METRO-GOLDWYN-MAYER INC
Form DEF 14A
April 08, 2004

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 x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Metro Goldwyn Mayer Inc.

(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):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) 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:

METRO-GOLDWYN-MAYER INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 12, 2004

To Our Stockholders:

The Annual Meeting of Stockholders of Metro-Goldwyn-Mayer Inc., a Delaware corporation (the Company), will be held at the Beverly Hills Hotel, 9641 Sunset Boulevard, Beverly Hills, CA 90210, on May 12, 2004, at 10:00 a.m., local time (the Annual Meeting), for the following purposes:

1. To elect a Board of Directors;

2. To consider and act upon the ratification of the selection of Ernst & Young LLP as independent auditors of the Company for the fiscal year ending December 31, 2004; and

3. To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

Stockholders of record at the close of business on March 15, 2004 (the Record Date) are entitled to notice of and to vote at the Annual Meeting. A list of such stockholders will be available for examination by any stockholder, during ordinary business hours, at the Company s executive offices for a period of ten days prior to the meeting date.

Please date, sign and return the enclosed proxy whether or not you plan to attend the Annual Meeting. If you plan to attend the Annual Meeting, please also check the appropriate box on the enclosed proxy and detach the admission ticket to present at the meeting.

PLEASE DATE, SIGN AND MAIL THE ENCLOSED PROXY.

Use the enclosed envelope which requires no postage for mailing in the United States.

By Order of the Board of Directors,

William Allen Jones

Senior Executive Vice President

and Secretary

Los Angeles, California

April 8, 2004

METRO-GOLDWYN-MAYER INC.

10250 Constellation Boulevard

Los Angeles, California 90067

(310) 449-3000

PROXY STATEMENT

April 8, 2004

General

The accompanying form of proxy and the persons named therein as proxies have been approved by, and this solicitation is made on behalf of, the Board of Directors of Metro-Goldwyn-Mayer Inc. in connection with the Annual Meeting of Stockholders of Metro-Goldwyn-Mayer Inc. to be held at 10:00 a.m., local time, on May 12, 2004 at the Beverly Hills Hotel, 9641 Sunset Boulevard, Beverly Hills, CA 90210 (the Annual Meeting), and at any and all postponements and adjournments thereof. Metro-Goldwyn-Mayer Inc., together with its direct and indirect subsidiaries, is hereinafter referred to as the Company, unless the context indicates otherwise.

This Proxy Statement and accompanying proxy were first mailed to stockholders on or about April 8, 2004. The costs 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. The Company will reimburse brokers, banks, fiduciaries and other custodians and nominees holding the common stock, $.01 par value per share, of the Company (the Common Stock) in their names or in the names of their nominees for their reasonable out-of-pocket charges and expenses in forwarding proxies and proxy materials to the beneficial owners of the Common Stock.

Voting Rights and Outstanding Shares

Only stockholders of record of the Common Stock as of March 15, 2004 will be entitled to vote at the Annual Meeting. The authorized capital stock of the Company presently consists of 500,000,000 shares of the Common Stock and 25,000,000 shares of preferred stock, $.01 par value per share. On March 15, 2004, there were issued and outstanding 234,762,469 shares of the Common Stock, which constitutes all of the outstanding voting securities of the Company entitled to vote at the Annual Meeting. Each share of the Common Stock is entitled to one vote on all matters to come before the Annual Meeting. No shares of the Company s preferred stock are outstanding.

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 entitled to vote is necessary to constitute a quorum at the Annual Meeting. Abstentions and broker non-votes (i.e., shares held by brokers or nominees as to which instructions have not been received from beneficial owners or persons entitled to vote that the broker or nominee does not have discretionary power to vote on a particular matter) are counted for the purpose of determining the presence or absence of a quorum for the transaction of business. In the event that there are not sufficient votes for a quorum at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit the further solicitation of proxies.

Directors will be elected by a plurality of the votes of the shares of the Common Stock present in person or represented by proxy. For each other proposal to be acted upon at the Annual Meeting, the affirmative vote of the holders of a majority of the shares of the Common Stock represented in person or by proxy at the Annual Meeting and entitled to vote on the item will be required for approval.

With regard to the election of directors, votes may be cast in favor of or withheld; votes that are withheld will be excluded entirely from the vote and will have no effect. Abstentions may be specified on proposals other than the election of directors and will be counted as present for purposes of the proposal on which the abstention is voted. Therefore, such abstentions will have the effect of a negative vote. Broker non-votes are not counted for purposes of determining whether a proposal has been approved and, therefore, have the effect of reducing the number of affirmative votes required to achieve a majority of the votes cast for such proposal.

Proxies must be signed by the stockholder and returned to the Secretary of the Company. Any stockholder who signs and returns a proxy may revoke it at any time before it is voted by filing with the Secretary of the Company a written revocation or a duly executed proxy bearing a date later than the date of the proxy being revoked. Any stockholder attending the Annual Meeting in person may withdraw such stockholder s proxy and vote such stockholder s shares.

