition for reorganization under Chapter 11 of the Federal Bankruptcy Code, which was converted to a Chapter 7 liquidation proceeding in June 1986.</p>	1980; Appointed September 19, 1979	1989	—	—
<p>Melvin B. Wolzinger, 66 Director and Member of Audit and Stock Option Committees Mr. Wolzinger is and has been for more than five years a general partner in W. W. Investments Co. (a real estate holding company in Las Vegas, Nevada). See Note (8) for a description of Mr. Wolzinger's other significant business activities.</p>	1973	1988	808,250(8)	2.3%
<p>Elaine P. Wynn, 44 Director Ms. Wynn is active in civic and philanthropic affairs in the Las Vegas community and has been so involved for more than five years. She is Treasurer and a Trustee of Golden Nugget Scholarship Fund, Inc.</p>	1977	1988	—	—
<p>George J. Mason, 56 Director and Member of the Audit and Stock Option Committees Mr. Mason is an Associate Director of, and Registered Representative for, Bear, Stearns & Co. Inc., Los Angeles, California, a securities brokerage firm which has provided certain brokerage services to the Company, and has been employed by such firm for more than five years.</p>	1973	1988	40,525(9)	*
<p>Daniel B. Wayson, 34 Director Mr. Wayson held various accounting and executive positions with the Company's New Jersey gaming subsidiary from March 1980 through March 1987, most recently as President and Chief Executive Officer since December 1984. He is a principal of Wayson's Properties, Inc., a real estate development and holding company.</p>	Appointed March 19, 1987	1988	90,000(10)	*

Information Concerning Executive Officers Other Than Directors Listed Above (11)

	<u>Year Hired by Company</u>
<p>Barry A. Shier, 32, Executive Vice President — Hotel Operations Mr. Shier joined the Company in his present position in September 1984. From November 1978 to May 1983, he served in various financial and managerial capacities with the Waldorf-Astoria Hotel, New York, New York and Hilton Hotels Corporation (Eastern Region). From June 1983 until joining the Company, Mr. Shier was Executive Vice President and a director of Eugene R. Scanlan Enterprises, Inc., a private consulting firm for the hotel and restaurant industry, and held a significant equity interest in such firm.</p>	1984
<p>Alfred J. Luciani, 41, Vice President — Corporate Development Mr. Luciani served as Vice President of GNAC, CORP., then a wholly owned subsidiary of the Company which operated the Golden Nugget casino-hotel in Atlantic City, New Jersey, from November 1984 to March 1987 and was appointed to his present position in June 1986. From March 1983 to November 1984, he was Executive Vice President and Managing Director — Marina Property of GNAC, CORP. From December 1980 to March 1983, Mr. Luciani was a principal of the law firm of Luciani and Wilson, P.A. (and its predecessor firm), Atlantic City, New Jersey, which firm has performed various legal services for the Company.</p>	1983
<p>Bruce A. Levin, 47, Vice President, General Counsel and Assistant Secretary Mr. Levin was an attorney and senior member in the firm of Levin, Saphier & Rein, a Professional Corporation, Los Angeles, California (and its predecessor firm), from March 1972 through December 1976. Such firm and its successors performed various legal services for the Company between 1973 and November 1979. Commencing in January 1978 and continuing until he joined the Company on August 1, 1979, Mr. Levin performed legal services for the Company as an independent contractor and also was involved in private real estate investment activities.</p>	1979
<p>Shannon L. Bybee, Jr., 48, Senior Vice President — Community Relations Mr. Bybee served as President and Chief Operating Officer of GNAC, CORP. between May 28, 1981 and March 18, 1983, when he was appointed to his present position. Mr. Bybee was an attorney and senior member of the law firm of Hilbrecht, Jones, Schreck & Bybee, Las Vegas, Nevada, from July 1975 until joining the Company on October 1, 1978 as Vice President — Gaming Control. Such firm performed various legal services for the Company during the two years prior to Mr. Bybee's joining the Company and its successor, to which Mr. Bybee is of counsel, has continued to perform legal services for the Company. From January 1971 to July 1975, he was a member of the Nevada State Gaming Control Board.</p>	1978
<p>Douglas G. Pool, 36, Vice President — Finance Mr. Pool joined the Company's accounting and financial staff on June 1, 1979 and was appointed to his present position on November 19, 1982. Prior to joining the Company, he was employed by Coopers & Lybrand, the Company's independent certified public accountants, in various auditing and accounting capacities.</p>	1979
<p>George L. Thompson, 52, Vice President — Slot Operations and Special Projects Except for the period January 1981 to July 1981, when he served as Executive Vice President of Concorde Manufacturing Co., a slot machine manufacturer located in Las Vegas, Nevada, and the period August 1977 to June 1979, when he served as Director of Slot Operations for the Stardust and Fremont Hotels in Las Vegas, Nevada, Mr. Thompson has been employed by the Company in various supervisory and planning capacities since 1973. He was appointed to his present position on November 19, 1982. In January 1983, Concorde Manufacturing Co. filed a petition for reorganization under Chapter 11 of the Federal Bankruptcy Code, which was converted to a Chapter 7 liquidation proceeding and liquidated in 1985.</p>	1973
<p>James M. Powers, 58, Vice President — Corporate Security Mr. Powers was the Special Agent in Charge of the Las Vegas Office of the Federal Bureau of Investigation from November 1977 until joining the Company in January 1980. Prior to November 1977, Mr. Powers was employed in various capacities by the Federal Bureau of Investigation for 23 years.</p>	1980

