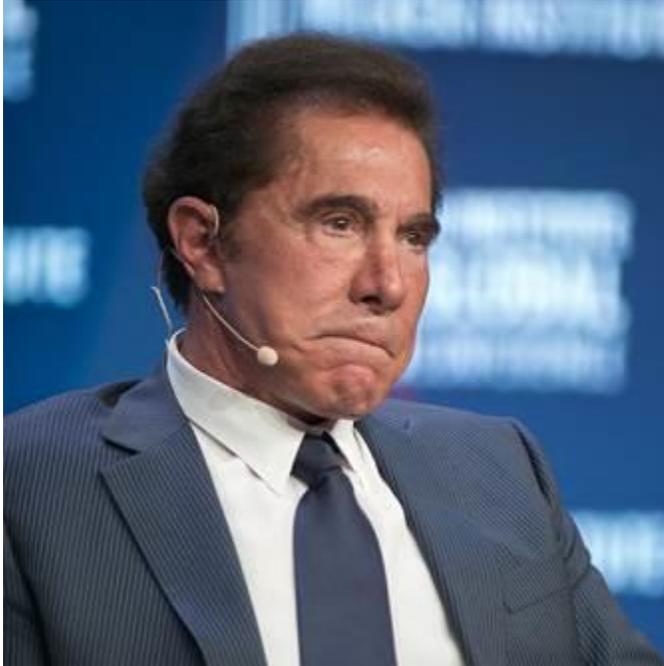


THE WALL STREET JOURNAL

Wynn Resorts Board Faces Scrutiny Following Allegations Against Steve Wynn Executive compensation a major source of criticism in recent years; \$330 million severance agreement



Based on publicly available information, the board has been in a position to know about a multimillion-dollar settlement between Steve Wynn and an employee of his company since at least 2016. PHOTO: JAVIER ROJAS/ZUMA PRESS

By Chris Kirkham, Joann S. Lublin and Sarah Krouse
Updated Jan. 30, 2018 7:00 p.m. ET

The board of directors of [Wynn Resorts](#) Ltd. [WYNN -3.44%](#), which has pledged to investigate allegations of sexual misconduct involving Chief Executive Steve Wynn, has itself faced criticism over its executive-compensation and corporate-governance practices.

Outside proxy advisory firms for years have criticized the company's executive-compensation practices as "problematic" and "excessive." In 2015 Institutional Shareholder Services recommended that shareholders withhold support from the two directors nominated for re-election, citing an "overall corporate governance profile that ranks among the worst, not the best, of U.S. companies."

The Wall Street Journal last week [published an article](#) that drew on dozens of interviews with people who have worked at Mr. Wynn's casinos, whose allegations against him cumulatively would amount to a decadeslong pattern of sexual misconduct. The casino mogul [stepped down from his post](#) as finance chair of the Republican National Committee over the weekend and [faces a regulatory review in Massachusetts](#), where he is building a \$2.4 billion casino in the Boston area. A spokesman for Wynn Resorts said the company has been in contact with the

Massachusetts regulator “and will be fully cooperative with any review the commission chooses to undertake.”

Mr. Wynn, who founded the company in 2002 and is also chairman, said it was “preposterous” that he would assault a woman. He didn’t provide further response to other allegations of sexual misconduct that the Journal inquired about before publishing last week’s article.

The Wynn Resorts board said Friday it had [created a special investigative committee](#) to look into the allegations, made up of independent directors and led by Patricia Mulroy, its sole female director. She previously served on the Nevada Gaming Commission, one of two bodies that regulate casinos in the state.

Ms. Mulroy and the other board members didn’t respond to repeated requests for comment. The company spokesman, who said he was also representing the board, said an independent counsel “is being interviewed and will be selected soon” to conduct the investigation on behalf of the board.

The board was set to meet Tuesday evening. Also on Tuesday, the Nevada Gaming Control Board said it was investigating the allegations of sexual misconduct involving Mr. Wynn.

The Journal reported Friday that shortly after Mr. Wynn opened his flagship Wynn Las Vegas in 2005, a manicurist who worked there told people that Mr. Wynn forced her to have sex. The casino billionaire later paid the manicurist a \$7.5 million settlement, the Journal reported.

That settlement was referenced in 2016 in a lawsuit in which Mr. Wynn’s ex-wife, Elaine Wynn, seeks to lift restrictions on the sale of her stock in the company. At a court hearing last year, a corporate attorney for Mr. Wynn said there had been “allegations of assault.” The company spokesman said board members became aware of the settlement from the lawsuit, but didn’t respond to a question on whether they investigated the matter at the time.