The Common Stock does not have cumulative voting rights.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth the beneficial ownership of the Common Stock as of March 15, 2004 of (i) each director, (ii) the Named Executive Officers (as defined in Executive Compensation below), (iii) the directors and Named Executive Officers of the Company as a group and (iv) each person who at such time, to the Company s knowledge, beneficially owned more than five percent of the outstanding shares of the Common Stock.

Name and Address of Beneficial Owner(1)	Aggregate Number of Shares Beneficially Owned(2)	Percentage of Class
The Tracinda Group(3)	164,049,644	69.9%
Alex Yemenidjian(4)	10,104,688	4.1%
Christopher J. McGurk(5)	3,474,152	1.5%
James D. Aljian(6)	32,731	*
Willie D. Davis(6)(7)	17,002	*
Michael R. Gleason(8)	145,613	*
Alexander M. Haig, Jr.(6)	10,000	*
Kirk Kerkorian(9)	174,049,644	74.1%
Frank G. Mancuso(6)(7)(10)	2,373,141	1.0%
A. N. Andy Mosich(6)	3,000	*
Priscilla Presley(6)(7)	16,727	*
Henry D. Winterstern(6)(7)	16,255	*
Jerome B. York(6)(7)	41,433	*
William A. Jones(11)	315,441	*
Jay Rakow(12)	241,611	*
Daniel J. Taylor(13)	493,747	*
All directors and Named Executive Officers as a group (15 persons)	191,335,185	76.3%

* Less than 1 percent.

(1) Unless otherwise indicated, the address for the persons listed is 10250 Constellation Blvd., Los Angeles, CA 90067.

(2) The number of shares shown includes shares over which the person named has either sole or shared voting or investment power and shares as to which certain directors and executive officers disclaim beneficial ownership. The shares of the Common Stock which a person has the right to acquire within 60 days of March 15, 2004 and the shares of Common Stock underlying options that are vested as of March 15, 2004 or that will become vested within 60 days thereafter are deemed to be outstanding for the purpose of calculating the beneficial ownership of the holder of such options or other rights, but are not deemed to be outstanding for the purpose of computing the beneficial ownership of any other person. As a result, the aggregate percentage ownership of the Common Stock shown above may exceed 100 percent.

(3)

The Tracinda Group refers to, collectively, Tracinda Corporation (Tracinda) and a Delaware corporation that is wholly owned by Tracinda and Mr. Kerkorian. All of the shares of the Common Stock held by the Tracinda Group are pledged to a group of banks to secure a syndicated credit facility to the Tracinda Group. The address of the Tracinda Group and Mr. Kerkorian is 150 S. Rodeo Drive, Suite 250, Beverly Hills, CA 90212.

(4) Includes: 10,000,000 shares of the Common Stock underlying options vested as of March 15, 2004 or that will become vested within 60 days of such date held by a trust of which Mr. Yemenidjian is sole trustee, 4,688 shares of the Common Stock allocated to Mr. Yemenidjian s account in the Savings Plan (as defined in Benefit Plans MGM Savings Plan) as of March 15, 2004 and 100,000 shares of the Common Stock owned outright by Mr. Yemenidjian.

(5) Includes: 3,127,500 shares of the Common Stock underlying options vested as of March 15, 2004 or that will become vested within 60 days of such date, 4,577 shares of the Common Stock allocated to Mr. McGurk s account in the Savings Plan as of March 15, 2004 and 342,075 shares of the Common Stock owned outright by Mr. McGurk.

(6) Includes: with respect to Messrs. Aljian, Davis, Haig, Mancuso, Winterstern and York and Ms. Presley, 9,000 shares of Common Stock, and with respect to Dr. Mosich, 2,000 shares of the Common Stock, underlying options vested as of March 15, 2004 or that will become vested within 60 days of such date.

(7) Includes: with respect to Messrs. Davis, Mancuso, Winterstern and York and Ms. Presley, 462, 617, 617, 1,157 and 509 shares, respectively, of the Common Stock, representing in each case the estimated number of shares of the Common Stock, based on a per-share price of $16.20 as of March 15, 2004, to be issued under the Director Plan (as defined in Election of Directors Information Regarding the Board of Directors and Certain Committees) within 60 days of March 15, 2004. See Director Compensation.

(8) Includes: 145,333 shares of the Common Stock underlying options vested as of March 15, 2004 or that will become vested within 60 days of such date and 280 shares of the Common Stock allocated to Mr. Gleason s account in the Savings Plan as of March 15, 2004.

(9) Mr. Kerkorian is the chief executive officer, president, and sole stockholder and director of Tracinda. Includes 164,049,644 shares of the Common Stock held by the Tracinda Group.

(10) Includes: 1,745,680 shares of the Common Stock underlying options vested as of March 15, 2004 or that will become vested within 60 days of such date. Also includes 7,578 shares of the Common Stock owned by Mr. Mancuso s children and grandchildren as to which Mr. Mancuso disclaims beneficial ownership and 619,883 shares of the Common Stock owned outright by Mr. Mancuso.