James E. Pettis, 35, Vice President — Risk Management

Mr. Pettis was appointed to his present position on November 28, 1984. He has been employed by the Company since May 1980, with responsibility for various corporate insurance and safety matters.

- (1) Only directorships of issuers with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), or subject to the requirements of Section 15(d) of the 1934 Act, or directorships of issuers registered as investment companies under the Investment Company Act of 1940, are listed in the table.
- (2) Each of the directors of the Company was named as a defendant, and the Company was named as a nominal defendant, in a purported derivative action filed by a stockholder of the Company on April 13, 1984 in the United States District Court for the District of Nevada. The complaint alleged that the Company's purchase of an aggregate of 1,126,575 shares of its Common Stock (or 3.2% of the shares then outstanding) from Edward M. and Fred M. Doumani (who were also originally named as defendants) for \$15 million (an alleged premium of \$1,898,279) constituted a waste of corporate assets and represented an effort by the directors to entrench their positions and enrich the Doumanis unfairly. The plaintiff sought damages in an unspecified amount.

The Board of Directors believed and continues to believe that the purchase was reasonable and appropriate. The Board of Directors, in approving the stock purchase, believed that it might obviate the need for the New Jersey Casino Control Commission (the "Commission") to reach a decision on Edward M. Doumani's qualification and other related issues, and avoid the expense associated with repurchasing the balance of the shares owned by the spouses and certain adult children of the Doumanis, an aggregate of 1,766,575 shares (the "Doumani Shares"), or of any proceedings to force their divestiture. In December 1984, the Commission found Edward M. Doumani disqualified as a stockholder of the Company. (This finding was subsequently withdrawn, apparently on procedural grounds.) On January 9, 1986, the Company entered into an agreement to purchase the Doumani Shares for an aggregate cash consideration of \$21,198,900, or at a per share price of \$12.00, which equaled the closing price of the Common Stock on the New York Stock Exchange on the preceding day. The Commission had previously granted the Company authority to repurchase the Doumani Shares at a price equal to market price. The purchase was consummated on January 15, 1986 and approved by the Commission on February 26, 1986.

On April 6, 1987, the parties stipulated that the action be dismissed with prejudice and that the defendants will reimburse the plaintiff for his reasonable attorneys' fees and costs in an amount to be determined by the court up to a maximum of \$100,000. Prior to agreeing to this settlement, the defendants had been advised by the Company's directors' and officers' liability insurer that it would pay such attorneys' fees and costs. As part of the settlement, the plaintiff's counsel stipulated that, in its opinion, the evidence obtained after the completion of comprehensive and exhaustive investigation and discovery would not likely enable the plaintiff to prevail at trial nor obtain a finding that the Company's directors or officers engaged in any wrongdoing. The settlement is subject to the approval of the court at a hearing to be held on May 21, 1987.

