MANDALAY RESORT GROUP
Form 10-K
April 18, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 31, 2005

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number 1-8570

MANDALAY RESORT GROUP

(Exact name of registrant as specified in its charter)

Nevada	**88-0121916**
State (or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3950 Las Vegas Boulevard South, Las Vegas, Nevada	**89119**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(702) 632-6700

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on which Registered**
Common Stock, $.01-2/3 Par Value	New York Stock Exchange and Pacific Exchange
Common Stock Purchase Rights	New York Stock Exchange and Pacific Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ý No o

The aggregate market value of the voting and non-voting common equity held by persons other than the registrant's directors and executive officers as of July 30, 2004 (the last business day of the registrant's most recently completed second fiscal quarter), based upon the last reported sale price on the New York Stock Exchange on such date, was $4,478,250,712.

The number of shares of registrant's Common Stock, $.01-2/3 par value, outstanding at March 31, 2005: 67,558,870.

DOCUMENTS INCORPORATED BY REFERENCE

PART III Portions of the Registrant's definitive proxy statement for its 2005 annual meeting of shareholders are incorporated by reference into Items 10 through 14, inclusive.

PART I

ITEM 1. BUSINESS.

In this report, when we use the terms "we," "our" and "us," we are referring to Mandalay Resort Group and its majority owned subsidiaries as a combined entity, except where it is clear that reference is only to Mandalay Resort Group. When we use the term "Mandalay," it refers only to Mandalay Resort Group, unless the context otherwise requires. These terms, as used in this report, do not include our unconsolidated joint ventures, unless the context otherwise requires. Except as otherwise indicated, cross references in this report are to sections in this Item 1.

Pending Merger Pursuant to Which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE

On June 16, 2004, Mandalay and MGM MIRAGE jointly announced that they had entered into an Agreement and Plan of Merger dated as of June 15, 2004 among Mandalay, MGM MIRAGE and MGM MIRAGE Acquisition Co. #61, a Nevada corporation (the "Merger Agreement") pursuant to which MGM MIRAGE is to acquire Mandalay for $71.00 in cash for each outstanding share of common stock of Mandalay. The transaction, which was approved by Mandalay stockholders on December 10, 2004, is structured as a merger of a wholly owned subsidiary of MGM MIRAGE with and into Mandalay. Except as otherwise contemplated by the Merger Agreement or with the prior written consent of MGM MIRAGE (which consent may not be unreasonably withheld or delayed), prior to the effective time of the merger or the termination of the Merger Agreement, we are required to conduct our business in the ordinary course consistent with past practice, and we are prohibited, among other things, from paying dividends, purchasing or otherwise acquiring our common stock, issuing indebtedness, making acquisitions, or selling, pledging or encumbering our assets. On March 22, 2005, Mandalay received from MGM MIRAGE a notice of MGM MIRAGE's election to extend the outside date for the closing of the merger from March 31, 2005 to June 30, 2005 (the "Extension Notice") in accordance with the Merger Agreement. The merger remains subject to receipt of the regulatory approval of the Illinois Gaming Board and other customary closing conditions. The foregoing description, which does not include all of the material terms of the Merger Agreement, is qualified in its entirety by reference to the Merger Agreement included as an exhibit to our current report on Form 8-K dated June 15, 2004, and the Extension Notice included as an exhibit to our current report on Form 8-K dated March 22, 2005, which are incorporated by reference as Exhibits 10.1 and 10.2, respectively, to this report.

In order to avoid noncompliance with applicable Michigan law, which prohibits MGM MIRAGE from acquiring an interest in a second Detroit casino upon the consummation of our merger, Mandalay, MGM MIRAGE, Circus Circus Michigan, Inc. ("Circus Circus Michigan"), a wholly-owned subsidiary of Mandalay through which we hold our 53.5% interest in MotorCity Casino, CCM Merger Inc., an unaffiliated entity, and CCM Merger Sub., Inc., a wholly-owned subsidiary of CCM Merger Inc., entered into a merger agreement on March 22, 2005 (the "Michigan Agreement") pursuant to which CCM Merger Inc. is to acquire Circus Circus Michigan for approximately $525 million in cash. Actual cash proceeds are subject to working capital-type adjustments as provided in the Michigan Agreement. Closing of this transaction, which was approved by the Michigan Gaming Control Board on April 13, 2005, is subject to the closing of our merger pursuant to the Merger Agreement and other customary closing conditions. The foregoing description, which does not include all of the material terms of the Michigan Agreement, is qualified in its entirety by reference to the Michigan Agreement included as an exhibit to our current report on Form 8-K dated March 22, 2005, which is incorporated by reference as Exhibit 10.3 to this report.

Overview

We are one of the four largest hotel-casino operators in the United States, in terms of revenues, rooms and casino space. Our operations consist of 12 wholly owned resorts in Nevada and Mississippi, as well as investments in four joint ventures with operating resorts in Nevada, Illinois and Michigan. Our resorts cater to a wide variety of customers, from value-oriented to high-end, and we strive to provide the best overall experience in each of the market segments in which we compete.

Our core market is Las Vegas, the world's largest gaming market, where our properties are expected to generate approximately 75% of our operating income in fiscal 2006. We have the largest-scaled hotel/casino resort development in Las Vegas. This "Mandalay Mile" consists of three interconnected megaresorts on 230 acres, and includes our flagship property, Mandalay Bay. Mandalay Bay is typically the best performer among our properties, as it possesses amenities that appeal to higher-income customers. Strong demand from this segment of our customer base has permitted us greater pricing leverage, which has helped to drive results at this property. With the additions of the convention center, an all-suites hotel tower and a retail center, Mandalay Bay should continue to be the leading driver of near-term growth for our company.

Although the casino accounts for approximately 50% of our net revenue companywide, we consider the hotel to be the principal driver of our business in the Las Vegas market. This is due to the fact that the majority of our revenues are derived from "in-house" customers, that is, customers who stay in our hotel rooms. Consequently, to the extent we can place higher-value customers in our rooms, we can generate increased revenues throughout our properties. Furthermore, due to the nature of gaming activities, we have little pricing leverage in the casino, whereas we possess significant pricing leverage in our rooms.

We have provided the information below as of January 31, 2005 about our properties and those of the joint ventures in which we participate. Except as otherwise indicated, we wholly own and operate these properties.

Location/Property	Guest Rooms	Approximate Casino Square Footage	Slots(1)	Gaming Tables(2)	Parking Spaces
Las Vegas, Nevada					
Mandalay Bay(3)	4,760	135,000	2,156	126	7,000
Luxor	4,408	120,000	1,857	99	3,200
Excalibur	4,002	110,000	1,736	73	4,000
Circus Circus	3,744	109,000	1,825	70	4,700
Monte Carlo (50% Owned)	3,002	90,000	1,800	74	4,000
Slots-A-Fun		16,700	596	22	
Reno, Nevada					
Circus Circus	1,572	60,000	1,426	61	3,000
Silver Legacy (50% Owned)	1,711	85,000	1,802	73	1,800
Laughlin, Nevada					
Colorado Belle	1,226	64,000	1,179	39	1,700
Edgewater	1,450	44,000	1,128	32	2,300
Jean, Nevada					
Gold Strike	811	37,000	821	15	2,100
Nevada Landing	303	36,000	810	15	1,400
Henderson, Nevada					
Railroad Pass	120	21,000	346	6	600
Tunica County, Mississippi					
Gold Strike	1,159	48,000	1,407	49	1,400
Detroit, Michigan					
MotorCity Casino (53.5% Owned)(4)		75,000	2,398	84	3,800
Elgin, Illinois					
Grand Victoria (50% Owned)		36,000	1,072	41	2,300
Total	28,268	1,086,700	22,359	879	43,300

(1) Includes slot machines and other coin-operated devices.

(2) Generally includes blackjack ("21"), craps, pai gow poker, Caribbean stud poker, wheel of fortune and roulette. Mandalay Bay, Luxor and MotorCity Casino also offer baccarat.

(3) This property includes a Four Seasons Hotel with 424 guest rooms that we own and Four Seasons Hotels Limited manages. It also includes 1,117 suites at THEhotel at Mandalay Bay.

(4) This property is being operated pending the construction of an expanded hotel-casino facility. For information concerning an agreement to sell our 53.5% interest in this property if Mandalay's proposed merger with a wholly owned subsidiary of MGM MIRAGE is consummated, see "Pending Merger Pursuant to which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in this Item 1.

Property Descriptions

Provided below is additional information concerning the properties we, and the joint ventures in which we participate, own and operate.

Las Vegas, Nevada

Mandalay Bay. This property is located on the Las Vegas Strip adjacent to our Luxor property and is the first major resort on the Las Vegas Strip to greet visitors arriving in Las Vegas on I-15, the primary thoroughfare between Las Vegas and southern California. The 43-story South Seas themed hotel-casino resort has 4,760 guest rooms, including a Four Seasons Hotel with 424 guest rooms that provides visitors with a luxury "five-diamond" hospitality experience, and THEhotel, a tower with 1,117 suites. Mandalay Bay's attractions include an 11-acre tropical lagoon featuring a surfing beach, a three-quarter-mile lazy river ride, and Moorea Beach, a European-style "ultra" beach, along with a 30,000-square-foot spa. The property features numerous restaurants such as Charlie Palmer's Aureole, Wolfgang Puck's Trattoria Del Lupo, China Grill, rumjungle, Red Square, Red, White and Blue, and Border Grill, as well as a House of Blues nightclub and restaurant, including its signature Foundation Room situated on Mandalay Bay's top floor. In 2004, we opened Fleur de Lys featuring the French cuisine of restaurateur Hubert Keller. Mandalay Bay also offers multiple entertainment venues that include the Shark Reef at Mandalay Bay featuring sharks and rare sea predators, a 1,760-seat showroom featuring the Broadway hit "Mamma Mia!", the *rumjungle* nightclub and a 12,000-seat special events arena that features entertainment and sporting events.

In January 2003, we opened a convention and meeting complex on land adjacent to the Mandalay Bay Conference Center. The complex includes more than one million square feet of exhibit space. With this building and the original conference center, Mandalay Bay now offers almost two million gross square feet of conference and exhibit space.

In October 2003, we opened Mandalay Place, a retail center located between Mandalay Bay and Luxor. The center includes approximately 90,000 square feet of retail space and approximately 40 stores and restaurants, including internationally branded retailers like Oilily, GF Ferre, Nike Golf and Urban Outfitters, along with restaurants by celebrity chefs Pierro Selvaggio, Hubert Keller and Rick Moonen and burlesque club Forty Deuce.

In December 2003, we opened THEhotel, a 1,117-all-suite tower at Mandalay Bay. The suites average 750 square feet, among the largest room product in the Las Vegas market. The tower also includes meeting suites, a spa and fitness center, a lounge and two restaurants, including a rooftop venue "Mix-Las Vegas" created by famed chef Alain Ducasse. The suites serve the demand generated by the convention center.

Luxor. This property is an Egyptian-themed hotel and casino complex situated on our Mandalay Mile, between Mandalay Bay and Excalibur. The resort features a 30-story pyramid and two 22-story hotel towers. Luxor offers 20,000 square feet of convention space, a 20,000-square-foot spa, a 1,200-seat showroom currently featuring the off-Broadway hit "Blue Man Group", a nightclub, and food and entertainment venues on three different levels beneath a soaring hotel atrium. The pyramid's guest rooms can be reached from the four corners of the building by "inclinators" that travel at a 39-degree angle. Above the pyramid's casino, the property offers a special format motion base ride and an IMAX 2D/3D theater. Luxor's other public areas include a buffet, eight restaurants including four gourmet restaurants, as well as a snack bar, a food court featuring national fast food franchises, several cocktail lounges and a variety of specialty shops.

Excalibur. This property is a castle-themed hotel and casino complex situated immediately to the north of Luxor on Mandalay Mile. Excalibur's public areas include a Renaissance fair, a medieval village, an amphitheater with a seating capacity of nearly 1,000, where mock jousting tournaments and

costume drama are presented nightly, two dynamic motion theaters, various artisans' booths and medieval games of skill. In addition, Excalibur has a buffet restaurant, five themed restaurants, as well as several snack bars, cocktail lounges and a variety of specialty shops. The property also features a 13,000-square-foot spa.

Circus Circus-Las Vegas. This property, which is our original resort, is a circus-themed hotel and casino complex situated on the north end of the Las Vegas Strip. From a "Big Top" above the casino, Circus Circus-Las Vegas offers its guests a variety of circus acts performed daily, free of charge. A mezzanine area overlooking the casino has a circus midway with carnival-style games and an arcade that offers a variety of amusements and electronic games. Four specialty restaurants, a buffet, a coffee shop, fast food snack bars, several cocktail bars and a variety of gift shops and specialty shops are also available to the guests at Circus Circus-Las Vegas. The Adventuredome, covering approximately five acres, offers theme park entertainment that includes a high-speed, double-loop, double-corkscrew roller coaster, a coursing river flume ride on white-water rapids, a motion base ride, several rides and attractions designed for preschool age children, themed carnival-style midway games, an arcade, food kiosks and souvenir shops, all in a climate-controlled setting under a giant space-frame dome.