(11) Includes: 207,438 shares of the Common Stock underlying options vested as of March 15, 2004 or that will become vested within 60 days of such date, 7,802 shares of the Common Stock allocated to Mr. Jones account in the Savings Plan as of March 15, 2004, 60,201 shares of the Common Stock allocated to Mr. Jones account in the MGM Deferred Compensation Plan, representing shares issued in lieu of cash otherwise payable under the Senior Management Bonus Plan and 40,000 shares of the Common Stock owned outright by Mr. Jones. See Executive Compensation Executive Compensation Summary and Executive Compensation Stock-Based Plans Senior Management Bonus Plan.

(12) Includes: 237,500 shares of the Common Stock underlying options vested as of March 15, 2004 or that will become vested within 60 days of such date and 4,111 shares of the Common Stock allocated to Mr. Rakow s account in the Savings Plan as of March 15, 2004.

(13) Includes: 487,083 shares of the Common Stock underlying options vested as of March 15, 2004 or that will become vested within 60 days of such date and 5,134 shares of the Common Stock allocated to Mr. Taylor s account in the Savings Plan as of March 15, 2004 and 1,530 shares of the Common Stock owned outright by Mr. Taylor.

The Tracinda Group is the beneficial owner of more than 50 percent of the Common Stock. The Tracinda Group intends to vote its shares in favor of the director nominees listed above and in favor of Proposal 2. Since the holders of the Common Stock do not have cumulative voting rights, the Tracinda Group will be able to elect the entire Board of Directors and cause adoption of Proposal 2.

Shareholders Agreement

The following is a summary description of the material terms of the Amended and Restated Shareholders Agreement (the Shareholders Agreement) dated as of August 4, 1997, as amended, by and among the Company, Metro-Goldwyn-Mayer Studios Inc. (MGM Studios), Tracinda and the current and former executives specified on the signature pages thereto (such specified persons, collectively, Executives). For purposes of the Shareholders Agreement, any shares of the Common Stock beneficially owned, directly or indirectly, by any member of the Tracinda Group or by Mr. Kerkorian will be deemed to be owned by the Tracinda Group.

Tag-Along Rights. The Tracinda Group has agreed to be bound by certain tag-along restrictions with respect to certain transfers of its shares of the Common Stock. Subject to certain exceptions, if any member of the Tracinda Group desires to transfer shares of the Common Stock beneficially owned by it, directly or indirectly, in whole or in part (a Tag-Along Sale), then each Executive shall have the right, but not the obligation, (i) to exercise certain options held by such Executive pursuant to the Stock Incentive Plan (as defined below) to the extent required to realize the tag-along rights of such Executive and (ii) to elect that such member of the Tracinda Group be obligated to require, as a condition to such Tag-Along Sale, that the proposed purchaser purchase from each such electing Executive a proportional number of shares.

Registration Rights. Subject to certain exceptions and conditions, the Tracinda Group and the Executives have the right to make up to three requests, in the case of the Tracinda Group, and up to two requests with respect to all of the Executives, for registration (Demand Registration) under the Securities Act of 1933, as amended (the Securities Act), of all or part of the Common Stock or certain other securities (the Registrable Securities) held by them. Any request for a Demand Registration must include such Registrable Securities with an estimated value of no less than $50 million. Demand Registration requests may be for shelf registrations covering sales on a delayed or continuous basis. The Tracinda Group has exercised one of its Demand Registration rights.

In addition, if the Company proposes to register any of its equity securities under the Securities Act (other than (i) a registration on Form S-4 or Form S-8 or (ii) a registration in connection with a pro rata distribution of rights to subscribe for shares of the Common Stock), whether or not for sale for its own account, then, subject to certain exceptions and conditions, each member of the Tracinda Group and each of the Executives shall be entitled to request that the Registrable Securities of the same class beneficially owned by such party be included in such registration (a Piggyback Registration).

The Company will pay all of the expenses of any Demand or Piggyback Registration, including the fees and expenses of a single counsel retained by the selling stockholders; however, each selling stockholder will be responsible for the underwriting discounts and commissions and transfer taxes in connection with shares sold by such stockholder. Each selling stockholder and the underwriters through whom shares are sold on behalf of a selling stockholder will be entitled to customary indemnification from the Company against certain liabilities, including liabilities under the Securities Act. See Certain Relationships and Related Transactions Other Transactions with Tracinda and Affiliates.

Certain Holdback Agreements. The Tracinda Group and each of the Executives have agreed, under certain circumstances, if requested by the Company or any managing underwriters of a registration of securities of the Company, not to effect any public sale or distribution (including sales pursuant to Rule 144 under the Securities Act) of equity securities of the Company, or any securities convertible into or exchangeable or exercisable for equity securities, for a period not to exceed the period commencing with the date seven days prior to and ending with the date 180 days after the effective date of any underwritten registration by the Company of the securities (except as part of such underwritten registration). The Company has agreed to a similar restriction (except as part of such underwritten registration or pursuant to registrations on Form S-4 or Form S-8 or any successor forms) and to use its best efforts to cause certain holders of its capital stock (other than in a registered public offering) to so agree.