- (3) All such shares are subject to options exercisable within 60 days of March 15, 1987.
- (4) Does not include any shares owned beneficially by DBL, as to which Mr. Kissick disclaims beneficial ownership.
- (5) Includes 1,575,000 shares subject to options and warrants exercisable within 60 days of March 15, 1987.
- (6) Stephen A. Wynn and Kenneth R. Wynn are brothers.
- (7) Includes 250,000 shares held in a family trust for which Mr. Wynn acts as trustee and 135 shares held by Mr. Wynn as custodian. Also includes 100,000 shares subject to options exercisable within 60 days of March 15, 1987.

- (8) Includes 75,400 shares subject to options and warrants exercisable within 60 days of March 15, 1987 and 82,100 shares held in joint tenancy with Mr. Wolzinger's wife, but does not include 340,138 shares (1.0%) beneficially owned by the Estate of Earl E. Wilson, who died in 1984 and who was Mr. Wolzinger's partner in various business ventures. Mr. Wolzinger is the Executor of Mr. Wilson's estate. Mr. Wolzinger and Mr. Wilson's estate also own Ernie's Bar and Cafe, a restaurant, bar and gaming casino consisting of slot machines only, in Las Vegas, Nevada, and are principal stockholders of Foxy's Firehouse Casino, Inc., which operates Foxy's Firehouse Casino in Las Vegas, Nevada. In addition, Mr. Wolzinger is President, director and sole stockholder of S & W Investments, Inc., a real estate investment company, and an officer, director and principal stockholder of The Lift, a restaurant, bar and gaming casino consisting of slot machines only, in Las Vegas, Nevada.
- (9) Includes 15,500 shares subject to warrants exercisable within 60 days of March 15, 1987.
- (10) Includes 75,000 shares subject to options exercisable within 60 days of March 15, 1987.
- (11) Officers serve at the pleasure of the Board of Directors. For information with respect to employment agreements with two executive officers, see Notes (2) and (3) to the table under "Compensation of Directors and Executive Officers — Cash Compensation."

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Cash Compensation

The following table shows (1) with respect to each of the five most highly compensated executive officers of the Company, and (2) with respect to all executive officers as a group, cash compensation paid for services rendered in all capacities to the Company and its subsidiaries during 1986.

<u>Name of Individual</u>	<u>Capacities in Which Served</u>	<u>Cash Compensation(1)</u>
Stephen A. Wynn(2)	Chairman of the Board, President and Chief Executive Officer	\$ 800,000
Clyde T. Turner	Executive Vice President, Chief Financial Officer and Treasurer	300,000
Barry A. Shier(3)	Executive Vice President — Hotel Operations	250,000
Alfred J. Luciani	Vice President — Corporate Development and Vice President of GNAC, CORP.	240,900
Kenneth R. Wynn	Vice President — Design and Construction and Secretary	231,600
All executive officers as a group (12 persons)(4)		\$2,675,544

- (1) Includes all salaries, fees, directors' fees, commissions and bonuses, including amounts deferred pursuant to the Company's retirement savings plan adopted pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"). The Company matches 50% of eligible employees' salary deferral contributions up to a maximum of 4% of such contributions. Starting in 1987, an individual employee's annual contribution may not exceed \$7,000. Such Company matching amounts vest at the rate of 20% per year; however, existing employees with more than one year of service as of December 31, 1985 were initially vested at a 20% level, with an additional 20% for each additional two years of service as of December 31, 1985. Does not include the matching contributions made by the Company during 1986, as follows: Stephen A. Wynn — \$8,615; Clyde T. Turner — \$6,000; Barry A. Shier — \$4,231; Alfred J. Luciani — \$4,500; Kenneth R. Wynn — \$4,500; all executive officers as a group — \$42,413.

Also does not include the net value of securities realized with respect to the exercise of options pursuant to the various Plans described below under "Compensation Pursuant to Plans."