Ms. Wynn, who co-founded the company and was a member of the board until 2015, said in her lawsuit that when she learned about the allegation she informed the company’s general counsel, who told her the matter had been properly handled. The company said it was noteworthy that Ms. Wynn first learned of the allegation in 2009 but didn’t notify the board, of which she was a member, or raise the issue until after she lost her board seat.

An attorney for Ms. Wynn, James Cole, told the Journal Ms. Wynn raised the issue with the general counsel “shortly after she learned of it.” The company said the general counsel, Kim Sinatra, disagrees with Ms. Wynn’s characterization but declined to comment further, citing ongoing litigation.

Mr. Wynn has accused Ms. Wynn of instigating the accusations laid out in the Journal’s article last week. The Journal contacted more than 150 people who work or had worked for Mr. Wynn;

none reached out to the Journal on their own. Ms. Wynn declined to speak to the Journal for last week's article.

Douglas Chia, executive director of corporate governance at the Conference Board, a business-research group, said the board is in a tricky position. If its members knew about Mr. Wynn's alleged misdeeds, they could be criticized for their inaction. But if they remained unaware, Mr. Chia said, that "won't insulate them because...they should have known."

Either way, Mr. Chia predicted, the board could face pressure "to completely overhaul its composition."

Executive pay practices at Wynn Resorts have been a subject of criticism in recent years. ISS, the biggest proxy-advisory firm, cited Mr. Wynn's sizable pay packages compared with other CEOs and a severance agreement equating to \$330 million that "exceeds the upper parameter of acceptable amounts," according to a report from ISS last year.

Speaking for the board, the company spokesman said the board "significantly restructured" Mr. Wynn's compensation in 2014, reducing his base salary and curtailing some benefits such as a housing allowance and access to corporate aircraft for personal use.

Still, Glass, Lewis & Co., the second-biggest proxy advisory firm, has given the company an "F" grade for its pay-for-performance practices the past two years. ISS last year wrote that Mr. Wynn's compensation structure was still "problematic."

In an advisory "say on pay" vote at the company's annual meeting last spring, about 41% of votes cast opposed the company's pay practices.

Experts also pointed to a lack of current corporate experience on the board. In addition to Ms. Mulroy, a former head of a regional water authority, the Wynn Resorts board includes former Nevada Gov. Robert Miller, a former U.S. ambassador to China, the retired heads of three big businesses and three heads of smaller firms. Mr. Miller, the lead independent director, has never worked for a business, according to his Wynn Resorts biography.

Vanguard Group and [BlackRock](#) Inc. both voted against the company's pay package for top executives in 2017, according to regulatory filings. Each has also opposed the re-election of some directors in recent years. BlackRock owns nearly 5% of Wynn Resorts and Vanguard owns nearly 8%.

Vanguard, for example, in 2017 voted against the re-election of Mr. Miller, who is also chairman of the board's corporate-governance committee.

The managers of the \$2.6 billion Thornburg Global Opportunities Fund sold their entire position in Wynn Resorts on Friday, the same day the Journal published its article, a spokeswoman said

in an email. The article “was a material contributing factor” to the mutual fund’s decision, she added. Wynn shares dropped 9.3% on Monday, after a 10% decline on Friday.

The fund owned 601,215 shares as of the end of September, the most recent period for which data is available. Assuming the fund still owned those shares at Friday’s open, it could have sold them for about \$121.4 million. By Friday’s close the value of those shares would have fallen to \$108.4 million.

Experts also point to practices that make it difficult for outsiders to change the makeup of the board and potentially change the direction of the company. Wynn Resorts board members serve staggered terms, meaning a minority of board members come up for re-election each year, insulating the board from being ousted during a single proxy fight.

The company spokesman said the staggered board works in a highly regulated industry such as gambling, where the licensing process for new board members can take longer than a year.

Mr. Wynn owns about 12% of Wynn Resorts. Because of a divorce agreement with Ms. Wynn, he exerts voting control over her 9% stake as well. Mr. Wynn lost control of his earlier venture, [Mirage Resorts Inc.](#), to Kirk Kerkorian’s MGM Grand Inc. in 2000, amid a declining stock price and shareholder concerns about his spending.

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Appeared in the January 31, 2018, print edition as 'Wynn Board Got Low Marks on Pay Plans.'