PROPOSAL 1

ELECTION OF DIRECTORS

The following table sets forth the name of each nominee (the Nominee) for election as a director of the Company and provides information concerning such Nominee s principal occupation for at least the past five years, age as of March 15, 2004 and certain other matters. Directors of the Company hold office until the next annual meeting of stockholders, until their respective successors are duly qualified or until their earlier resignation or removal.

The Nominees are all current members of the Board of Directors. All proxies received by the Board of Directors will be voted for such Nominees, unless directions to the contrary are given. In the event that any Nominee is unable to or declines to serve, an event that is not anticipated, the proxies will be voted for the election of another nominee designated by the Board of Directors or, if none is so designated, will be voted according to the judgment of the person or persons voting the proxy.

The Board of Directors recommends that stockholders vote FOR the Nominees.

Name	Age	Principal Occupation and Other Directorships
Alex Yemenidjian	48	Mr. Yemenidjian has been Chairman of the Board and Chief Executive Officer of the Company since April 1999 and has been a director of the Company since November 1997. Mr. Yemenidjian currently serves as a director of MGM MIRAGE (formerly MGM Grand, Inc.), a position he has held since 1989. From July 1995 through December 1999, Mr. Yemenidjian served as President of MGM MIRAGE. Mr. Yemenidjian also served MGM MIRAGE in other capacities during such period, including as Chief Operating Officer from June 1995 until April 1999 and as Chief Financial Officer from May 1994 to January 1998. In addition, Mr. Yemenidjian served as an executive of Tracinda from January 1990 to January 1997 and from February 1999 to April 1999.
Christopher J. McGurk	47	Mr. McGurk has been Vice Chairman of the Board and Chief Operating Officer of the Company since April 1999. From November 1996 until joining the Company, Mr. McGurk served in executive capacities with Universal Pictures, a division of Universal Studios Inc., most recently as President and Chief Operating Officer. Prior to joining Universal, Mr. McGurk served eight years in executive capacities, including as President, Motion Pictures Group, Walt Disney Studios, a division of The Walt Disney Company, from 1994 to 1996 and as Executive Vice President and Chief Financial Officer thereof from 1990 to 1994.
James D. Aljian	71	Mr. Aljian has been a director of the Company since October 1996. Mr. Aljian has served as an executive of Tracinda since October 1987. In addition, Mr. Aljian serves on the board of directors of MGM MIRAGE. Mr. Aljian was a director of Chrysler Corporation from February 1996 to November 1998 and was a member of shareholders committee of DaimlerChrysler AG from November 1998 to December 2000.

Name	Age	Principal Occupation and Other Directorships
Willie D. Davis	69	Mr. Davis has been a director of the Company since November 1998. Mr. Davis is President and a director of All-Pro Broadcasting, Inc., an AM and FM radio broadcasting company. Mr. Davis has served on the board of directors of MGM MIRAGE since 1989 and serves on the boards of directors of Sara Lee Corporation, Johnson Controls, Inc., Alliance Bank, Dow Chemical Company, Checkers Drive-In Restaurants, Inc., Strong Fund, Bassett Furniture Industries, Incorporated, Wisconsin Energy Inc. and MANPOWER INC.
Michael R. Gleason	49	Mr. Gleason is engaged in personal investments and has been a director and part-time employee of the Company since August 2000 and was a director of the Company from October 1996 until September 1998. Mr. Gleason has been President of Celsus Financial Corp., a Delaware corporation, since July 1996. Mr. Gleason also served as President of MPK Capital, Inc., the general partner of Culmen Group, L.P., a Texas limited partnership, from November 1993 until January 2002 and as a director and Chairman of the Board of Change Technology Partners, Inc. from March 2000 until February 2004 and as Chief Executive Officer from June 2003 until February 2004.
Alexander M. Haig, Jr.	79	Mr. Haig has been a director of and consultant to the Company since November 1998. Mr. Haig is Chairman of Worldwide Associates Inc., an international business advisory firm. In addition, Mr. Haig has served on the board of directors and as a consultant to MGM MIRAGE since 1990 and serves on the board of directors of DOR BioPharma, Inc. Mr. Haig is the host of the weekly television program, World Business Review.
Kirk Kerkorian	86	Mr. Kerkorian has been a director of the Company since October 1996 and has had a professional relationship with MGM Studios and its predecessors for over 25 years. Mr. Kerkorian has served as Chief Executive Officer, President and sole director and stockholder of Tracinda for more than the past five years. In addition, Mr. Kerkorian serves on the board of directors of MGM MIRAGE.
Frank G. Mancuso	70	Mr. Mancuso has been a director of the Company since October 1996. Mr. Mancuso was Chairman of the Board and Chief Executive Officer of the Company from October 1996 to April 1999 and was the Chairman of the Board and Chief Executive Officer of MGM Studios from July 1993 to April 1999. Prior to joining MGM Studios, Mr. Mancuso was Chairman and Chief Executive Officer of Paramount Pictures Corporation from September 1984 to May 1991, having served Paramount in numerous other capacities beginning in 1959.