- (2) Mr. Wynn is employed pursuant to an employment agreement entered into in December 1986 which provides for an annual salary of \$800,000 and terminates in December 1991.
- (3) Mr. Shier is employed pursuant to an employment agreement entered into in June 1984 which provides for an annual salary of \$250,000 and terminates in September 1988.
- (4) Includes one individual whose employment with the Company terminated in December 1986.

Directors who are not employees of the Company were paid a monthly retainer during 1986 of \$4,000, representing \$2,000 for services as a director of the Company and \$1,000 for services as directors of each of the Company's then two gaming subsidiaries. Director Gary S. Darman was paid fees of \$24,000 during 1986 for consulting services provided to the Company with respect to potential real estate investments and expansion alternatives. While such services are not rendered pursuant to a written contract and the consulting arrangement is terminable at will by either party, the Company has paid, and expects to continue to pay, such \$2,000 monthly consulting fee to Mr. Darman in 1987. Directors Ronald M. Popeil, George J. Mason, Melvin B. Wolzinger and John H. Kissick served on the Company's Audit and Stock Option Committees and received a monthly fee of \$500 per Committee for such services during 1986. Mr. Kissick's service on the Audit Committee terminated in September 1986. Directors who are officers of the Company do not receive compensation for their services as directors.

Other Compensation

Certain incidental personal benefits to executive officers and directors of the Company may result from expenses incurred by the Company in the interest of attracting and retaining qualified personnel. These benefits include (i) reimbursement for medical expenses, (ii) amounts allocated for personal use of Company automobiles, (iii) the cost of Company-paid life insurance, (iv) personal use of the Company's boat, (v) use of complimentary rooms, food, beverages, entertainment and gift shop items and (vi) use of Company employees to furnish personal services. In addition, Stephen A. Wynn has made personal use of the Company's aircraft and has fully reimbursed the Company for its incremental cost attributable to such personal use. The unreimbursed incremental cost to the Company of providing personal benefits did not exceed as to any individual named above the lesser of \$25,000 or 10% of the cash compensation paid to such person and, as to all executive officers as a group, did not exceed \$250,000.

Compensation Pursuant to Plans

Stock Option Plans. The Company grants options for the purchase of its Common Stock and stock appreciation rights ("SARs") pursuant to its 1983 Stock Option and Stock Appreciation Rights Plan (the "1983 Plan"), its 1984 Stock Option and Stock Appreciation Rights Plan (the "1984 Plan") and its 1986 Stock Option and Stock Appreciation Rights Plan (the "1986 Plan") (collectively, the "Plans"). Each person who is or who agrees to become an officer, director, key employee, independent contractor or agent of the Company or any of its subsidiaries is eligible to be granted stock options and SARs under the Plans. The Company's Stock Option Committee administers the Plans and has full and final authority to determine the terms and conditions of grants, including the number of options or SARs to be granted, the persons to whom and the times at which options or SARs shall be granted and be exercisable, their exercise prices and the terms of the respective agreements to be entered into at the time of grant. Determinations as to grants under the Plans need not be uniform and may be made selectively among persons who receive, or are eligible to receive, grants. The 1983 Plan was approved by the stockholders in 1983 and, unless earlier terminated by the Board of Directors, expires in March 1993. The 1984 Plan was approved by the stockholders in 1984 and, unless earlier terminated by the Board of Directors, expires in February 1994. The 1986 Plan was approved by the stockholders in 1986 and, unless earlier terminated by the Board of Directors, expires in March 1996. Pursuant to each of the Plans, the Company may grant an aggregate of up to 2,500,000 stock options, which may include non-qualified stock options ("Non-Qualified Options") and options intended to qualify as