Monte Carlo (50% owned). Through wholly owned entities, we are a 50% participant with a subsidiary of MGM MIRAGE in, and manage the operations of, Victoria Partners, a joint venture which owns Monte Carlo, a 3,002-room hotel and casino resort situated on the Las Vegas Strip between Bellagio, a 4,000-room resort, and New York-New York, a 2,000-room hotel-casino resort, each owned and operated by MGM MIRAGE. Monte Carlo's casino reflects a palatial style reminiscent of the *Belle Epoque*, the French Victorian architecture of the late 19th century. Amenities at Monte Carlo include three specialty restaurants, including the popular Andre's gourmet restaurant, a buffet, a coffee shop, a food court, a microbrewery which features live entertainment, approximately 28,000 square feet of meeting and banquet space, and tennis courts. A 1,200-seat replica of a plush vaudeville theater, including a balcony and proscenium arch, features an elaborately staged show of illusions by the world-renowned magician, Lance Burton.

Reno, Nevada

Circus Circus-Reno. This property is a circus-themed hotel and casino complex situated in downtown Reno, Nevada. Like its sister property in Las Vegas, Circus Circus-Reno offers its guests a variety of circus acts performed daily, free of charge. A mezzanine area has a circus midway with carnival-style games and an arcade that offers a variety of amusements and electronic games. The property also has three specialty restaurants, a buffet, a coffee shop, a deli/bakery, a fast food snack bar, cocktail lounges, a gift shop and specialty shops.

Silver Legacy (50% owned). Through a wholly owned entity, we are a 50% participant with Eldorado Limited Liability Company in Circus and Eldorado Joint Venture, a joint venture which owns and operates Silver Legacy, a hotel-casino and entertainment complex situated in downtown Reno, Nevada. Silver Legacy is located between Circus Circus-Reno and the Eldorado Hotel & Casino, which is owned and operated by an affiliate of our joint venture partner at Silver Legacy. Silver Legacy's casino and entertainment complex is connected at the mezzanine level with Circus Circus-Reno and the Eldorado by enclosed climate-controlled skyways above the streets between the respective properties. The property's exterior is themed to evoke images of historical Reno. Silver Legacy features four restaurants and several bars, a special events center, custom retail shops, a health spa and an outdoor pool and sun deck. Circus and Eldorado Joint Venture's executive committee, which functions in a manner similar to a corporation's board of directors, is responsible for overseeing the performance of Silver Legacy's management. Under the terms of the joint venture agreement, we appoint three of the executive committee's five members.

Laughlin, Nevada

Colorado Belle. This property is situated on the bank of the Colorado River in Laughlin, Nevada, approximately 90 miles south of Las Vegas. The Colorado Belle features a 600-foot replica of a Mississippi riverboat, and also includes a buffet, a coffee shop, three specialty restaurants, a microbrewery, fast food snack bars and cocktail lounges, as well as a gift shop and other specialty shops.

Edgewater. This property is located adjacent to Colorado Belle along the Colorado River. Edgewater's facilities include a specialty restaurant, a coffee shop, a buffet, a snack bar and cocktail lounges.

Jean, Nevada

Jean is located between Las Vegas and southern California, approximately 25 miles south of Las Vegas and 12 miles north of the California-Nevada state line. Jean attracts gaming customers almost entirely from the large number of people traveling between Las Vegas and southern California on Interstate-15, the principal highway between Las Vegas and southern California which passes directly through Jean.

Gold Strike. This property is an "Old West" themed hotel-casino located on the east side of Interstate-15. The property has, among other amenities, a swimming pool and spa, several restaurants, a banquet center, a gift shop and an arcade. The casino has a stage bar with regularly scheduled live entertainment and a casino bar.

Nevada Landing. This property is a turn-of-the-century riverboat themed hotel-casino located across Interstate-15 from Gold Strike. Nevada Landing includes a 70-seat Chinese restaurant, a full-service coffee shop, a buffet, a snack bar, a gift shop, a swimming pool and spa and a 300-guest banquet facility.

Henderson, Nevada

Henderson is a suburb located southeast of Las Vegas.

Railroad Pass. This property is situated along US-93, the direct route between Las Vegas and Phoenix, Arizona. The property includes, among other amenities, two full-service restaurants, a buffet, a gift shop, two bars, a swimming pool and a banquet facility. In contrast with our other Nevada properties, Railroad Pass caters to local residents, particularly from Henderson and Boulder City.

Tunica County, Mississippi

Tunica County is located 20 miles south of Memphis, Tennessee on the Mississippi River. Tunica County attracts customers from Mississippi and surrounding states, including cities such as Memphis, Tennessee and Little Rock, Arkansas.

Gold Strike-Tunica. This property is a dockside casino located along the Mississippi River in Tunica County, approximately three miles west of Mississippi State Highway 61 (a major north/south highway connecting Memphis with Tunica County) and 20 miles south of Memphis. The property features an 800-seat showroom, a coffee shop, a specialty restaurant, a buffet, a snack bar and several cocktail lounges. Gold Strike-Tunica is part of a three-casino development covering approximately 72 acres. The other two casinos are owned and operated by unaffiliated third parties. We also own an undivided one-half interest in an additional 388 acres of land which may be used for future development.

Detroit, Michigan

MotorCity Casino (53.5% owned). In December 1999, with our joint venture partner, Atwater Casino Group, we opened MotorCity Casino, a casino facility in Detroit, Michigan. The casino includes approximately 75,000 square feet of casino space, five restaurants and a 3,800-space parking facility. Under a revised development agreement with the City of Detroit, MotorCity Casino is to be expanded at its current location into a facility that is currently planned to include approximately 400 hotel rooms, 100,000 square feet of casino space, a theater, convention space, and additional restaurants, retail space and parking. We are committed to contribute 20% of the costs of the permanent facility in the form of an investment in the joint venture, and the joint venture will seek to borrow the balance of the costs. Under our operating agreement, project costs are to be reviewed every six months and additional contributions could be required in the future. The costs of the additional facilities, excluding land, capitalized interest and preopening expenses, is currently estimated to be $275 million.

Various lawsuits have been filed in the state and federal courts challenging the constitutionality of the Detroit Casino Competitive Selection Process and the Michigan Gaming Control Revenue Act, and seeking to appeal the issuance of a certificate of suitability to MotorCity Casino. Incorporated by reference in this Item 1 is the additional information appearing under the caption "Detroit Litigation" in Item 3 of this report.

For information concerning an agreement to sell our 53.5% interest in this property if Mandalay's proposed merger with a wholly owned subsidiary of MGM MIRAGE is consummated, see "Pending Merger Pursuant to which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in this Item 1.

Elgin, Illinois

Grand Victoria (50% owned). Through wholly owned entities, we are a 50% participant with RBG, L.P., in a joint venture which owns Grand Victoria. Grand Victoria is a Victorian themed riverboat casino and land-based entertainment complex in Elgin, Illinois, a suburb approximately 40 miles northwest of downtown Chicago. The two-story vessel provides 80,000 square feet of space, approximately 36,000 square feet of which was being used as casino space as of January 31, 2005. The boat offers dockside gaming, which means its operation is conducted at dockside without cruising. The property also features a dockside complex that contains an approximately 83,000-square-foot pavilion with a buffet, a fine dining restaurant, a VIP lounge and a gift shop. Grand Victoria, which is strategically located among the residential suburbs of Chicago, with nearby freeway access and direct train service from downtown Chicago, is located approximately 20 miles and 40 miles, respectively, from its nearest competitors in Aurora, Illinois and Joliet, Illinois, and holds one of only ten riverboat gaming licenses currently granted state-wide, nine of which are presently operational. The operator of the dormant tenth license, which has been the subject of litigation, entered into a settlement agreement with the Illinois Board whereby the ownership interest in the license will be transferred to a new operator. Pursuant to a bidding process, the Illinois Board selected Isle of Capri which plans to locate its operation in Rosemont, Illinois. Rosemont is approximately 20 miles from the Grand Victoria. The closing of this transaction is contingent upon the settlement of outstanding litigation, the Illinois Board finding Isle of Capri suitable for licensure and the Illinois Attorney General's final approval of the settlement agreement between the Illinois Board and the operator. We manage the Grand Victoria, subject to the oversight of an executive committee which functions in a manner similar to a corporation's board of directors. Each joint venture partner is equally represented on the executive committee. See the discussion under "Regulation and Licensing Illinois Gaming Laws" in this Item 1.

Marketing

We have historically followed a marketing and operating philosophy which emphasized high-volume business by providing moderately priced hotel rooms, food and beverage and alternative entertainment in combination with our gaming operations. While we continue to follow this philosophy at many of our properties such as Circus Circus, with the opening of Mandalay Bay (and to a lesser extent Luxor), our marketing focus has shifted to providing a high-quality, destination-resort experience designed to appeal to higher-wealth customers. With the opening of the new convention center and THEhotel at Mandalay Bay, we are also targeting the lucrative business and convention segment of the market. We seek to provide the best overall experience for our customers in each of the market segments we serve.

Las Vegas is our core market and our properties in Las Vegas appeal to a broad range of customers. For example, Mandalay Bay with its fine rooms, internationally renowned restaurants, and entertainment attractions appeals to the upper middle-income to high-income segment of the market. Meanwhile, Luxor and Monte Carlo are marketed more to the middle-income to upper middle-income segment of the market. With their playful themes and more limited amenities, Circus Circus and Excalibur appeal more to the value-oriented, middle-income segment of the market.

We consider hotel operations to be the principal driver of our business in the Las Vegas market, due to the fact that a majority of our revenues are derived from customers staying in our hotel rooms. Hotel customers are typically divided into three main segments: (1) free and independent travelers ("FIT"); (2) convention and business; and (3) wholesale. With its sizeable convention facilities, Mandalay Bay now has a higher percentage of convention and business customers staying in its hotel rooms, as does the adjacent Luxor. Meanwhile, our other Las Vegas properties are more dependent on FIT and wholesale customers.

Our properties in other markets outside Las Vegas tend to be more dependent upon gaming revenues and, consequently, these properties typically appeal to customers in multiple segments of the market who are primarily seeking a gaming experience.

We utilize a variety of methods to market our properties including advertising on radio, television and billboards, as well as in magazines. We market our Las Vegas Strip properties primarily through national cable television and magazines. For our other Nevada properties, advertising is concentrated primarily in Nevada, California and Arizona, while our properties outside Nevada advertise in the regional markets in which they compete. We also utilize direct marketing to a large extent, by making specific offers directly to our extensive database of customers, both via mail and the Internet. We also maintain Internet websites for all of our properties, which provide customers with information about our resorts, along with the ability to make hotel and show reservations. In addition, we offer complimentary hotel accommodations, meals and drinks to selected customers.

We also look for cross-marketing opportunities. For example, in November 2001 we introduced One Club, our player affinity program that allows cash and complimentary awards to be accumulated and redeemed in real time across multiple properties. Our wholly owned properties in Las Vegas, Laughlin, and Reno, Nevada and Tunica County, Mississippi, as well as Monte Carlo are currently linked through the One Club system. We believe the One Club system has helped us maintain and expand our customer database, enabling us to better target our marketing efforts. We also believe One Club encourages repeat visitation to our properties and further encourages customers to visit our other properties through the seamless use of their One Club card.

Our Mandalay Mile also provides us with unique cross-marketing opportunities where we can promote the restaurants, entertainment and other amenities located throughout the Mandalay Mile properties Mandalay Bay, Luxor and Excalibur to each other as well as to our other properties located outside the Mandalay Mile. In addition to One Club, we cross-market these properties through the use of video screens, in-room brochures and displays located within each property and within the skyways and monorail systems connecting the Mandalay Mile properties.

Operations and Cost Controls

The primary source of our revenues is casinos, although our hotels, restaurants, bars, shops, midway games and other entertainment attractions and other services are an important adjunct to the casinos.

Current operations at each of our casinos and those of our joint ventures are conducted 24 hours a day, every day of the year, with the exception of Grand Victoria which operates 22 hours a day, every day of the year. We emphasize courteous and prompt service to our customers and aspire to a high standard of excellence in all of our operations.

The following table sets forth the respective contributions to our net revenues on a dollar and percentage basis of our major activities at our consolidated properties for each of our three most recent fiscal years.

	Year Ended January 31,					
	2005		2004		2003	
	(Dollars in thousands)					
Revenues:						
Casino(1)	$ 1,331,009	47.4%	$ 1,225,249	49.2%	$ 1,205,163	51.2%
Hotel(2)	792,524	28.2%	652,287	26.2%	570,236	24.2%
Food and beverage(2)	502,975	17.9%	454,602	18.3%	414,051	17.6%
Other(2)	372,708	13.3%	334,645	13.4%	333,979	14.2%
	2,999,216	106.8%	2,666,783	107.1%	2,523,429	107.2%
Less:						
Complimentary allowances(2)	(190,073)	(6.8)%	(175,684)	(7.1)%	(169,311)	(7.2)%
Net revenues	$ 2,809,143	100.0%	$ 2,491,099	100.0%	$ 2,354,118	100.0%

(1) Casino revenues are the net difference between the sums received as winnings and the sums paid as losses, less incentives provided to customers in the form of discounts and the value of points earned under our player club.