Name	Age	Principal Occupation and Other Directorships
A. N. Andy Mosich	75	Dr. Mosich has been a director of the Company since May 2003. Dr. Mosich is Professor of Accounting Emeritus, School of Business Administration, University of Southern California, having held numerous positions in the School of Business Administration and the Graduate School of Business since 1964. Professor Mosich is a recognized expert in the field of accounting and has co-authored five widely-used accounting textbooks, published numerous articles and served on a number of committees with such organizations as the American Institute of Certified Public Accountants, the American Accounting Association and the California Society of CPAs. He has served on the boards of directors of Olympic National Bancorp, Western Waste Industries, Inc. and Strategic Mortgage Investments, Inc. and as a Commissioner of the City of Los Angeles Quality and Productivity Commission. He currently serves on the board of the Bill Hannon Foundation.
Priscilla Presley	58	Ms. Presley has been a director of the Company since November 2000. Ms. Presley has served as Chairperson and President of Elvis Presley Enterprises, Inc. since 1982. In addition to being an actress, author and producer, Ms. Presley has been President of Graceland Enterprises, Inc. since 1979. Concurrently, starting in 1988, Ms. Presley has been the developer and spokesperson for an international fragrance line.
Henry D. Winterstern	46	Mr. Winterstern has been a director of the Company since February 2001. Mr. Winterstern co-founded Capital Entertainment in June 2001 and since then has been a managing partner of such firm. Since 1993, Mr. Winterstern has been the owner and President of Winterstern & Associates Inc., an investment firm specializing in commercial transactions in the real estate and media sectors. Between 1991 and 1993, Mr. Winterstern served as an advisor to the North American Trust Co., the National Trust Co. and the Ultramar Corporation. Prior to 1991, Mr. Winterstern served as Senior Associate with the Edgecombe Group, the finance and realty arm of the North American Life Assurance Co. of Canada. Mr. Winterstern served on the board of directors of the Consoltex Group from May 1996 to October 1999 and as Vice Chairman from May 1997 to October 1999. Mr. Winterstern serves on the board of directors of dick clark productions, inc. He served on the boards of directors of Mosaic Media Group, Inc. and Mosaic Music Publishing LLC until December 2003 and was Co-Chairman of Lakeshore Entertainment LLC until August 2003.

Name	Age	Principal Occupation and Other Directorships
Jerome B. York	65	Mr. York has been a director of the Company since October 1996. Mr. York is Chief Executive Officer of Harwinton Capital Corporation, a private investment company which he controls. From February 2000 to September 2003, he was Chairman, President and Chief Executive Officer of MicroWarehouse, Inc., a reseller of computer hardware, software and peripheral products. Mr. York previously served as Vice Chairman of Tracinda from September 1995 to October 1999 and as a director of MGM MIRAGE from November 1995 to May 2002. Prior to joining Tracinda, Mr. York served as Senior Vice President and Chief Financial Officer of IBM Corporation from May 1993 to September 1995 and as a director of IBM Corporation from January 1995 to September 1995. Prior thereto, Mr. York served as Executive Vice President-Finance and Chief Financial Officer of Chrysler Corporation from May 1990 to May 1993 and as a director of Chrysler Corporation from April 1992 to May 1993. In addition, Mr. York serves on the boards of directors of Apple Computer, Inc. and Tyco International Ltd.

Section 16(a) Beneficial Ownership Reporting Compliance

To the Company s knowledge (based solely upon a review of the copies of Section 16(a) reports prepared by or furnished to the Company and representations that no other reports were required), during the year ended December 31, 2003, the Company s officers, directors and ten percent beneficial owners complied with all applicable Section 16(a) filing requirements, except that one report, covering a single transaction, was filed late by Mr. Aljian.

Information Regarding the Board of Directors and Certain Committees

Board and Committee Meetings. The Board of Directors held six meetings and acted twice by written consent during 2003. All directors during 2003 attended at least 75 percent of the meetings of the Board of Directors and committees on which they served (held during the period for which they served), other than Mr. Kerkorian who attended more than 70 percent of such meetings. The Board of Directors does not have a standing nominating committee. This function is performed by the Board of Directors as a whole. See Corporate Governance Nomination of Directors. 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. Eleven of the 12 members of the Board of Directors attended last year s Annual Meeting.

Executive Committee. The Executive Committee of the Board of Directors of the Company (the Executive Committee) was established on December 16, 1997 and currently consists of Messrs. Aljian, Kerkorian, McGurk, Yemenidjian (Chairman) and York. The Executive Committee exercises all the powers and authority of the Board of Directors during intervals between meetings of the Board of Directors, except as limited by the Delaware General Corporation Law. The Executive Committee held no meetings during 2003 and acted three times by written consent.