incentive stock options ("Incentive Options") under Section 422A of the Code, as well as SARs. Stock options and SARs may be granted for a term of up to 10 years (five years in the case of Incentive Options granted to a person who owns more than 10% of the Common Stock), which may extend beyond the expiration date of each Plan. The per share exercise or base price of each stock option or SAR granted under each Plan may not be less than 50% of the fair market value of the Common Stock on the date of grant, except that Incentive Options may not be granted with an exercise price less than 100% of the fair market value of the Common Stock on the date of grant (110% in the case of a person who owns more than 10% of the Common Stock). Stock options may be exercised using cash or shares of Common Stock. SARs may be exercised for cash or Common Stock. As of March 15, 1987, options to purchase an aggregate of 3,764,884 shares were outstanding under the 1983 Plan and the 1984 Plan, held by 51 persons, with an average per share exercise price of \$10.21, including options to purchase an aggregate of 1,877,500 shares held by nine executive officers of the Company. As of March 15, 1987, an aggregate of 77,499 options granted under the 1984 Plan, and 112,500 options granted under the 1983 Plan, had been exercised and no SARs had been granted. No grants have been made under the 1986 Plan.

During 1986, one executive officer of the Company was granted 25,000 options under the 1984 Plan with a per share exercise price of \$11.50. Such options were granted at the market price of the Common Stock on the date of grant. No options were granted under the 1983 Plan during 1986. During 1986, Mr. Luciani realized a net value of securities of \$237,500 through the exercise of options to purchase 50,000 shares granted under the 1983 Plan. During 1986, all executive officers of the Company as a group realized a net value of securities of \$312,500 through the exercise of options to purchase an aggregate of 70,000 shares granted under the Plans.

Up to 289,000 SARs remain available for grant under the Company's 1982 Stock Appreciation Rights Plan (the "1982 Plan"). Unlike the Plans, SARs granted under the 1982 Plan may be exercised only for cash. No SARs were granted or exercised under the 1982 Plan during 1986, nor were any such SARs outstanding as of March 15, 1987.

Executive Retirement Plan. Effective December 1, 1986 (the "Effective Date"), the Board of Directors adopted an Executive Retirement Plan (the "Executive Plan"), a defined benefit plan which covers Messrs. Stephen A. Wynn, Turner, Shier, Kenneth R. Wynn and Luciani, six other officers and key executives of the Company or its subsidiaries and Mr. Wayson, who at the Effective Date was an officer and key executive of a subsidiary and who became a director of the Company in March 1987 (the "Executives"). (For purposes of the Executive Plan, Mr. Wayson is treated as a full-time employee of the Company.) The purpose of the Executive Plan is to advance the interests of the Company and its stockholders by encouraging the Executives, upon whose efforts the Company's success is largely dependent, to remain in the employ of, or otherwise to continue to render significant services to, the Company. Under the Executive Plan, each Executive who remains continuously employed by the Company or a subsidiary shall, upon the later of the completion of 13 years of full-time service (including service accrued prior to the Effective Date) or the attainment of 45 years of age (the "Vesting Date"), be entitled to a retirement benefit payable in cash in 120 equal monthly installments commencing in the month following the Vesting Date. The amount of the annual benefit payable to each Executive will be equal to his annual salary at the Effective Date, increased by a rate of 8% per annum, compounded annually, from the later of the Effective Date or the date the Executive has completed 10 years of full-time service to the Vesting Date.

An Executive may elect to defer the commencement of payment of his retirement benefit beyond the Vesting Date so long as he remains employed on a full-time basis by the Company or a subsidiary or until his death, in which event the amount of the benefit shall be increased by a rate of 8% per annum, compounded annually, from the Vesting Date to the date of commencement of payment. If an Executive dies or suffers a Permanent Disability (as defined) prior to the Vesting Date (assuming continuous full-time employment prior to such occurrence), the Executive or his beneficiary shall be entitled to a monthly benefit, payable for 120 consecutive months, equal to the product of the Executive's monthly salary on the Effective Date and a fraction, the numerator of which is the Executive's number of years of full-time service prior to his death or

Permanent Disability and the denominator of which is 13. The amount of this benefit shall be increased by a rate of 8% per annum, compounded annually, for each year of full-time service in excess of 10 years.