(2) Hotel, Food and beverage and Other include the retail value of services which are provided to casino customers and others on a complimentary basis. Such amounts are then deducted as complimentary allowances to arrive at net revenues.

We historically have followed a general policy of offering minimal credit to gaming customers at our properties. However, Mandalay Bay (and to lesser extent Luxor) do extend credit to gaming customers on a selective basis in an effort to appeal to a broader segment of the gaming market. As a result, while our other properties continue to offer minimal credit, credit play now represents a more significant portion of the volume of table games play at Mandalay Bay and at Luxor. See Note 2 of Notes to Consolidated Financial Statements in Item 8 of this report.

We maintain strict controls over the issuance of credit and aggressively pursue collection of customer debts. These collection efforts are similar to those used by most large corporations, including the mailing of statements and delinquency notices, personal and other contacts, the use of outside

collection agencies and civil litigation. Nevada gaming debts evidenced by written credit instruments are enforceable under the laws of Nevada. All other states are required to enforce a judgment on a gaming debt entered in Nevada pursuant to the Full Faith and Credit Clause of the United States Constitution. Gaming debts are not legally enforceable in some foreign countries, but the United States assets of foreign customers may be reached to satisfy judgments entered in the United States. While the portion of our accounts receivable that is owed by foreign customers is not currently material, to the extent we hold obligations of foreign customers, the collectibility of those debts may be affected by a number of factors, including changes in currency exchange rates and economic, market or other conditions in the customers' home countries.

Our operating results can vary substantially from quarter to quarter though, on an annual basis, our results are generally less volatile. Special events such as a championship boxing match or a concert, or visits by high-budget players, or the timing of holidays, or even bad weather, can impact our results for the respective periods during which such events occur. Our operating income is typically lowest in the fourth quarter, affected by slower travel leading up to the holiday period. With the increase in convention business stemming from the convention center at Mandalay Bay, our quarterly fluctuations may be accentuated. Convention business is typically the strongest in our first and third quarters.

We maintain stringent cost controls over all of our operations. In connection with our gaming activities, we follow a policy of controls and cross checks on the recording of all receipts and disbursements. The cash controls we have developed and utilize include the following:

locked cash boxes;

independent counters;

checkers and observers to perform the daily cash and coin counts;

floor observation of the gaming areas;

closed-circuit television observation of certain areas;

computer tabulation of receipts and disbursements for each of our slot machines, tables and other games; and

the rapid analysis and resolution of discrepancies or deviations from normal performance.

Expansion Activities

Pursuant to the Merger Agreement, we are generally prohibited from issuing indebtedness, making acquisitions or otherwise selling, pledging or encumbering our assets. As a result, we cannot consider any significant new investments or expansion activities at this time. See "Pending Merger Pursuant to Which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in this Item 1.

Competition

General

The hotel and casino industry is very competitive and the level of competition has increased as gaming has expanded dramatically in the United States in recent years. Forms of gaming include:

riverboats;

dockside gaming facilities;

Native American gaming ventures;

land-based casinos;

state-sponsored lotteries;

racetracks, including slot machines at racetracks;

off-track wagering;

Internet gaming; and

card parlors.

Since 1990, when there were casinos in only three states (excluding casinos on Native American lands), gaming has spread to a number of additional states. In addition, other states have considered, or may in the future consider, legalizing casino gaming in specific geographic areas within their states.

Many Native American tribes throughout the United States, including tribes in California and Arizona, conduct casino gaming and other Native American tribes are either in the process of establishing, or are considering establishing, gaming at additional locations. On March 7, 2000, California voters approved Proposition 1A which amended the California constitution and legalized "Nevada-style" gaming on Native American reservations. The passage of this amendment has allowed the expansion of existing Native American gaming operations, as well as the opening of new Native American gaming facilities, in California. Numerous federally recognized Native American tribes in California have entered into compacts with the State of California pursuant to which most of these tribes may operate up to 2,000 slot machines, and up to two gaming facilities may be operated on any one reservation. Under action taken by the National Indian Gaming Commission, gaming devices similar in appearance to slot machines, but which are deemed to be technological enhancements to bingo style gaming, are not subject to such limits and may be used by tribes without state permission. Certain compacts have been renegotiated with the state, and others may be renegotiated. While the outcome of the negotiations is yet to be determined, the possibility exists that the current facilities operating in California will be allowed to expand the scope and size of their operations, including an increase in the number of slot machines.

Many Native American gaming facilities in California are modest compared to the larger Las Vegas and Reno casinos. However, some Native American tribes have established large-scale hotel and gaming facilities in California. Numerous tribes are at various stages of planning new or expanded facilities and some have announced that they are in the process of constructing, developing or are considering establishing large-scale hotel and gaming facilities. We believe the operation of Native American casinos in California and Arizona has adversely impacted our gaming operations in Nevada, particularly our properties in Reno, Laughlin and Jean.

The competitive impact on Nevada gaming establishments, in general, and our operations, in particular, from the continued growth of gaming in jurisdictions outside Nevada cannot be determined at this time. We believe that the continued growth of casino gaming in markets close to Nevada, such as California and Arizona, and the expansion of the types of gaming permitted in California, could have an adverse impact on our operations and, depending on the nature, location and extent of those operations outside of Nevada, the impact could be material.

Methods by Which We and Our Joint Ventures Compete

The principal methods by which we compete are through the quality of amenities at our properties, the value of the experience we offer our guests, the location of our resorts and our previously discussed marketing programs.

We, and the joint ventures in which we participate, compete within each of our markets by developing, owning and operating gaming resorts that we believe will be viewed by destination resort travelers as "must stay" properties. In pursuing this competitive strategy, we and our joint ventures

have developed properties that offer top quality hotel rooms and a variety of amenities including spas, restaurants and entertainment options that we believe provide customers with a memorable experience.

We believe the locations of our principal properties contribute to their ability to compete within their respective markets. In Las Vegas, for example, our three Mandalay Mile properties are located off the first major freeway exit from southern California, in addition to being located only a short distance from the airport.

We also compete by seeking to provide at each of our resorts a quality experience for our guests. While our properties compete with each other to some extent, in Las Vegas, where most of our larger properties are located, we compete as a company for all segments of the market by offering an array of properties ranging from Circus Circus-Las Vegas, which is directed to the more value-oriented customer, to Mandalay Bay, which is directed to the high-end of the market. With the opening of Mandalay Bay, we expanded our target market to include premium clientele and increased our commitment to providing additional amenities for this clientele.

Information About the Markets Where We Operate

Set forth below is additional information concerning the competitive conditions in the markets where we and our joint ventures operate, as well as information concerning our position in those markets.

Las Vegas, Nevada. We are the largest hotel operator in Las Vegas (with three of our resorts ranking among the five largest in Las Vegas) in terms of the number of guest rooms. Our hotel-casino operations in Las Vegas, which are conducted primarily from properties located along the Las Vegas Strip, currently compete with numerous other major hotel-casinos and a number of smaller casinos located on or near the Las Vegas Strip. Our Las Vegas operations also compete with a dozen major hotel-casinos located in downtown Las Vegas, and other hotel-casinos elsewhere in the Las Vegas area, including our own Railroad Pass in the suburb of Henderson. To a lesser extent, our Las Vegas properties also compete with casino and hotel properties in other parts of Nevada, including Laughlin, Reno and along I-15 (the principal highway between Las Vegas and southern California) near the California-Nevada state line. Our Las Vegas casinos also compete with Native American casinos in southern California (the principal source of business for Las Vegas casinos, including our own) and central Arizona and, to a lesser extent with casinos in other parts of the country.

A major new 2,700-room hotel/casino is scheduled to open in Las Vegas on April 28, 2005. In addition, other major hotel/condominium/casino projects or expansions have been announced and some have commenced construction. These projects will add additional rooms and casino capacity to the Las Vegas market. The Las Vegas market currently has approximately 131,500 rooms. The impact on our future operations of increased capacity in Las Vegas, or the impact of additional growth in Native American gaming, particularly in southern California and Arizona, cannot be determined at this time.

The three resorts located on our Mandalay Mile are our largest and include our newest resort. These three resorts compete with other Las Vegas properties, including our own, by offering their guests the ability to experience three distinctively themed resorts that are conveniently connected by monorail systems as well as climate-controlled skyways, including a 90,000-square-foot retail center located between Mandalay Bay and Luxor.

Reno, Nevada. Circus Circus-Reno, our only wholly owned resort in Reno, competes principally with seven other major casinos. Like Circus Circus-Reno, each of these casinos generates at least $36 million in annual gaming revenues, including Silver Legacy, a hotel-casino complex with 1,711 guest rooms, which is 50% owned by one of our wholly owned subsidiaries. Circus Circus-Reno and Silver Legacy have almost 3,300 rooms combined, or over 20% of the total rooms base in Reno. Circus Circus-Reno and Silver Legacy also compete with numerous other smaller casinos in the greater Reno

area and with casinos and hotels in Lake Tahoe and other parts of Nevada. Circus Circus-Reno and Silver Legacy, along with the entire Reno market, are also encountering increasing competition from Native American casinos in northern California and the Northwest.

Laughlin, Nevada. In Laughlin, Colorado Belle and Edgewater, which together accounted for approximately 25% of the rooms in Laughlin as of January 31, 2005, compete with seven other Laughlin casinos. Colorado Belle and Edgewater have approximately 108,000 square feet of casino space combined, over 20% of the total in Laughlin. They also compete with the hotel-casinos in Las Vegas and those on I-15 (the principal highway between Las Vegas and southern California) near the California-Nevada state line, as well as a growing number of Native American casinos in Laughlin's regional market. The expansion of hotel and casino capacity in Las Vegas in recent years and the growth of Native American casinos in central Arizona and southern California have had a negative impact on Colorado Belle and Edgewater, by drawing visitors from the Laughlin market. This has, in turn, resulted in increased competition among Laughlin properties for a reduced number of visitors which contributes to generally lower revenues and profit margins at Colorado Belle and Edgewater.

Jean, Nevada. Our Jean, Nevada properties, Gold Strike and Nevada Landing, are located on I-15 (the principal highway between Las Vegas and southern California), approximately 25 miles south of Las Vegas and 12 miles north of the California-Nevada border, where their nearest competitor is located. These properties attract their customers almost entirely from the people traveling between Las Vegas and southern California. Accordingly, these properties compete with the large concentration of hotel, casino and other entertainment options available in Las Vegas as well as three hotel-casinos located at the California-Nevada border. They also compete with the growing number of Native American casinos in southern California which has had a negative impact on their operations. At this time, we cannot determine the impact of the continued growth of Native American gaming in southern California on our operations at the Jean properties, although we believe these properties will continue to encounter increasing competition as a result of such growth.

Tunica County, Mississippi. Gold Strike-Tunica competes with nine other casinos in Tunica County, Mississippi, including a hotel-casino which is closer to Memphis, the largest city in Tunica County's principal market. Gold Strike-Tunica's hotel tower provides this property with the second largest number of guest rooms in the Tunica County market.

Elgin, Illinois. Grand Victoria is a 50%-owned Victorian themed riverboat casino and land-based entertainment complex in Elgin, Illinois, a suburb approximately 40 miles northwest of downtown Chicago. Grand Victoria is one of nine licensed gaming riverboats currently operating in Illinois, and produces the highest casino revenues of any riverboat in that market (based on results for calendar 2004). It is located approximately 20 miles and 40 miles, respectively, from its nearest competitors in Aurora, Illinois and Joliet, Illinois. The operator of the dormant tenth license, which has been the subject of litigation, entered into a settlement agreement with the Illinois Board whereby the ownership interest in the license will be transferred to a new operator. Pursuant to a bidding process, the Illinois Board selected Isle of Capri which plans to locate its operation in Rosemont, Illinois. Rosemont is approximately 20 miles from the Grand Victoria. The closing of this transaction is contingent upon the settlement of outstanding litigation, the Illinois Board finding Isle of Capri suitable for licensure and the Illinois Attorney General's final approval of the settlement agreement between the Illinois Board and the operator.

Detroit, Michigan. MotorCity Casino, a 53.5%-owned casino in Detroit, Michigan, is one of three licensed casinos in Detroit. In addition to the other two Detroit casinos, MotorCity Casino competes with a government-owned casino and a racetrack which has an estimated 2,000 slot machines, each of which is located in Windsor, Ontario, directly across the Detroit River from Detroit. A number of Native American casinos are currently operating in central and northern Michigan, but the nearest of these casinos is approximately 150 miles from Detroit. Legislation is under consideration in Michigan

which would permit slot machines to be operated at racetracks, including racetracks in the greater Detroit area. For information concerning an agreement to sell our 53.5% interest in this property if Mandalay's proposed merger with a wholly owned subsidiary of MGM MIRAGE is consummated, see "Pending Merger Pursuant to which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in this Item 1.

Regulation and Licensing

Each of our casinos, including those owned and operated by the joint ventures in which we participate, is subject to extensive regulation under laws, rules and supervisory procedures primarily in the jurisdiction where located or docked. Set forth below is a discussion of the applicable gaming laws and regulations of each jurisdiction where gaming is conducted by us or by a joint venture in which we participate.