Audit Committee. The Audit Committee of the Board of Directors of the Company (the Audit Committee) was established on October 10, 1996 and currently consists of Messrs. Davis, Mosich and York (Chairman). The function of the Audit Committee is to: (i) review and approve the selection and retention of, and all services performed by, the Company s independent auditors; (ii) meet and consult with, and receive reports from, the Company s independent auditors, the financial and accounting staff and the internal audit department regarding internal controls; and (iii) review and act with respect to the scope of audit procedures, accounting practices and internal accounting and financial controls of the Company. The Audit Committee is comprised of three members, each of whom has been determined by the Board of Directors to be independent within the meaning of the current listing standards of the New York Stock Exchange (the NYSE) and the rules and

regulations of the Securities and Exchange Commission (the SEC) and free from any relationship that would interfere with the exercise of independent judgment as a committee member. The Board of Directors has determined in its business judgment that Mr. York, by virtue of his extensive background and expertise in accounting and financial management matters, qualifies as an audit committee financial expert within the meaning of Section 407 of the Sarbanes-Oxley Act of 2002 and the rules of the Securities and Exchange Commission issued pursuant thereto. See Audit Committee Report. The Audit Committee met seven times during 2003.

Compensation Committee; Subcommittees; Compensation Committee Interlocks and Insider Participation. The Compensation Committee of the Board of Directors of the Company (the Compensation Committee) was established on November 7, 1997 and currently consists of Mr. Davis, Ms. Presley and Mr. York (Chairman). Mr. Davis is a director of MGM MIRAGE, an affiliate of Tracinda. The Compensation Committee is responsible for (i) administering the Company s Amended and Restated 1996 Stock Incentive Plan (the Stock Incentive Plan), the Senior Management Bonus Plan and the 2000 Employee Incentive Plan (the Employee Incentive Plan), (ii) approving certain employment agreements and compensation arrangements (including agreements and arrangements with the Chief Executive Officer) and (iii) monitoring, reviewing, approving and making recommendations to the Board of Directors with respect to the Company s compensation policies, plans and programs, including the granting of awards under the Company s incentive plans. See Compensation Committee Report on Executive Compensation. The Compensation Committee held no meetings during 2003 and met 19 times by written consent.

In August 2002, the Company formed the Performance-Based Compensation and Section 16 Subcommittee of the Compensation Committee (the Compensation Subcommittee). The Compensation Subcommittee is responsible for (i) granting compensation that is potentially subject to Section 162(m) of the Internal Revenue Code of 1986, as amended (Section 162(m)), including awards to the Named Executive Officers under the Company s Stock Incentive Plan and Employee Incentive Plan and (ii) granting awards under the Company s Stock Incentive Plan that are potentially subject to Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules and regulations promulgated thereunder. The Compensation Subcommittee consists of Messrs. Davis and York. The Compensation Subcommittee acted twice by written consent during 2003.

Non-Employee Director Stock Plan Committee. The Non-Employee Director Stock Plan Committee of the Board of Directors of the Company (the Director Plan Committee) is comprised of the Messrs. McGurk and Yemenidjian (Chairman). The Director Plan Committee is responsible for administering the 1998 Non-Employee Director Stock Plan (the Director Plan). See Director Compensation. No meetings of the Director Plan Committee were held during 2003.

Special Committees. During 2003, the Board of Directors established (i) a Special Committee (consisting of Messrs. Davis Mosich and York) to evaluate, and make recommendations to the Board with respect to, the tender offer proposed by Tracinda and Mr. Kerkorian to purchase up to 15 million shares of the Common Stock at a price of $16 per share; and (ii) a Special Trademark Committee (consisting of Messrs. Mancuso and Mosich and Ms. Presley) to review and evaluate the trademark licensing arrangements between the Company and MGM MIRAGE and to authorize such changes therein as they deem advisable and in the best interests of the Company. During 2003, the Special Committee met three times and the Special Trademark Committee met twice.

Director Compensation

Each director of the Company who is not an employee of the Company (a Non-Employee Director), a total of nine persons, is paid (i) $40,000 per annum for serving as a director of the Company, (ii) $15,000 per annum additional if such Non-Employee Director is a member of the Executive Committee, (iii) $2,000 per meeting for attendance at Audit Committee meetings if such Non-Employee Director is a member of the Audit Committee, (iv) $4,000 per annum for attendance at Compensation Committee meetings if such Non-Employee Director is a member of the Compensation Committee and (v) $2,000 per meeting for attendance at meetings of the Special Committee and the Special Trademark Committee if such Non-Employee Director is a member of such committees. No additional compensation was paid for attendance at meetings of the Compensation Subcommittee. Non-Employee Directors (other than Mr. Kerkorian) have received, and it is expected that they

will continue to receive, non-qualified stock options from time to time in addition to other compensation for service on the Board of Directors and its committees.

Mr. Haig, a member of the Board of Directors of the Company, renders consulting services to the Company for which he receives fees at the rate of $50,000 per annum in addition to any director fees paid to him.