The annual salaries at the Effective Date (upon which the respective retirement benefits are based) of Messrs. Stephen A. Wynn, Turner, Shier, Luciani and Kenneth R. Wynn were \$800,000, \$300,000, \$250,000, \$225,000 and \$225,000, respectively. The aggregate annual salaries at the Effective Date of all executive officers of the Company as a group who are Executives (eight persons) were \$2,215,000. Messrs. Stephen A. Wynn and Kenneth R. Wynn have completed more than 10 years of full-time service. Messrs. Turner, Shier and Luciani will complete 10 years of full-time service in 1989, 1994 and 1992, respectively, and all other executive officers will complete 10 years of full-time service on dates ranging from 1989 to 1990. The Vesting Dates of Messrs. Stephen A. Wynn, Turner, Shier, Luciani and Kenneth R. Wynn are January 1987, March 1992, March 2000, September 1995 and June 1997, respectively, and the Vesting Dates for all other executive officers range from August 1992 to February 1997. However, payment of Stephen A. Wynn's benefit shall not commence until February 1990, unless his employment by the Company is terminated for any reason other than his voluntary retirement, or unless he dies or suffers a Permanent Disability, prior to that date. Benefits payable under the Executive Plan represent unfunded and unsecured liabilities of the Company.

CERTAIN TRANSACTIONS

During 1986, DBL performed various investment banking and brokerage services for the Company. The Company paid DBL approximately \$5,482,000 in 1986 for such services. John H. Kissick, a director of the Company, is an Executive Vice President of DBL.

Since 1980, the Company has purchased equipment for its food and beverage operations from National Products Co. ("National"), a privately held wholesale distributor and institutional supplier of equipment utilized in the beverage and food service industry. During 1986, the Company and its subsidiaries paid National a total of approximately \$538,000. Until its sale in September 1986, Mrs. Kenneth R. Wynn's father and brother were officers, and each owned one-sixth of the voting stock (Mrs. Wynn's brother, as beneficiary of a trust), of National.

In October 1986, a wholly owned subsidiary of the Company agreed to lend Kenneth R. Wynn up to \$550,000 to purchase and furnish a home in Las Vegas, Nevada upon his move from New Jersey, as requested by the Company. At March 15, 1987, \$500,000 was outstanding under the loan. The loan is evidenced by a non-interest-bearing promissory note which is due on October 30, 1987 or, if earlier, upon the sale of Mr. Wynn's New Jersey residence or termination of his employment by the subsidiary. The promissory note is secured by a deed of trust on Mr. Wynn's Las Vegas residence.

In February 1987, in connection with the Company's sale of the capital stock of GNAC, CORP. and certain other assets to Bally Manufacturing Corporation, a wholly owned subsidiary of GNAC, CORP. repurchased 2,000 shares of its Series A Preferred Stock from each of Messrs. Kissick, Darman, Popeil, Wolzinger and Mason. The purchase price was \$10 per share, the amount paid by each of the holders when the Series A Preferred Stock was originally issued in December 1983, plus accrued but unpaid dividends.

PROPOSED AMENDMENT OF THE ARTICLES OF INCORPORATION

The General Corporation Law of Nevada, under which the Company is organized, was recently amended, effective March 18, 1987, to permit a Nevada corporation to add to its articles of incorporation a provision limiting or eliminating the personal monetary liability of directors or officers to the corporation or its stockholders for breach of their fiduciary duty as directors or officers. No such provision may, however, limit or eliminate the liability of a director or officer for acts or omissions which involve intentional misconduct, fraud or a knowing violation of law, or for the payment of dividends in violation of the General Corporation Law (NRS 78.300).

The Board of Directors of the Company, by unanimous vote, has approved an amendment to the Company's Articles of Incorporation (the "Amendment"), which is consistent with the recent amendment to

the General Corporation Law, and has recommended to stockholders approval of the Amendment at the Meeting. The Amendment will add a new ARTICLE FIFTEENTH to the Company's Articles of Incorporation, as follows:

"No director or officer shall be personally liable to this corporation or any stockholder for damages for breach of fiduciary duty as a director or officer, except that this ARTICLE FIFTEENTH shall not eliminate or limit the liability of a director or officer for (i) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law or (ii) the payment of dividends in violation of NRS 78.300. If the General Corporation Law of Nevada is hereafter amended or interpreted to eliminate or limit further the personal liability of directors or officers, then the liability of all directors and officers shall be eliminated or limited to the full extent then so permitted. Neither the amendment nor repeal of this ARTICLE FIFTEENTH, nor the adoption of any provision of these Articles of Incorporation inconsistent with this ARTICLE FIFTEENTH, shall eliminate or reduce the effect of this ARTICLE FIFTEENTH in respect of any act or omission that occurred prior to such amendment, repeal or adoption of an inconsistent provision."