Nevada Gaming Laws

The ownership and operation of casino gaming facilities in the State of Nevada, such as the Nevada gaming facilities we and the joint ventures in which we participate own and operate, are subject to the Nevada Gaming Control Act and the regulations promulgated under this Act and various local regulations. Our Nevada gaming operations and those of its Nevada joint ventures are subject to the licensing and regulatory control of the Nevada Gaming Commission, the Nevada State Gaming Control Board and, depending on the facility's location, the Clark County Liquor and Gaming Licensing Board or the City of Reno, which we refer to collectively as the "Nevada Gaming Authorities."

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices and procedures;
- the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;
- the prevention of cheating and fraudulent practices; and
- providing a source of state and local revenues through taxation and licensing fees.

Changes in these laws, regulations and procedures could have an adverse affect on our gaming operations.

Each of Mandalay's subsidiaries that currently operates a casino in Nevada is required to be licensed by the Nevada Gaming Authorities. The gaming license requires the periodic payment of fees and taxes and is not transferable. Mandalay is required to be registered by the Nevada Gaming Commission as a publicly traded corporation and as such, is required periodically to submit detailed financial and operating reports to the Nevada Gaming Commission and furnish any other information that the Nevada Gaming Commission may require. No person may become a stockholder of, or receive any percentage of profits from, a licensed casino without first obtaining licenses and approvals from the Nevada Gaming Authorities. We have obtained from the Nevada Gaming Authorities the various registrations, findings of suitability, approvals, permits and licenses required in order to engage in gaming activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, Mandalay or any of its licensed subsidiaries in order to determine whether the individual is suitable or should be licensed as a business associate of a gaming licensee. Mandalay and its licensed subsidiaries' officers, directors and key employees must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing for any cause which they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. An applicant for licensing or an applicant for a finding of suitability must pay for all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities and, in addition to their authority to deny an application for a finding of suitability or licensing, the Nevada Gaming Authorities have the jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with Mandalay or any licensed subsidiary, Mandalay and the licensed subsidiary would have to sever all relationships with that person. In addition, the Nevada Gaming Commission may require Mandalay or a licensed subsidiary to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or questions pertaining to licensing are not subject to judicial review in Nevada.

Mandalay and all of its licensed subsidiaries are required to submit detailed financial and operating reports to the Nevada Gaming Commission. Substantially all of our or our licensed subsidiaries' material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, the Nevada Gaming Commission.

If the Nevada Gaming Commission determined that Mandalay or a licensed subsidiary violated the Nevada Gaming Control Act, it could limit, condition, suspend or revoke our gaming licenses. In addition, Mandalay, the licensed subsidiary, and the persons involved could be subject to substantial fines for each separate violation of the Nevada Gaming Control Act at the discretion of the Nevada Gaming Commission. Further, a supervisor could be appointed by the Nevada Gaming Commission to operate a licensed subsidiary's gaming establishment and, under specified circumstances, earnings generated during the supervisor's appointment, except for the reasonable rental value of the premises, could be forfeited to the State of Nevada. Limitation, conditioning or suspension of any gaming license of a licensed subsidiary and the appointment of a supervisor could, or revocation of any gaming license would, have a material adverse effect on our gaming operations.

Any beneficial holder of our common stock, or any of our other voting securities, regardless of the number of shares owned, may be required to file an application, be investigated and have that person's suitability as a beneficial holder of our voting securities determined if the Nevada Gaming Commission has reason to believe that the ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of the investigation incurred by the Nevada Gaming Authorities in conducting any investigation.

The Nevada Gaming Control Act requires any person who acquires a beneficial ownership of more than 5% of Mandalay's voting securities to report the acquisition to the Nevada Gaming Commission. The Nevada Gaming Control Act requires that beneficial owners of more than 10% of Mandalay's voting securities apply to the Nevada Gaming Commission for a finding of suitability within thirty days after the Chairman of the Nevada State Gaming Control Board mails the written notice requiring such filing. An "institutional investor," as defined in the Nevada Act, which acquires beneficial ownership of more than 10%, but not more than 15% of Mandalay's voting securities may apply to the Nevada Gaming Commission for a waiver of a finding of suitability if the institutional investor holds Mandalay's voting securities for investment purposes only. In certain circumstances, an institutional investor that has obtained a waiver may hold up to 19% of Mandalay's voting securities for a limited period of time

and maintain the waiver. An institutional investor will be deemed to hold Mandalay's voting securities for investment purposes if it acquired and holds Mandalay's voting securities in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly:

- the election of a majority of the members of Mandalay's board of directors;
- any change in Mandalay's corporate charter, bylaws, management, policies or operations, or any of its gaming affiliates; or
- any other action which the Nevada Gaming Commission finds to be inconsistent with holding Mandalay's voting securities for investment purposes only.

Activities which are not deemed to be inconsistent with holding voting securities for investment purposes only include:

- voting on all matters voted on by stockholders;
- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and
- other activities as the Nevada Gaming Commission may determine to be consistent with investment intent.

If the beneficial holder of Mandalay's voting securities who must be found suitable is a corporation, partnership, limited partnership, limited liability company or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Gaming Commission or by the Chairman of the Nevada State Gaming Control Board may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of Mandalay's voting securities beyond the period of time as may be prescribed by the Nevada Gaming Commission may be guilty of a criminal offense. Mandalay will be subject to disciplinary action if, after it receives notice that a person is unsuitable to be a stockholder or to have any other relationship with it or a licensed subsidiary, it:

- pays that person any dividend or interest upon any of Mandalay's voting securities;
- allows that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pays remuneration in any form to that person for services rendered or otherwise; or
- fails to pursue all lawful efforts to require the unsuitable person to relinquish the voting securities including, if necessary, the immediate purchase of the voting securities for cash at fair market value.

Additionally, the Clark County Liquor and Gaming Licensing Board has the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming licensee.

The Nevada Gaming Commission may, in its discretion, require the holder of any debt security of a registered publicly traded corporation to file applications, be investigated and be found suitable to own the debt security of the registered corporation. If the Nevada Gaming Commission determines that a person is unsuitable to own the security, then under the Nevada Gaming Control Act, the registered publicly traded corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Gaming Commission, it:

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pays to the unsuitable person any dividend, interest or any distribution whatsoever;

recognizes any voting right by the unsuitable person in connection with the securities;

pays the unsuitable person remuneration in any form; or

makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation or similar transaction.

Mandalay is required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make the disclosure may be grounds for finding the record holder unsuitable. Mandalay is also required to render maximum assistance in determining the identity of the beneficial owner of any of our voting securities. The Nevada Gaming Commission has the power to require our stock certificates to bear a legend indicating that the securities are subject to the Nevada Gaming Control Act. To date, the Nevada Gaming Commission has not imposed that requirement on us.

Mandalay may not make a public offering of its securities without the prior approval of the Nevada Gaming Commission if it intends to use the securities or the proceeds from the offering to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for those purposes or for similar transactions. On April 17, 2003, the Nevada Gaming Commission granted Mandalay prior approval to make public offerings for a period of two years, subject to some conditions, which we refer to as the "shelf approval." The shelf approval also applies to any company that Mandalay wholly owns which is a publicly traded corporation or would become a publicly traded corporation pursuant to a public offering. The shelf approval also includes approval for our registered and licensed subsidiaries to guarantee any security issued by, and to hypothecate their assets to secure the payment or performance of any obligations evidenced by a security issued by, Mandalay or an affiliate in a public offering under the shelf registration. The shelf approval also includes approval to place restrictions upon the transfer of and enter into agreements not to encumber the equity securities of the licensed subsidiaries, which we refer to as "stock restrictions." The shelf approval, however, may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada State Gaming Control Board. The shelf approval does not constitute a finding, recommendation or approval of the Nevada Gaming Authorities as to the accuracy or adequacy of the prospectus or other disclosure document by which securities are offered or the investment merits of such securities.

A person must obtain prior approval of the Nevada Gaming Commission with respect to a change in control in Mandalay through:

merger;

consolidation;

stock or asset acquisitions;

management or consulting agreements; or

any act or conduct by a person whereby the person obtains control of Mandalay.

On February 24, 2005, the Nevada Gaming Commission approved the proposed merger of a wholly owned subsidiary of MGM MIRAGE with and into Mandalay.

Entities seeking to acquire control of a registered publicly traded corporation must satisfy the Nevada State Gaming Control Board and Nevada Gaming Commission in a variety of stringent standards before assuming control of the registered corporation. The Nevada Gaming Commission may

also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting Nevada gaming licenses, and registered publicly-traded corporations that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Nevada Gaming Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to:

assure the financial stability of corporate gaming operators and their affiliates;

preserve the beneficial aspects of conducting business in the corporate form; and

promote a neutral environment for the orderly governance of corporate affairs.

Approvals may be required from the Nevada Gaming Commission before Mandalay can make exceptional repurchases of voting securities above their current market price and before a corporate acquisition opposed by management can be consummated. The Nevada Act also requires prior approval of a plan of recapitalization proposed by our board of directors in response to a tender offer made directly to its stockholders for the purpose of acquiring control of Mandalay.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada and to the counties and cities in which the licensed subsidiaries respective operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon either:

a percentage of the gross revenues received;

the number of gaming devices operated; or

the number of table games operated.

A live entertainment tax is also paid by casino operators where entertainment is furnished in connection with admission charges, the selling of food or refreshments or the selling of merchandise. Nevada corporate licensees that hold a license as an operator of a slot machine route, or a manufacturer's or distributor's license, also pay fees and taxes to the State of Nevada. The licensed subsidiaries currently pay monthly fees to the Nevada Gaming Commission equal to a maximum of 6.75% of gross revenues.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with those persons (collectively, "licensees"), and who proposes to become involved in a gaming venture outside of Nevada, is required to deposit with the Nevada State Gaming Control Board, and thereafter maintain, a revolving fund in the amount of $10,000 to pay the expenses of investigation of the Nevada State Gaming Control Board of the licensee's participation in such foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Gaming Commission. Thereafter, licensees are required to comply with the reporting requirements imposed by the Nevada Gaming Control Act. A licensee is also subject to disciplinary action by the Nevada Gaming Commission if it:

knowingly violates any laws of the foreign jurisdiction pertaining to the foreign gaming operation;

fails to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations;

engages in activities or enters into associations that are harmful to the State of Nevada or its ability to collect gaming taxes and fees; or

employs, contracts with or associates with a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

The sale of alcoholic beverages at establishments operated by a licensed subsidiary is subject to licensing, control and regulation by applicable local regulatory agencies. All licenses are revocable and are not transferable. The agencies involved have full power to limit, condition, suspend or revoke any license, and any disciplinary action could, and revocation would, have a material adverse affect upon the operations of the licensed subsidiary.

Mississippi Gaming Laws

Mandalay conducts its Mississippi gaming operations through a Mississippi subsidiary, Circus Circus Mississippi, Inc. ("CCMI"), which owns and operates the Gold Strike Casino Resort in Tunica County, Mississippi. The ownership and operation of casino facilities in Mississippi are subject to extensive state and local regulation, but primarily the licensing and regulatory control of the Mississippi Gaming Commission and the Mississippi State Tax Commission.

The Mississippi Gaming Control Act, which legalized dockside casino gaming in Mississippi, was enacted on June 29, 1990. Although not identical, the Mississippi Gaming Control Act is similar to the Nevada Gaming Control Act. Effective October 29, 1991, the Mississippi Gaming Commission adopted regulations in furtherance of the Mississippi Gaming Control Act (the "regulations"), which are also similar in many respects to the Nevada gaming regulations.

The laws, regulations and supervisory procedures of Mississippi and the Mississippi Gaming Commission seek to:

prevent unsavory or unsuitable persons from having any direct or indirect involvement with gaming at any time or in any capacity;

establish and maintain responsible accounting practices and procedures;

maintain effective control over the financial practices of licensees, including establishing minimum procedures for internal fiscal affairs and safeguarding of assets and revenues, providing reliable record keeping and making periodic reports to the Mississippi Gaming Commission;

prevent cheating and fraudulent practices;

provide a source of state and local revenues through taxation and licensing fees; and

ensure that gaming licensees, to the extent practicable, employ Mississippi residents.

The regulations are subject to amendment and interpretation by the Mississippi Gaming Commission. Changes in Mississippi law or the regulations or the Mississippi Gaming Commission's interpretations thereof may limit or otherwise materially affect the types of gaming that may be conducted, and could have a material adverse effect on Mandalay and CCMI's Mississippi gaming operations.

The Mississippi Gaming Control Act provides for legalized dockside gaming at the discretion of the 14 counties that either border the Gulf Coast or the Mississippi River, but only if the voters in these counties have not voted to prohibit gaming in that county. As of April 1, 2005, dockside gaming was permissible in nine of the 14 eligible counties in the state and gaming operations had commenced in Adams, Coahoma, Hancock, Harrison, Tunica, Warren and Washington counties.