Pursuant to the Director Plan, each Non-Employee Director is entitled to elect to receive all or a portion of the cash compensation earned as a director (Election Amount) in the form of shares of the Common Stock. Shares are issued under the Director Plan in equal quarterly installments (based on the Election Amount), and the actual number of shares of the Common Stock to be received by a Non-Employee Director is determined based on the Fair Market Value of the Common Stock on the Date of Issuance (as such terms are defined in the Director Plan). Up to 100,000 shares of the Common Stock, subject to certain adjustments, have been reserved for issuance under the Director Plan. The Director Plan is administered by the Director Plan Committee, which has the power to amend the Director Plan, subject to certain limitations. During the 2003 plan year, which commenced the day immediately following the 2003 Annual Meeting and ends on the date of the 2004 Annual Meeting, five Non-Employee Directors participated in the Director Plan, electing to receive between 50 percent and 100 percent of their annual cash compensation as directors in shares of the Common Stock. As of March 15, 2004, the Company had issued an aggregate of 55,591 shares of the Common Stock under the Director Plan as follows: 1,759 shares were issued to Mr. Aljian; 8,321 shares were issued to Frances Ford Coppola (a former director); 7,286 shares were issued to Mr. Davis; 8,874 shares were issued to Mr. Mancuso; 7,218 shares were issued to Ms. Presley; 6,638 shares were issued to Mr. Winterstern and 15,495 shares were issued to Mr. York.

On March 12, 2001, the Compensation Committee recommended, and the Board of Directors on March 13, 2001 approved, an amendment to the Stock Incentive Plan (which received subsequent stockholder approval) to broaden the category of persons eligible to receive awards thereunder to include Non-Employee Directors. On May 2, 2001, following stockholder approval of such amendment, the Board adopted a program whereby Non-Employee Directors (other than Mr. Kerkorian, who waived any rights with respect thereto) would receive an initial grant of 10,000 stock options and subsequent yearly grants of 5,000 stock options during their respective terms as directors. As of March 15, 2004, an aggregate of 165,000 stock options were granted to Non-Employee Directors as follows: 20,000 options to each of Messrs. Aljian, Davis, Haig, Mancuso, Winterstern, York and Ms. Presley; 15,000 options to Mr. Coppola (a former director) and 10,000 options to Dr. Mosich.

In addition, directors who are not full-time employees of the Company receive reimbursement for out-of-pocket expenses in attending meetings of the Board of Directors and any committees thereof on which they serve. See Certain Relationships and Related Transactions for a description of certain transactions involving directors or their affiliates and the Company.

Corporate Governance

Corporate Governance Guidelines. The Board of Directors has adopted corporate governance guidelines (the 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, communications with the Board, a code of conduct governing all directors, officers and employees of the Company and website posting of the Guidelines.

The Company believes that the Guidelines are in compliance with the new listing standards adopted in 2003 by the NYSE. The Guidelines are posted and maintained on the Company s website at *www.mgm.com* under the caption Investor Relations Corporate Governance Guidelines, and a copy will be made available to any stockholder who requests it from the Corporate Secretary. In addition, a copy of the Guidelines is attached to this Proxy Statement as Appendix A.

New York Stock Exchange Listing Standards. The final corporate governance rules of the NYSE were adopted in 2003, and the Company believes it is in compliance with such rules. 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 is a controlled company under this definition by virtue of the ownership by Mr. Kerkorian and the Tracinda Group of in excess of 74 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 requirements that listed companies have (i) a majority of independent directors and (ii) a nominating/governance committee composed entirely of independent directors.

Nomination of Directors. The Board of Directors does not have a standing nominating committee, such function being performed by the Board as a whole. Inasmuch as a majority of the Common Stock is owned by a single stockholder and the Common Stock does not have cumulative voting rights, the majority stockholder has the ability to elect the entire Board of Directors. In light of the foregoing, and having regard to the fact that the New York Stock Exchange, in adopting its new listing standards, exempted controlled companies from its requirement that listed companies have an independent nominating/governance committee, the Board has determined that it is appropriate in these circumstances not to have a standing nominating committee. See Corporate Governance New York Stock Exchange Listing Standards.

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 considerations of character, particular skills, judgment, background, experience and diversity. In addition to candidates recommended by its members, the Board considers candidates recommended by management and the public stockholders.

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, Metro-Goldwyn-Mayer Inc., 10250 Constellation Blvd., Los Angeles, CA 90067, Attention: Stockholder Communications, and shall include the proposed candidate s name, address, age and qualifications together with the information that would be required to solicit a proxy under federal securities laws. Such communication must also include the recommending stockholder s name, address and the number of shares of the Common Stock beneficially held. See Stockholder Proposals and Nominations for the 2005 Annual Meeting.

Presiding Director. In accordance with the applicable rules of the NYSE, the Company schedules 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 the Presiding Director, who is elected by, and serves at the pleasure of, the Board of Directors. The Presiding Director is responsible for convening such sessions and setting the agenda. The Board has elected Jerome B. York to serve as Presiding Director.