Directors and officers generally are held to fiduciary duties of care and loyalty to the corporation and its stockholders in managing and operating the corporation. Under existing case law of Nevada and other states, the duty of care generally requires that directors and officers exercise reasonable business judgment. The duty of loyalty requires that in making business decisions, directors and officers act in good faith and in the honest belief that their actions are in the best interests of the corporation.

The principal effect of the Amendment, if adopted, is that a stockholder will be able to prosecute an action against a director or officer for monetary damages **only** if he can show intentional misconduct, fraud, a knowing violation of law or an illegal dividend, and will not be able to prosecute such an action based on the director's or officer's failure to satisfy his duty of care due to his "negligence" or "gross negligence," including "grossly negligent" business decisions made in the context of an acquisition or a proposal for the takeover of the Company. The Amendment will not limit or eliminate the right of the Company or any stockholder to seek an injunction or any other non-monetary relief in the event of a breach of a director's or officer's fiduciary duty. In addition, the Amendment applies only to claims against a director or officer arising out of his role as a director or officer and not in any other capacity, nor does the Amendment relieve a director or officer from liability unrelated to his fiduciary duty, such as liabilities which may be imposed on directors or officers under the federal securities laws. The Amendment applies only to actions brought by the Company or its stockholders, and would not affect claims of third parties, such as creditors of the Company. The Amendment provides that if Nevada law is amended or interpreted after adoption of the Amendment so as to eliminate or limit further the personal liability of directors or officers, the Amendment will automatically, and without the necessity of further action, incorporate such amendment or interpretation.

Since the Nevada legislation was only recently enacted and there have been no judicial decisions as to its validity or its applicability to particular aspects of directors' and officers' liability, the potential outcome of any litigation which may arise concerning the legislation cannot be ascertained at this time. For example, it is not clear whether the Amendment would be effective to eliminate the personal monetary liability of a director or officer for acts or omissions involving a breach of the duty of loyalty, although it is possible that a court would hold that a breach of the duty of loyalty constitutes "intentional misconduct" or a "knowing violation of law." A similar Delaware statute which took effect in July 1986 explicitly prohibits a limitation of liability for breach of a director's duty of loyalty. Similarly, it is not clear whether the Amendment would apply to an act or omission occurring prior to the effective date of the Amendment. Other than the action referred to in Note (2) to the table under "Directors and Executive Officers," which is proposed to be settled, there is no litigation pending, and the Company is not aware of any threatened litigation, which might result in claims against the directors or officers of a type to which the Amendment would apply.

The Board of Directors recognizes that the Company's directors and officers have a personal interest in the adoption of the Amendment, at the potential expense of stockholders, but nevertheless believes that the Amendment is in the best interest of the Company and its stockholders. Recent changes in the market for directors' and officers' liability insurance have resulted in the unavailability for directors and officers of many

corporations of any meaningful liability insurance coverage. Insurance carriers have in certain cases declined to renew existing policies, or have increased premiums to such an extent that the cost of obtaining sufficient coverage has become prohibitive. Moreover, current policies often exclude coverage for areas where the service of qualified officers and directors, including independent directors, is most needed. These limitations on the scope of insurance coverage, along with high deductibles and low limits of liability, have tended to undermine meaningful directors' and officers' liability insurance coverage.