Under Mississippi law, gaming vessels must be located on the Mississippi River or on navigable waters in eligible counties along the Mississippi River, or in the waters of the State of Mississippi lying south of the state in eligible counties along the Mississippi Gulf Coast. The law permits unlimited stakes gaming on permanently moored vessels on a 24-hour basis and does not restrict the percentage of space which may be utilized for gaming. There are no limitations on the number of gaming licenses which may be issued in Mississippi. The legal age for gaming in Mississippi is 21.

Mandalay and its Mississippi licensee subsidiary CCMI are subject to the licensing and regulatory control of the Mississippi Gaming Commission. Mandalay is registered under the Mississippi Gaming Control Act as a publicly-traded corporation of CCMI and is required to periodically submit detailed financial, operating and other reports to the Mississippi Gaming Commission and furnish any other information which the Mississippi Gaming Commission may require. If we are unable to satisfy the registration requirements of the Mississippi Gaming Control Act, Mandalay and CCMI cannot own or operate gaming facilities in Mississippi. CCMI also is required to periodically submit detailed financial, operating and other reports to the Mississippi Gaming Commission and the Mississippi State Tax Commission and to furnish any other information required thereby.

CCMI must maintain a gaming license from the Mississippi Gaming Commission to operate a casino in Mississippi. Gaming licenses require the periodic payment of fees and taxes and are not transferable. Gaming licenses are issued for a maximum term of three years and must be renewed periodically thereafter. CCMI received its Mississippi gaming license on August 18, 1994 and renewals on August 19, 1996, August 20, 1998, August 21, 2000 and August 22, 2003. No person may become a stockholder of or receive any percentage of profits from a licensed subsidiary of a holding company without first obtaining licenses and approvals from the Mississippi Gaming Commission.

Certain of Mandalay's officers, directors and employees and the officers, directors and key employees of CCMI who are actively and directly engaged in the administration or supervision of gaming in Mississippi must be found suitable or be licensed by the Mississippi Gaming Commission. Mandalay believes it and CCMI have applied for all necessary findings of suitability with respect to these persons, although the Mississippi Gaming Commission, in its discretion, may require additional persons to file applications for findings of suitability. In addition, any person having a material relationship or involvement with Mandalay or CCMI may be required to be found suitable, in which case those persons must pay the costs and fees associated with the investigation. A finding of suitability requires submission of detailed personal and financial information followed by a thorough investigation. There can be no assurance that a person who is subject to a finding of suitability will be found suitable by the Mississippi Gaming Commission. The Mississippi Gaming Commission may deny an application for a finding of suitability for any cause that it deems reasonable. Findings of suitability must be periodically renewed.

Changes in certain licensed positions must be reported to the Mississippi Gaming Commission. In addition to its authority to deny an application for a finding of suitability, the Mississippi Gaming Commission has jurisdiction to disapprove a change in a licensed position. The Mississippi Gaming Commission has the power to require Mandalay and CCMI to suspend or dismiss officers, directors and other key employees or sever relationships with other persons who refuse to file appropriate applications or whom the authorities find unsuitable to act in their capacities.

Employees associated with gaming must obtain work permits that are subject to immediate suspension. The Mississippi Gaming Commission will refuse to issue a work permit to a person convicted of a felony and it may refuse to issue a work permit to a gaming employee if the employee has committed various misdemeanors or knowingly violated the Mississippi Gaming Control Act or for any other reasonable cause.

At any time, the Mississippi Gaming Commission has the power to investigate and require a finding of suitability of any of Mandalay's record or beneficial stockholders, regardless of the

percentage of ownership. Mississippi law requires any person who acquires more than 5% of the common stock of a publicly-traded corporation registered with the Mississippi Gaming Commission to report the acquisition to the Mississippi Gaming Commission, and that person may be required to be found suitable. Also, any person who becomes a beneficial owner of more than 10% of the common stock of such a company, as reported to the Mississippi Gaming Commission, must apply for a finding of suitability by the Mississippi Gaming Commission and must pay the costs and fees that the Mississippi Gaming Commission incurs in conducting the investigation. The Mississippi Gaming Commission has generally exercised its discretion to require a finding of suitability of any beneficial owner of more than 5% of a registered public or private company's common stock. However, the regulations may permit institutional investors to own beneficially up to 15% of a registered public or private company's common stock, and, in limited circumstances, up to 19% of a registered public company's common stock without a finding of suitability.

Under certain circumstances, an "institutional investor," as defined by the regulations, which acquires more than 10% but not more than 15% of a registered public or private company's voting securities, may apply to the Executive Director of the Mississippi Gaming Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the board of directors of the registered public or private company, any change in the registered public or private company's corporate charter, bylaws, management, policies or operations of the registered public or private company or any of its gaming affiliates, or any other action which the Mississippi Gaming Commission finds to be inconsistent with holding the registered public or private company's voting securities for investment purposes only. Activities that are not deemed to be inconsistent with holding voting securities for investment purposes only include:

voting, directly or indirectly through the delivery of a proxy furnished by the board of directors, on all matters voted upon by the holders of such voting securities;

serving as a member of any committee of creditors or security holders formed in connection with a debt restructuring;

nominating any candidate for election or appointment to the board of directors in connection with a debt restructuring;

accepting appointment or election as a member of the board of directors in connection with a debt restructuring and serving in that capacity until the conclusion of the member's term;

making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and

such other activities as the Mississippi Gaming Commission may determine to be consistent with such investment intent.

An institutional investor that has been granted a waiver may beneficially own more than 15%, but not more than 19%, of the voting securities of a registered public company only if such additional ownership above 15% results from the operation of such company's stock repurchase program, as long as the institutional investor does not purchase or acquire any additional voting securities of such company and the institutional investor reduces its ownership in such company to 15% or less within one year from the date the institutional investor receives constructive notice that its ownership in such company exceeded 15%.

If a stockholder who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The Mississippi Gaming Commission may at any time dissolve, suspend, condition, limit or restrict a finding of suitability to own Mandalay's equity interests for any cause it deems reasonable.

Mandalay may be required to disclose to the Mississippi Gaming Commission upon request the identities of the holders of any debt or other securities. In addition, under the Mississippi Gaming Control Act the Mississippi Gaming Commission may, in its discretion:

require holders of debt securities of registered corporations to file applications;

investigate the holders; and

require the holders to be found suitable to own the debt securities.

Although the Mississippi Gaming Commission generally does not require the individual holders of obligations such as notes to be investigated and found suitable, the Mississippi Gaming Commission retains the discretion to do so for any reason, including but not limited to a default, or where the holder of the debt instrument exercises a material influence over the gaming operations of the entity in question. Any holder of debt or equity securities required to apply for a finding of suitability must pay all investigative fees and costs of the Mississippi Gaming Commission in connection with the investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Mississippi Gaming Commission may be found unsuitable. Any person found unsuitable and who holds, directly or indirectly, any beneficial ownership of Mandalay's securities beyond the time that the Mississippi Gaming Commission prescribes, may be guilty of a misdemeanor. Mandalay is subject to disciplinary action if, after receiving notice that a person is unsuitable to be a stockholder, a holder of debt securities or to have any other relationship with Mandalay or CCMI, Mandalay:

pays the unsuitable person any dividend, interest or other distribution whatsoever;

recognizes the exercise, directly or indirectly, of any voting rights conferred through such securities held by the unsuitable person;

pays the unsuitable person any remuneration in any form for services rendered or otherwise, except in limited and specific circumstances;

makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation or similar transaction; or

fails to pursue all lawful efforts to require the unsuitable person to divest himself of the securities, including, if necessary, the immediate purchase of the securities for cash at a fair market value.

CCMI must maintain in Mississippi a current ledger with respect to the ownership of its equity securities and Mandalay must maintain in Mississippi a current list of its stockholders which must reflect the record ownership of each outstanding share of any equity security issued by Mandalay. The ledger and stockholder lists must be available for inspection by the Mississippi Gaming Commission at any time. If any of Mandalay's securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Mississippi Gaming Commission. A failure to make that disclosure may be grounds for finding the record holder unsuitable. Mandalay must also render maximum assistance in determining the identity of the beneficial owner.

The Mississippi Gaming Control Act requires that the certificates representing securities of a registered publicly-traded corporation bear a legend to the general effect that the securities are subject to the Mississippi Gaming Control Act and the regulations of the Mississippi Gaming Commission. The Mississippi Gaming Commission has granted Mandalay a waiver of this legend requirement. The Mississippi Gaming Commission has the power to impose additional restrictions on Mandalay and the holders of its securities at any time.

Substantially all loans, leases, sales of securities and similar financing transactions by a licensed gaming subsidiary must be reported to or approved by the Mississippi Gaming Commission. A licensed gaming subsidiary may not make a public offering of its securities, but may pledge or mortgage casino facilities if it obtains the prior approval of the Mississippi Gaming Commission. Mandalay may not make a public offering of its securities without the prior approval of the Mississippi Gaming Commission if any part of the proceeds of the offering is to be used to finance the construction, acquisition or operation of gaming facilities in Mississippi or to retire or extend obligations incurred for those purposes. The approval, if given, does not constitute a recommendation or approval of the accuracy or adequacy of the prospectus or the investment merits of the securities subject to the offering. On January 17, 2004, the Mississippi Gaming Commission granted Mandalay a waiver of the prior approval requirement for its securities offerings for a period of two years, subject to certain conditions. The waiver may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Executive Director of the Mississippi Gaming Commission.

Under the regulations of the Mississippi Gaming Commission, CCMI may not guarantee a security issued by Mandalay pursuant to a public offering, or pledge its assets to secure payment or performance of the obligations evidenced by the security issued by Mandalay, without the prior approval of the Mississippi Gaming Commission. Similarly, Mandalay may not pledge the stock or other ownership interests of CCMI, nor may the pledgee of these ownership interests foreclose on the pledge, without the prior approval of the Mississippi Gaming Commission. Moreover, restrictions on the transfer of an equity security issued by CCMI and agreements not to encumber such securities granted by Mandalay are ineffective without the prior approval of the Mississippi Gaming Commission. The waiver of the prior approval requirement for Mandalay's securities offerings received from the Mississippi Gaming Commission on January 17, 2004 includes a waiver of the prior approval requirement for such guarantees, pledges and restrictions of CCMI, subject to certain conditions.

Mandalay cannot change its control through merger, consolidation, acquisition of assets, management or consulting agreements or any form of takeover without the prior approval of the Mississippi Gaming Commission. The Mississippi Gaming Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction. On December 15, 2004, the Mississippi Gaming Commission approved the proposed merger of a wholly owned subsidiary of MGM MIRAGE with and into Mandalay.

The Mississippi Legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and other corporate defense tactics that affect corporate gaming licensees in Mississippi and corporations whose stock is publicly-traded that are affiliated with those licensees, may be injurious to stable and productive corporate gaming. The Mississippi Gaming Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Mississippi's gaming industry and to further Mississippi's policy to:

assure the financial stability of corporate gaming operators and their affiliates;

preserve the beneficial aspects of conducting business in the corporate form; and

promote a neutral environment for the orderly governance of corporate affairs.

Mandalay may be required to obtain approval from the Mississippi Gaming Commission before it may make exceptional repurchases of voting securities in excess of the current market price of its common stock (commonly called "greenmail") or before it may consummate a corporate acquisition opposed by management. The regulations will also require prior approval by the Mississippi Gaming Commission if Mandalay adopts a plan of recapitalization proposed by its board of directors opposing a tender offer made directly to the stockholders for the purpose of acquiring control of Mandalay.

Neither Mandalay nor CCMI may engage in gaming activities in Mississippi while Mandalay, CCMI and/or persons found suitable to be associated with the gaming license of CCMI conduct gaming operations outside of Mississippi without approval of the Mississippi Gaming Commission. The Mississippi Gaming Commission may require means for it to have access to information concerning Mandalay's and Mandalay's affiliates' out-of-state gaming operations. Mandalay received waivers of foreign gaming approval from the Mississippi Gaming Commission for the conduct of gaming operations in Nevada, Indiana, Louisiana, Illinois, New Jersey, Michigan and Ontario, Canada, and may be required to obtain the approval or a waiver of such approval from the Mississippi Gaming Commission before engaging in any additional future gaming operations outside of Mississippi.

If the Mississippi Gaming Commission decides that a licensed gaming subsidiary violated a gaming law or regulation, the Mississippi Gaming Commission could limit, condition, suspend or revoke the license of the subsidiary. In addition, we, the licensed subsidiary and the persons involved could be subject to substantial fines for each separate violation. A violation under any of Mandalay's other operating subsidiaries' gaming licenses may be deemed a violation of CCMI's gaming license. Because of a violation, the Mississippi Gaming Commission could attempt to appoint a supervisor to operate the casino facilities. Limitation, conditioning or suspension of CCMI's gaming license or Mandalay's registration as a publicly-traded corporation of CCMI, or the appointment of a supervisor could, and revocation of any gaming license or registration would, materially adversely affect Mandalay's Mississippi gaming operations.

A licensed gaming subsidiary must pay license fees and taxes, computed in various ways depending on the type of gaming involved, to the State of Mississippi and to the county or city in which the licensed gaming subsidiary conducts operations. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon:

a percentage of the gross gaming revenues received by the casino operation;

the number of slot machines operated by the casino; and

the number of table games operated by the casino.