Communications with the Board. On February 4, 2004, the Board unanimously approved a process for stockholders to communicate with members of the Board, including the non-management directors and the Presiding Director. All such communications shall be in writing and shall be addressed to the Corporate Secretary, Metro-Goldwyn-Mayer Inc., 10250 Constellation Blvd., Los Angeles, CA 90067, Attention: Stockholder Communications. All inquiries are reviewed by the Corporate Secretary, who forwards to the Board a summary of all such correspondence and copies of all communications that he determines requires their attention. Matters relevant to other departments of the Company are directed to such departments with appropriate follow-up to ensure that inquiries are responded to in a timely manner. Matters relating to accounting, auditing and/or internal controls are referred to the Chairman of the Audit Committee and included in the report to the Board, together with a report of any action taken to address the matter. The Board or the Audit Committee, as the case may be, may direct such further action deemed necessary or appropriate.

Code of Conduct. The Board is also responsible for establishing a code of conduct and other policies and procedures that promote the highest standards of integrity, compliance with the law and personal accountability.

The Company s Code of Conduct and Conflict of Interest Policy is posted on the Company s website at *www.mgm.com* under the caption Investor Relations Corporate Governance Code of Conduct and is provided to all new employees and distributed annually to all directors, officers and 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.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors of the Company is comprised of three independent directors and operates under an amended and restated written charter (the Charter) adopted by the Board of Directors on November 13, 2002, a copy of which is attached to this Proxy Statement as Appendix B and is posted on the Company s website at *http://www.mgm.com* under the caption Investor Relations Corporate Governance Audit Committee Charter.

Management is responsible for the Company s internal accounting controls and the financial reporting process as more fully described in the Charter. The Company s independent auditors, Ernst & Young LLP (Ernst & Young), are responsible for (i) performing an independent audit of the Company s consolidated financial statements in accordance with auditing standards generally accepted in the United States and (ii) issuing a report thereon. The internal auditors are responsible to the Audit Committee for testing the integrity of the financial accounting and reporting control systems and such other matters as the Audit Committee determines. The Audit Committee s responsibility is to monitor and oversee these processes.

In keeping with that responsibility, the Audit Committee has reviewed and discussed with management and Ernst & Young the audited consolidated financial statements of the Company as of, and for the year ended, December 31, 2003. In this context, management represented to the Audit Committee that the Company s consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. In addition, the Audit Committee has discussed with Ernst & Young the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees).

The Audit Committee has received from Ernst & Young the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with Ernst & Young that firm s independence. In addition, the Audit Committee has considered whether the provision of non-audit services by Ernst & Young is compatible with such independence.

Based on the Audit Committee s discussions with management, the internal auditors and Ernst & Young and the Audit Committee s review of the representations of management and the report of Ernst & Young, the Audit Committee has recommended to the Board of Directors that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2003 for filing with the Securities and Exchange Commission.

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

AUDIT COMMITTEE:

Jerome B. York (Chairman)

Willie D. Davis

A.N. Mosich

AUDIT AND NON-AUDIT FEES

The following table presents fees for professional audit services rendered for the audit of the Company s financial statements for the fiscal years ended December 31, 2003 and 2002 and fees billed by Arthur Andersen LLP (Andersen), the Company s independent auditors prior to June 17, 2002, and Ernst & Young for other services performed for the 2003 and 2002 fiscal year.

Fees for professional services provided by our independent auditors for the fiscal years 2003 and 2002 in each of the following categories are as follows:

	Fiscal 2003	Fiscal 2002(1)	
	Ernst & Young	Ernst & Young	Andersen
Audit fees(2)	$ 908,800	$ 813,100	$ 30,200
Audit-related fees(3)	679,716	457,200	33,300
Tax fees(4)	86,000	4,000	68,662
All other fees			
Total	$ 1,674,516	$ 1,274,300	$ 132,162

(1) The prior year fees have been reclassified to be consistent with the current year presentation and the revised proxy disclosure requirements.

(2) Audit fees include fees associated with the annual audit, reviews of the quarterly reports on Form 10-Q, and statutory audits.

(3) Audit-related fees principally included due diligence services, audits of employee benefit plans and audits of distribution agreements with third parties.

(4) Tax fees included tax compliance, tax advice and tax planning.

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit and non-audit services provided by the independent auditors prior to the rendition of such services. The Audit Committee on October 21, 2002 delegated to its Chairman the authority to pre-approve the rendition of permitted non-audit services by the independent auditors, provided such pre-approval is presented to the Audit Committee at its next meeting.

EXECUTIVE COMPENSATION

Executive Compensation Summary

Compensation Summary. The following table sets forth the cash and other compensation (including cash and stock bonuses) paid or awarded by the Company for the fiscal years ended December 31, 2003, 2002, and 2001, as applicable, to the Chief Executive Officer and the four other most highly compensated Executive Officers of the Company (the Named Executive Officers).

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus($)(1)	Other Annual Compensation ($)	Restricted Stock Awards($)(2)	Securities Underlying Options (#)	LTIP Payouts ($)	All Other Compensation ($)