Although the Company presently has directors' and officers' liability insurance, when such insurance was renewed in September 1985 for a one-year period, the amount of coverage was reduced from \$60 million to \$10 million, and the premium for such reduced coverage increased by more than 400%. When such insurance was last renewed in September 1986 for a one-year period, the premium for the same amount of coverage increased an additional 30%. The Company is unable to predict whether, at what costs, in what amounts or with what limitations it will be able to obtain insurance in the future, although it presently intends to attempt to continue such insurance, whether or not the Amendment is adopted, unless it determines that such insurance is not reasonably available, that the premium costs are unreasonable or that the exclusions so limit the policy that it provides inadequate protection. Since the Company's By-laws require the Company to indemnify directors and officers to the full extent permitted by Nevada law, failure to maintain directors' and officers' liability insurance, which is largely designed to reimburse the Company for such indemnification payments, would expose the Company's assets to increased risk. Additionally, while the existing officers and members of the Board of Directors had indicated a willingness to continue to serve before passage of the recent legislation and have not indicated an intention to resign if the Amendment is not approved by stockholders, they believe that the Amendment is important in order to help assure the continued ability of the Company to recruit and retain competent officers and directors, including directors independent of management. The Board of Directors also believes that effective corporate governance is hampered when directors and officers are not assured the protections they have traditionally been provided against lawsuits "second guessing" the prudence of business judgments made in good faith.

Accordingly, the Board of Directors unanimously recommends a vote FOR approval of the Amendment. Approval of the Amendment by stockholders requires the affirmative vote of the holders of a majority of the outstanding shares of Common Stock.

INFORMATION CONCERNING THE BOARD OF DIRECTORS AND ITS AUDIT COMMITTEE

Among the committees created by the Board of Directors is an Audit Committee. The Board of Directors has not designated a Nominating Committee or a Compensation Committee. Presently, the members of the Audit Committee are George J. Mason, Ronald M. Popeil and Melvin B. Wolzinger. John H. Kissick also served on the Audit Committee until September 1986. The Audit Committee was formed in July 1978, and held nine meetings during 1986.

The functions of the Audit Committee include reviewing and making recommendations to the Board of Directors with respect to: the engagement or re-engagement of an independent accounting firm to audit the Company's financial statements for the then current fiscal year, and the terms of the engagement; the policies and procedures of the Company with respect to maintaining the Company's books and records and furnishing any necessary information to the independent auditors; the procedures to encourage access to the Audit Committee and to facilitate the timely reporting during the year by authorized representatives of the Company's independent auditors to the Audit Committee of their recommendations and advice; the implementation by the Company's management of such recommendations and advice; the implementation by management of the recommendations made by the independent auditors in their annual management letter; the adequacy and implementation of the Company's internal audit controls and the adequacy and competency of the related personnel; and such other matters relating to the Company's financial affairs and accounts as the Audit Committee may in its discretion deem desirable. In December 1986, the Board of Directors assigned the Audit Committee certain additional responsibilities prescribed by the Commission, including the

responsibility to oversee the Company's and its gaming subsidiary's employment and marketing practices and compliance with gaming regulations.

The Board of Directors held 14 meetings during 1986. Each director attended more than 75% of the aggregate number of meetings of the Board and the committees on which he or she served.

INDEPENDENT PUBLIC ACCOUNTANTS

The Company's independent public accountants for 1986 were Coopers & Lybrand, which firm has been appointed to serve in such capacity for the current year. A representative of Coopers & Lybrand is expected to be present at the Meeting with the opportunity to make a statement if he or she so desires and to respond to appropriate questions.

FUTURE PROPOSALS OF STOCKHOLDERS

Any stockholder intending to submit to the Company a proposal for inclusion in the Company's Proxy Statement and form of Proxy for the 1988 Annual Meeting of Stockholders must submit such proposal sufficiently far in advance so that it is received by the Company no later than December 18, 1987.

DISCRETIONARY AUTHORITY

While the Notice of Annual Meeting of Stockholders calls for the transaction of such other business as may properly come before the Meeting, the Board of Directors has no knowledge of any matters to be presented for action by the stockholders at the Meeting, other than as set forth above. The enclosed Proxy gives discretionary authority, however, in the event that any additional matters should be presented.

STOCKHOLDERS ARE URGED IMMEDIATELY TO MARK, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED, TO WHICH NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES.

By the Board of Directors

KENNETH R. WYNN
Secretary