The license fee payable to the State of Mississippi is based upon "gaming receipts," generally defined as gross receipts less payouts to customers as winnings, and equals:

4% of gaming receipts of $50,000 or less per month;

6% of gaming receipts over $50,000 and less than $134,000 per month; and

8% of gaming receipts over $134,000 per month.

These license fees are allowed as a credit against our Mississippi income tax liability for the year paid. The gross revenue fee imposed by the Mississippi cities and counties in which casino operations are located is in addition to the fees payable to the State of Mississippi and equals approximately 4% of the gaming receipts.

The Mississippi Gaming Commission adopted a regulation in 1994 requiring as a condition of licensure or license renewal that a gaming establishment's plan include a 500-car parking facility in close proximity to the casino complex and infrastructure facilities which will amount to at least 25% of the casino cost. Infrastructure facilities are defined in the regulation to include a hotel with at least 250

rooms, theme park, golf course and other similar facilities. With the opening of its resort hotel and other amenities in 1998, CCMI is in compliance with this requirement. On January 21, 1999, the Mississippi Gaming Commission adopted an amendment to this regulation which increased the infrastructure requirement to 100% from the existing 25%; however, the regulation grandfathers existing licensees and applies only to new casino projects and casinos that are not operating at the time of acquisition or purchase, and would therefore not apply to CCMI.

Both the local jurisdiction and the Alcoholic Beverage Control Division of the Mississippi State Tax Commission license, control and regulate the sale of alcoholic beverages by CCMI. The Gold Strike Casino Resort owned and operated by CCMI is in an area designated as a special resort area, which allows casinos located therein to serve alcoholic beverages on a 24-hour basis. The Alcoholic Beverage Control Division requires that the key officers and managers of Mandalay and CCMI and all owners of more than 5% of CCMI's equity submit detailed personal, and in some instances, financial information to the Alcoholic Beverage Control Division and be investigated and licensed. All such licenses are non-transferable. The Alcoholic Beverage Control Division must approve changes in key positions. The Alcohol Beverage Control Division has the full power to limit, condition, suspend or revoke any license for the service of alcoholic beverages or to place a licensee on probation with or without conditions. Any disciplinary action could, and revocation would, have a material adverse affect upon the casino's operations.

Illinois Gaming Laws

We are subject to the jurisdiction of the Illinois gaming authorities as a result of our 50% interest in Grand Victoria Riverboat Casino based in Elgin, Illinois.

In February 1990, the State of Illinois legalized riverboat gambling. The Illinois Riverboat Gambling Act (the "Illinois Act") authorizes the five-member Illinois Gaming Board (the "Illinois Board") to issue up to ten riverboat gaming owners' licenses on navigable streams within or forming a boundary of the State of Illinois except for Lake Michigan and any waterway in Cook County, which includes Chicago. Pursuant to the initial Illinois Act, a licensed owner who holds greater than a 10% interest in one riverboat operation, could hold no more than a 10% interest in any other riverboat operation. In addition, the initial Illinois Act restricted the location of certain of the ten owners' licenses. Four of the licenses were to be located on the Mississippi River, one license was to be at a location on the Illinois River south of Marshall County and one license had to be located on the Des Plaines River in Will County. The remaining licenses were not restricted as to location. Currently, nine owner's licenses are in operation in Alton, Aurora, East Peoria, East St. Louis, Elgin, Metropolis, Rock Island and two licenses in Joliet. The tenth license, which was initially granted to an operator in East Dubuque, was not renewed by the Illinois Board and has been the subject of on-going litigation. At present, the Illinois Board has entered into a settlement agreement with the operator whereby the ownership interest in the tenth license will be transferred to a new operator pursuant to a bid process initiated by the Illinois Board. Recently the bid process was completed and Isle of Capri was the successful bidder. It is proposed that Isle of Capri would locate its gaming operation in Rosemont, Illinois. The closing of this transaction is contingent upon the settlement of outstanding litigation, the Illinois Board finding Isle of Capri suitable for licensure and the Illinois Attorney General's final approval of the settlement agreement between the Illinois Board and the operator. There is no assurance that this process will reach a successful conclusion.

Furthermore, under the initial Illinois Act, no gambling could be conducted while a riverboat was docked. A gambling excursion could last no more than four hours, and a gaming excursion was deemed to have started when the first passenger boarded a riverboat. Gaming could continue during passenger boarding for a period of up to 30 minutes. Gaming was also allowed for a period of up to 30 minutes after the gangplank or its equivalent was lowered, thereby allowing passengers to exit the riverboat. During the 30-minute exit time period, new passengers were not allowed to board the riverboat.

Although riverboats were mandated to cruise, there were certain exceptions. If a riverboat captain reasonably determined that either it was unsafe to transport passengers on the waterway due to inclement weather or the riverboat had been rendered temporarily inoperable by unforeseeable mechanical or structural difficulties or river icing, the riverboat could remain dockside or return to the dock. In those situations, a gaming excursion could begin or continue while the gangplank or its equivalent was raised and remained raised, in which event the riverboat was not considered docked. If a gaming excursion had to begin or continue with the gangplank or its equivalent raised, and the riverboat did not leave the dock, entry of new patrons on to the riverboat was prohibited until the completion of the excursion.

In June of 1999, amendments to the Illinois Act were passed by the legislature and signed into law by the Governor. The amended Illinois Act redefined the conduct of gaming in the state. Pursuant to the amended Illinois Act, riverboats can conduct gambling without cruising and passengers can enter and leave a riverboat at any time. In addition, riverboats may now be located upon any water within Illinois and not just navigable waterways. There is no longer any prohibition of a riverboat being located in Cook County. Riverboats are now defined as self-propelled excursion boats or permanently moored barges. The amended Illinois Act requires that only three, rather than four owner's licenses, be located on the Mississippi River. The 10% ownership prohibition has also been removed. Therefore, subject to certain Illinois Board rules, individuals or entities could own more than one riverboat operation.

The amended Illinois Act also allows for the relocation of a riverboat home dock. A licensee that was not conducting riverboat gambling on January 1, 1998, may apply to the Illinois Board for renewal and approval of relocation to a new home dock and the Illinois Board shall grant the application and approval of the new home dock upon the licensee providing to the Illinois Board authorization from the new dockside community. It was pursuant to the amended Illinois Act that the former owner of the East Dubuque riverboat applied for relocation of its operation to Rosemont and it is this license that was the subject of the recent bid process. Any licensee that relocates in accordance with the provisions of the amended Illinois Act, must attain a level of at least 20% minority ownership of such a gaming operation.

The constitutionality of the relocation provisions of the amended Illinois Act was challenged. That lawsuit is currently pending before the Illinois Supreme Court. There is no assurance that the relocation provisions will be deemed constitutional. In 2003, the Illinois legislature passed and the Governor signed the 2003 amendments to the Illinois Act. The 2003 amendments provided, among other things, that the provisions of the Illinois Act are severable. Thus, regardless of the outcome of the lawsuit, it will not affect other sections of the amended Illinois Act.

The Illinois Act strictly regulates the facilities, persons, associations and practices related to gaming operations. The Illinois Act grants the Illinois Board specific powers and duties, and all other powers necessary and proper to fully and effectively execute the Illinois Act for the purpose of administering, regulating and enforcing the system of riverboat gaming. The Illinois Board has authority over every person, association, corporation, partnership and trust involved in riverboat gaming operations in the State of Illinois.

The Illinois Act requires the owner of a riverboat gaming operation to hold an owner's license issued by the Illinois Board. Each owner's license permits the holder to own up to two riverboats, however, gaming participants are limited to 1,200 for any owner's license. The number of gaming participants will be determined by the number of gaming positions available. Gaming positions are counted as follows:

electronic gaming devices positions will be determined as 90% of the total number of devices available for play;

craps tables will be counted as having ten gaming positions; and

games utilizing live gaming devices, except for craps, will be counted as having five gaming positions.

Each owner's license initially runs for a period of three years. Thereafter, the license must be renewed annually. Under the amended Illinois Act, the Board may renew an owner's license for up to four years. An owner licensee is eligible for renewal upon payment of the applicable fee and a determination by the Illinois Board that the licensee continues to meet all of the requirements of the Illinois Act and Illinois Board rules. The owner's license for Grand Victoria Riverboat Casino was issued in October 1994 and was valid for three years. Since that time, the license has been renewed annually, and in October 2000, the license was renewed for four years. The license was due to be renewed in October 2004, but due to lack of a quorum of the Illinois Board the license renewal could not be considered. Until the renewal is presented and acted upon by the Illinois Board, the license continues by operation of law. Recently, the Governor appointed three new members to the Illinois Board thereby filling all outstanding vacancies on the Illinois Board. It is anticipated that the license renewal will be promptly reviewed by the Illinois Board. An ownership interest in an owner's license may not be transferred or pledged as collateral without the prior approval of the Illinois Board.

Pursuant to the amended Illinois Act, which lifted the 10% ownership prohibition, the Illinois Board established certain rules to effectuate this statutory change. In deciding whether to approve direct or indirect ownership or control of an owner's license, the Illinois Board shall consider the impact of any economic concentration of the ownership or control. No direct or indirect ownership or control may be approved which will result in undue economic concentration of the ownership of a riverboat gambling operation in Illinois. Undue economic concentration means that a person or entity would have actual or potential domination of riverboat gambling in Illinois sufficient to:

substantially impede or suppress competition among holders of owner's licenses;

adversely impact the economic stability of the riverboat casino industry in Illinois; or

negatively impact the purposes of the Illinois Act, including tourism, economic development, benefits to local communities and state and local revenues.

The Illinois Board will consider the following criteria in determining whether the approval of the issuance, transfer or holding of a license will create undue economic concentration:

percentage share of the market presently owned or controlled by the person or entity;

estimated increase in the market share if the person or entity is approved to hold the owner's license;

relative position of other persons or entities that own or control owner's licenses in Illinois;

current and projected financial condition of the riverboat gaming industry;

current market conditions, including proximity and level of competition, consumer demand, market concentration and any other relevant characteristics of the market;

whether the license to be approved has separate organizational structures or other independent obligations;

potential impact on the projected future growth and development of the riverboat gambling industry, the local communities in which licenses are located and the State of Illinois;

barriers to entry into the riverboat gambling industry and if the approval of the license will operate as a barrier to new companies and individuals desiring to enter the market;

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whether the approval of the license is likely to result in enhancing the quality and customer appeal of products and services offered by riverboat casinos in order to maintain or increase their respective market shares;

whether a restriction on the approval of the additional license is necessary in order to encourage and preserve competition in casino operations; and

any other relevant information.

The Illinois Act does not limit the maximum bet or per patron loss. Minimum and maximum wagers on games are set by the owner licensee. Wagering may not be conducted with money or other negotiable currency. No person under the age of 21 is permitted to wager and wagers may only be received from a person present on the riverboat. With respect to electronic gaming devices, the payout percentage may not be less than 80% nor more than 100%.

An admission tax is imposed on the owner of a riverboat operation. Under the 2003 amendments to the Illinois Act, for an owner licensee that admitted 2,300,000 persons or fewer in the previous calendar year, the admission tax is $4.00 per person and for an owner licensee that admitted more than 2,300,000 persons in the previous calendar year (including Grand Victoria), the admission tax is $5.00.

Additionally, a wagering tax is imposed on the adjusted gross receipts, as defined in the initial Illinois Act, of a riverboat operation. As of July 1, 2003, pursuant to the 2003 amendments the wagering tax was increased as follows:

15% of adjusted gross receipts up to and including $25 million;

27.5% of adjusted gross receipts in excess of $25 million but not exceeding $37.5 million;

32.5% of adjusted gross receipts in excess of $37.5 million but not exceeding $50 million;

37.5% of adjusted gross receipts in excess of $50 million but not exceeding $75 million;

45% of adjusted gross receipts in excess of $75 million but not exceeding $100 million;

50% of adjusted gross receipts in excess of $100 million but not exceeding $250 million; and

70% of adjusted gross receipts in excess of $250 million.

The wagering tax as outlined in the 2003 amendments shall no longer be imposed beginning on the earlier of (i) July 1, 2005; (ii) the first date after the effective date of the 2003 amendments to the Illinois Act that riverboat gambling operations are conducted pursuant to the dormant tenth license or (iii) the first day that riverboat gambling operations are conducted under the authority of an owners license that is in addition to the 10 owners licenses authorized by the Illinois Act. The wagering tax will rollback to the rates in effect prior to the 2003 amendments. There is no assurance that the Illinois Act will not be further amended, or other legislation enacted, to change the wagering tax rollback.

The owner licensee is required, on a daily basis, to wire the wagering tax payment to the Illinois Board.

In addition to owner's licenses, the Illinois Board also requires licensing for all vendors of gaming supplies and equipment and for all employees of a riverboat gaming operation. The Illinois Board is authorized to conduct investigations into the conduct of gaming and into alleged violations of the Illinois Act and the Illinois Board rules. Employees and agents of the Illinois Board have access to and may inspect any facilities relating to the riverboat gaming operation.

A holder of any license is subject to imposition of fines, suspension or revocation of such license, or other action for any act or failure to act by himself or his agents or employees, that is injurious to the public health, safety, morals, good order and general welfare of the people of the State of Illinois, or that would discredit or tend to discredit the Illinois gaming industry or the State of Illinois. Any

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riverboat operations not conducted in compliance with the Illinois Act may constitute an illegal gaming place and consequently may be subject to criminal penalties, including possible seizure, confiscation and destruction of illegal gaming devices and seizure and sale of riverboats and dock facilities to pay any unsatisfied judgment that may be recovered and any unsatisfied fine that may be levied. The Illinois Act also provides for civil penalties, equal to the amount of gross receipts derived from wagering on the gaming, whether unauthorized or authorized, conducted on the day of any violation. The Illinois Board may revoke or suspend licenses, as the Illinois Board may see fit and in compliance with applicable laws of the State of Illinois regarding administrative procedures and may suspend an owner's license, without notice or hearing, upon a determination that the safety or health of patrons or employees is jeopardized by continuing a riverboat's operation. The suspension may remain in effect until the Illinois Board determines that the cause for suspension has been abated and it may revoke the owner's license upon a determination that the owner has not made satisfactory progress toward abating the hazard.

If the Illinois Board has suspended, revoked or refused to renew the license of an owner or if a riverboat gambling operation is closing and the owner is voluntarily surrendering its owner's license, the Illinois Board may petition the local circuit court in which the riverboat is situated for appointment of a receiver. The circuit court shall have sole jurisdiction over any and all issues pertaining to the appointment of a receiver. The Illinois Board shall specify the specific powers, duties and limitations for the receiver, including but not limited to the authority to:

hire, fire, promote and discipline personnel and retain outside employees or consultants;

take possession of any and all property, including but not limited to its books, records, papers;

preserve and/or dispose of any and all property;

continue and direct the gaming operations under the monitoring of the Board;

discontinue and dissolve the operation;

enter into and cancel contracts;

borrow money and pledge, mortgage or otherwise encumber the property;

pay all secured and unsecured obligations;

institute or define actions by or on behalf of the holder of an Owner's license; and

distribute earnings derived from gaming operations in the same manner as admission wagering taxes are distributed under Sections 12, 13 of the Riverboat Gambling Act.

The Illinois Board shall submit at least three nominees to the court. The nominees may be individuals or entities selected from an Illinois Board approved list of pre-qualified receivers who meet the same criteria for a finding of preliminary suitability for licensure under Illinois Board Rules, Sections 3000.230(c)(2)(B) and (C). In the event that the Illinois Board seeks the appointment of a receiver on a emergency basis, the Illinois Board shall issue a Temporary Operating Permit to the receiver appointed by the court. A receiver, upon appointment by the court, shall before assuming his or her duties, execute and post the same bond as an owner's licensee pursuant to Section 10 of the Illinois Act.

The receiver shall function as an independent contractor, subject to the direction of the court. However, the receiver shall also provide to the Illinois Board regular reports and provide any information deemed necessary for the Illinois Board to ascertain the receiver's compliance with all applicable rules and laws. From time to time, the Illinois Board may, at its sole discretion, report to the court on the receiver's level of compliance and any other information deemed appropriate for disclosure to the court. The term and compensation of the receiver shall be set by the court. The

receiver shall provide to the court and the Illinois Board at least 30 days written notice of any intent to withdraw from the appointment or to seek modification of the appointment. Except as otherwise provided by action to the Illinois Board the gaming operation shall be deemed a licensed operation subject to all rules of the Illinois Board during the tenure of any receivership.

The Illinois Board requires that a "Key Person" of an owner licensee submit a Personal Disclosure or Business Entity Form and be investigated and approved by the Illinois Board. The Illinois Board shall certify for each applicant for or holder of an owner's license each position, individual or Business Entity that is to be approved by the Board and maintain suitability as a Key Person.

With respect to an applicant for or the holder of an owner's license, a Key Person shall include:

any Business Entity and any individual with an ownership interest or voting rights of more than 5% in the licensee or applicant and the trustee of any trust holding such ownership interest or voting rights;

the directors of the licensee or applicant and its chief executive officer, president and chief operating officer or their functional equivalents; and

all other individuals or Business Entities that, upon review of the applicant's or licensees Table of Organization, Ownership and Control the Board determines hold a position or a level of ownership, control or influence that is material to the regulatory concerns and obligations of the Illinois Board for the specified licensee or applicant.

In order to assist the Illinois Board in its determination of Key Persons, applicants for or holders of an owner's license must provide to the Illinois Board a Table of Organization, Ownership and Control (the "Table"). The Table must identify in sufficient detail the hierarchy of individuals and Business Entities that, through direct or indirect means, manage, own or control the interest and assets of the applicant or licensee holder. If a Business Entity identified in the Table is a publicly traded company, the following information must be provided in the Table:

the name and percentage of ownership interest of each individual or Business Entity with ownership of more than 5% of the voting shares of the entity, to the extent this information is known or contained in Schedule 13D or 13G SEC filings;

to the extent known, the names and percentage of interest of ownership of persons who are relatives of one another and who together (as individuals or through trusts) exercise control over or own more than 10% of the voting shares of the entity; and

any trust holding more than 5% ownership or voting interest in Mandalay, to the extent this information is known or contained in Schedule 13D or 13G SEC filings.

The Table may be disclosed under the Freedom of Information Act.

Each owner licensee must provide a means for the economic disassociation of a Key Person in the event such economic disassociation is required by an order of the Illinois Board. Based upon findings from an investigation into the character, reputation, experience, associations, business probity and financial integrity of a Key Person, the Illinois Board may enter an order upon the licensee or require the economic disassociation of the Key Person.

Furthermore, each applicant or owner licensee must disclose the identity of every person, association, trust or corporation having a greater than 1% direct or indirect pecuniary interest in an owner licensee or in the riverboat gaming operation with respect to which the license is sought. The Illinois Board may also require an applicant or owner licensee to disclose any other principal or investor and require the investigation and approval of these individuals.

The Illinois Board (unless the investor qualifies as an institutional investor) requires a Personal Disclosure Form or a Business Entity Form from any person or entity who or which, individually or in association with others, acquires directly or indirectly, beneficial ownership of more than 5% of any class of voting securities or non-voting securities convertible into voting securities of a publicly-traded corporation which holds an ownership interest in the holder of an owner's license. If the Illinois Board denies an application for such a transfer and if no hearing is requested, the applicant for the transfer of ownership interest must promptly divest those shares in the publicly-traded parent corporation. The holder of an owner's license would not be able to distribute profits to a publicly-traded parent corporation until such shares have been divested. If a hearing is requested, the shares need not be divested and profits may be distributed to a publicly-held parent corporation pending the issuance of a final order from the Illinois Board. Mandalay has requested approval of the transfer of its 50% interest in the Grand Victoria Riverboat Casino and MGM MIRAGE has applied to the Illinois Board for approval of its acquisition of Mandalay's 50% interest. The Illinois Board has not yet acted on this matter, but is expected to take action in late April 2005. No assurance can be given as to what action the Illinois Board will take in connection with this application.

An institutional investor that individually or jointly with others, cumulatively acquires, directly or indirectly, 5% or more of any class of voting securities of a publicly-traded licensee or a licensee's publicly-traded parent corporation shall, within no less than ten days after acquiring these securities, notify the Administrator of the Board of such ownership and shall provide any additional information as may be required. If an institutional investor (as specified above) acquires 10% or more of any class of voting securities of a publicly-traded licensee or a licensee's publicly-traded parent corporation it shall file an Institutional Investor Disclosure Form within 45 days after acquiring this level of ownership interest. The owner licensee shall notify the Administrator as soon as possible after it becomes aware that it or its parent is involved in an ownership acquisition by an institutional investor. The institutional investor also has an obligation to notify the Administrator of its ownership interest.

In addition to Institutional Investor Disclosure Forms, certain other forms may be required to be submitted to the Illinois Board. An owner-licensee must submit a Marketing Agent Form to the Illinois Board for each Marketing Agent with whom it intends to do business. A Marketing Agent is a person or entity, other than a junketeer or an employee of a riverboat gaming operation, who is compensated by the riverboat gaming operation in excess of $100 per patron per trip for identifying and recruiting patrons. Key Persons of owner-licensees must submit Trust Identification Forms for trusts, excluding land trusts, for which they are a grantor, trustee or beneficiary each time such a trust relationship is established, amended or terminated.

Applicants for and holders of an owner's license are required to obtain formal approval from the Illinois Board for changes in the following areas:

Key Persons;

type of entity;

equity and debt capitalization of the entity;

investors and/or debt holders;

source of funds;

applicant's economic development plan;

riverboat capacity or significant design change;

gaming positions;

anticipated economic impact; or

agreements, oral or written, relating to the acquisition or disposition of property (real or personal) of a value greater than $1 million.

A holder of an owner's license is allowed to make distributions to its stockholders only to the extent that the distribution would not impair the financial viability of the gaming operation. Factors to be considered by the licensee will include but not be limited to the following:

cash flow, casino cash and working capital requirements;

debt service requirements, obligations and covenants associated with financial instruments;

requirements for repairs and maintenance and capital improvements;

employment or economic development requirements of the Act; and

a licensee's financial projections.

The Illinois Board has implemented a Voluntary Self-Exclusion Policy whereby a person who acknowledges that he/she has a gambling problem may self-identify and self-exclude himself or herself from an Illinois riverboat. The Illinois Board has prescribed procedures that owner licensees must follow in order to implement this self-exclusion program.

The Illinois Board may waive any licensing requirement or procedure provided by rule if it determines that the waiver is in the best interests of the public and the gaming industry. Also, the Illinois Board may, from time to time, amend or change its rules.

From time to time, various proposals have been introduced in the Illinois legislature that, if enacted, would affect the taxation, regulation, operation or other aspects of the gaming industry or Mandalay. Some of this legislation, if enacted, could adversely affect the gaming industry or Mandalay. No assurance can be given whether such or similar legislation will be enacted.

Uncertainty exists regarding the Illinois gambling regulatory environment due to limited experience in interpreting the Illinois Act.

Michigan Gaming Laws

Mandalay is subject to regulation by the Michigan Gaming Control Board ("Michigan Board") pursuant to the Michigan Gaming Control and Revenue Act ("Michigan Act") as a result of ownership of 53.5% of Detroit Entertainment, L.L.C., a Michigan limited liability company, which operates MotorCity Casino.

The qualification standards established by the Michigan Act and Rules are very comprehensive. A burden of proof by "clear and convincing evidence" is placed upon the applicant. The focus of these standards is suitability as to:

character;

reputation;

integrity;

business probity;

experience;

ability;

financial ability and responsibility; and

any other criteria considered appropriate by the Michigan Board.

MotorCity Casino's casino license is a one-year license. The license will be renewed by the Michigan Board on an annual basis if the Michigan Board determines that MotorCity Casino continues to meet all requirements established by the Michigan Act and Rules. MotorCity Casino has timely filed its Casino License Annual Renewal Report with the Michigan Board. Action on the license renewal is currently pending before the Michigan Board. The Michigan Board staff has advised MotorCity Casino that its casino license remains in effect while the Michigan Board completes its normal and customary processing procedures for a casino license renewal. No assurances can be given regarding when the Michigan Board will act on the license renewal or what action the Michigan Board will take in connection with the license renewal.

The Michigan Act permits the licensing and operation of up to three casinos in any Michigan city that meets certain requirements. At the present time, the only city in Michigan that meets these requirements is Detroit. To date, three casino licenses have been issued.

The Michigan Board is composed of five persons. It has the authority to:

- enforce the provisions of the Michigan Act;
- license casinos in accordance with the provisions of the Michigan Act; and
- regulate all aspects of the operation of casinos licensed by the Michigan Board.

The Michigan Board's jurisdiction extends to every person and business entity involved in casino gaming operations governed by the Michigan Act and Rules. The Michigan Act and Rules strictly regulate all aspects of the ownership and operation of casinos licensed under the Michigan Act. This includes regulation of:

- all related buildings, facilities, bars, restaurants, hotels, cocktail lounges, retail establishments, arenas and rooms functionally or physically connected to the casino; and
- any other facility located in the city of Detroit that is under the control of the casino licensee or an affiliated company.

Collectively, the Michigan Act calls all of these buildings, facilities and other amenities the "Casino Enterprise."

The Michigan Board, the Michigan Attorney General and the Michigan State Police have been assigned to investigate and inspect the casinos licensed under the Michigan Act. These employees have the right to inspect all facilities relating to the Casino Enterprise.

The Michigan Act and Rules require that "Key Persons" meet the requirements set forth in the Michigan Act and Rules. Key Persons include:

- officers, directors, trustees, partners and proprietors of a casino licensee or an affiliate or holding company of a casino licensee that has control of a casino licensee;
- a person that holds a combined direct, indirect or attributed debt or equity interest of more than 5% in a person that holds a casino license;
- a person that holds a combined direct, indirect or attributed equity interest of more than 5% in a person that holds a casino license;
- a managerial employee of an affiliate or holding company that has control of a person that holds a casino license; and
- various management level employees of the casino licensee.

The Michigan Act defines "control" of a casino licensee as having greater than 15% direct or indirect pecuniary interest in the casino licensee. Mandalay has control of MotorCity Casino.

Key Persons are required to timely file and update qualification information with the Michigan Board and then be approved by the Michigan Board.

The Michigan Act and Rules require compliance with qualification standards for obtaining and retaining a direct or indirect ownership interest in a casino and for transferring an ownership interest in a casino. Owners are required to timely file and update information required to be submitted to the Michigan Board.

The Michigan Board can require compliance with the qualification and approval standards whenever the Michigan Board determines that it is in the best interests of the Michigan casino regulatory process to do so regardless of the amount of direct or indirect beneficial ownership interest involved or the nature of the ownership interest.

The Michigan Act and Rules distinguish between shareholders of a privately owned company and shareholders of a publicly traded company for qualification purposes. Shareholders of a privately owned company who directly or indirectly beneficially own 1% or more of a casino licensee or casino license applicant must submit qualification information to the Michigan Board and be approved by the Michigan Board. Shareholders that own more than 5% of a publicly traded company that owns 1% or more of one of the Detroit casinos must submit and update qualification information to the Michigan Board. Mandalay owns more than 1% of MotorCity Casino and, therefore, each shareholder that owns more than 5% of the shares of Mandalay is subject to the qualification requirements established by the Michigan Act and Rules.

There are special rules for an "institutional investor" that has invested in a publicly traded company that owns 1% or more of a Detroit casino or a Michigan casino license applicant.

The Michigan Board is currently taking the position that an institutional investor that individually or, in association with others, directly or indirectly holds or acquires beneficial ownership of more than 5% of Mandalay must notify the Michigan Board of its interest in Mandalay within 10 business days after the institutional investor acquires more than a 5% interest in Mandalay or files a Form 13-D or 13-G with the SEC. The institutional investor may be required by the Michigan Board to supply additional information to the Michigan Board. The Michigan Board may require the institutional investor to be found suitable.

An institutional investor that individually or, in association with others, directly or indirectly holds or acquires beneficial ownership of more than a 5% interest but less than a 10% interest in Mandalay may request from the Michigan Board a waiver of the eligibility and suitability requirements if the institutional investor purchased the interest in Mandalay for investment purposes only and not for the purpose of influencing or affecting the affairs of Mandalay, MotorCity Casino or its affiliates. In order to obtain the waiver, the institutional investor must complete and file with the Michigan Board a Michigan Institutional Investor Waiver Form 206C.

An institutional investor that individually or, in association with others, directly or indirectly holds or acquires beneficial ownership of more than a 10% interest but not more than a 15% interest in Mandalay may request from the Michigan Board a waiver of the eligibility and suitability requirements if the institutional investor purchased the interest in Mandalay for investment purposes only and not for the purpose of influencing or affecting the affairs of Mandalay, MotorCity Casino or its affiliates. In order to obtain the waiver, the institutional investor must complete and file with the Michigan Board a Michigan Institutional Investor Waiver Form NON 206C. The Michigan Rules require that an institutional investor within these ownership parameters must disclose detailed information concerning the institutional investor.

An institutional investor that individually or, in association with others, directly or indirectly holds or acquires beneficial ownership of more than a 15% interest in Mandalay is required to file

qualification information with the Michigan Board within 45 days after acquiring the interest and is required to meet qualification and approval standards.

The Michigan Act and Rules regulate an institutional investor owning debt securities of a casino licensee's affiliates. An institutional investor may be required to meet the Michigan Act's qualification standards if the institutional investor:

- owns or acquires beneficial ownership of 10% or more of debt securities of a casino licensee's affiliate or affiliated company which are related in any way to the financing of the casino licensee; or

- owns or acquires beneficial ownership of more than 50% of any issue of the outstanding debt of the casino licensee's affiliate or affiliated company.

An institutional investor that owns or acquires beneficial ownership of more than 5% but less than 10% of debt securities of a casino licensee's affiliate or affiliated company which are in any way related to the financing of the casino licensee may be granted a waiver of the eligibility and suitability requirements of the Michigan Act and Michigan Rules if:

- the debt securities do not represent more than 20% of the outstanding debt of the casino licensee's affiliate or affiliated company; or

- the debt securities represent not more than 50% of any issue of the outstanding debt of the casino licensee's affiliate or affiliated company; and

- the debt securities are those of a publicly traded corporation and were purchased for investment purposes only.

The Michigan Act and Rules regulate the transfer of a direct or indirect interest in a casino licensee. The Michigan Board must be notified in advance of any proposed transfer of a direct or indirect interest. If the proposed transfer involves more than a 1% direct or indirect interest, the proposed transfer may not be consummated until the transfer has been approved by the Michigan Board. In all events, the parties proposing to engage in the transfer action should determine the applicable requirements of the Michigan Act and Rules before completing the transfer transaction.

Formal notice of certain events must be given to and approval obtained from the Michigan Board by the casino licensee or applicant and any of their affiliates or holding companies whenever any of the following events occur:

- a change of a Key Person;

- a change in entity;

- a change in equity or debt capitalization of the entity;

- a change in investors subject to the Michigan Act and Michigan Rules;

- a change in debt holders subject to the Michigan Act and Michigan Rules;

- a change in source of funds; or

- related party transactions exceeding $250,000 in a 12-month period.

The Michigan Act declares that a person or entity that is required to meet the Michigan Act's suitability standards will not be eligible if any of the following circumstances exist:

the applicant has been convicted of a felony anywhere in the United States;

the applicant has been convicted of a misdemeanor involving gambling, theft, fraud or dishonesty or convicted of violation of a local ordinance involving gambling, theft, fraud or dishonesty that substantially corresponds to a misdemeanor;

the applicant has submitted an application that contains false information;

the applicant or affiliate owns more than a 10% ownership interest in any entity holding a casino license issued under the Michigan Act;

the applicant holds any elective office in the United States (with certain minor exceptions), is an employee of any gaming regulatory body in the United States or is employed by a governmental unit of the State of Michigan;

the Michigan Board concludes that the applicant lacks the requisite suitability as to integrity, moral character and reputation, personal and business probity, financial ability and experience, responsibility or means to develop, construct, operate or maintain the casino; or

the applicant fails to meet other criteria considered appropriate by the Michigan Board that are not arbitrary, capricious or contrary to the provisions of the Michigan Act.

The Michigan Act prohibits casino licensees and applicants and certain related persons from making contributions to candidates for state or local office in the State of Michigan and to committees supporting any such candidates during various periods, including periods prior to licensure. The political contribution restriction applies to casino license applicants, casino licensees and all of the following persons and entities:

any person or entity that holds at least a 1% interest in the casino licensee or Casino Enterprise;

any person who is an officer or managerial employee of the casino licensee or Casino Enterprise;

any person who is an officer of the person who holds at least a 1% interest in the casino licensee or Casino Enterprise; and

any person that is an independent committee of the casino licensee or Casino Enterprise.

On March 22, 2005, at the request of MGM MIRAGE pursuant to the Merger Agreement, Mandalay entered into an agreement to dispose of its interest in MotorCity Casino subject and immediately prior to the closing of the Mandalay/MGM MIRAGE merger. The buyer of Mandalay's interest applied to the Michigan Board for approval of this proposed transfer and on April 13, 2005, the Michigan Board approved the transfer.

The Michigan Act also applies this restriction to spouses, parents, children and spouses of children of persons holding an interest in the casino licensee or Casino Enterprise. However, the portion of the political contribution restriction relating to spouses, parents, children and spouses of children has been declared unconstitutional by Attorney General Frank Kelley in Attorney General Opinion No. 7002 issued on December 17, 1998 in those instances where the contribution is not a willful attempt to evade the political contribution restrictions contained in the Michigan Act.

The penalties for violation of the political contribution restriction includes fines, imprisonment or both.

If a shareholder who is required to submit qualification information to the Michigan Board is not approved by the Michigan Board, the shareholder must promptly dispose of all ownership interest in the shares.

If a person who seeks to acquire shares is a person who is required to submit qualification information to the Michigan Board and the person does not obtain approval for the acquisition from

the Michigan Board, the person may not acquire the shares and must promptly dispose of all interest in the shares.

If a Key Person who is required to submit qualification information to the Michigan Board is not approved by the Michigan Board, the Key Person must promptly cease all involvement in the Michigan Casino Enterprise.

As required under the Michigan Act, MotorCity Casino had a Development Agreement with the City of Detroit. Over the course of our negotiations with the City regarding a permanent facility, the term of the Development Agreement was extended by a series of amendments. MotorCity Casino constructed a temporary casino in accordance with the terms of the Development Agreement. This temporary casino opened on December 14, 1999. On August 2, 2002, the Detroit City Council approved a revised development agreement between the joint venture and the City of Detroit (the "Revised Development Agreement"). Under the Revised Development Agreement, MotorCity Casino is to be expanded at its current location into a permanent facility that is currently planned to include 100,000 square feet of casino space, a 400-room hotel, a theater, convention space and additional restaurants, retail and parking. Depending upon market conditions, availability of additional land and the joint venture's ability to obtain reasonable financing, the joint venture could be required to construct an additional 400 rooms. Under the terms of the Revised Development Agreement, the joint venture has paid the City a total of $44.0 million as of January 31, 2005. The joint venture is further obligated, through letters of credit issued by Mandalay, to fund approximately $49.4 million to repay bonds issued by the Economic Development Corporation of the City of Detroit. Also under the Revised Development Agreement, beginning January 1, 2006, the joint venture is to pay the City 1% of adjusted casino revenues. If its casino revenues top $400 million in any given calendar year, the payment will be increased to 2% for that calendar year.

The Development Agreement entered into between the City of Detroit and Detroit Entertainment, L.L.C. has numerous terms and conditions relating to the following:

- the construction of the temporary and permanent casino;
- the employment of Detroit residents, minorities and women to staff the operation of the temporary and permanent casinos; and
- the use of Detroit based, minority and woman owned vendors and suppliers.

MotorCity Casino has agreed to exercise its reasonable best efforts to comply with vendor and supplier use and hiring goals. Failure to comply with the terms of the Development Agreement could adversely affect its casino license.

Michigan law requires that any person who holds a "Casino Interest" must file a registration form with the Michigan Secretary of State not later than 5 days after obtaining the Casino Interest. A person who violates this registration requirement for more than 30 days is subject to being charged with a misdemeanor and a fine of not more than $1,000. The Casino Interest registration requirement is completely separate and apart from the eligibility and qualification requirements established by the Michigan Act and Michigan Rules. A person holding a Casino Interest includes:

- a person who holds at least a 1% interest in a casino licensee or a Casino Enterprise;
- a person who is a partner, officer or key or managerial employee of the casino licensee or Casino Enterprise; and
- a person who is an officer of the person who holds at least a 1% interest in the casino licensee or Casino Enterprise.

A "person" includes any individual and legal entity.

Michigan law also applies the "Casino Interest" registration requirement to the spouse and children of persons holding a Casino Interest. However, the Michigan Secretary of State has ruled that the "Casino Interest" registration requirement does not apply to spouses and children based upon Michigan Attorney General Opinion No. 7053 issued on May 3, 2000. Michigan Attorney General Opinion No. 7053 was issued based upon Michigan Attorney General Opinion No. 7002 issued on December 17, 1998, which declared the portion of the Michigan Act's political contribution restrictions unconstitutional as to spouses and children (among others) where the political contribution is not a willful attempt to evade the political contribution restrictions contained in the Michigan Act.

The Casino Interest Registration Form may be obtained from the Michigan Secretary of State in Lansing, Michigan.

The Michigan Act and Rules establish extensive requirements and procedures relating to all of the following:

operation of casino games;

ownership records;

reporting of transactions;

handling of money;

extending credit;

accounting and auditing;

internal control systems; and

compliance reporting.

The Michigan Act and Rules do not limit the maximum bet or per person loss. No person under the age of 21 years is permitted to wager in a casino licensed under the Michigan Act. MotorCity Casino may operate 24 hours a day, 7 days a week. MotorCity Casino is subject to regulation by the Michigan Liquor Control Commission. The Michigan Act subjects MotorCity Casino to five forms of gaming taxes and fees:

a nonrefundable license application fee of $50,000;

a $25,000 casino license fee, which is payable annually;

a wagering tax equal to 18% of adjusted gross receipts;

effective September 1, 2004, an additional wagering tax equal to 6% of adjusted gross receipts, which is (a) eliminated in the event that video lottery is permitted and actually conducted at Michigan horse race tracks under Michigan's McCauley-Traxler-Law-Bowman-McNeely Lottery Act, (b) decreased to 1% of adjusted gross receipts when the Michigan Board declares that MotorCity Casino has a fully operational hotel with at least 400 rooms in accordance with the Revised Development Agreement with the City of Detroit, and (c) increased at the rate of 1% per year on July 1 of the years 2009, 2010 and 2011 to a maximum of 9% of adjusted gross receipts unless and until the Michigan Board declares that MotorCity Casino has a fully operational hotel with at least 400 rooms in accordance with the Revised Development Agreement with the City of Detroit, at which time the additional wagering tax is decreased to 1% of adjusted gross receipts.

an annual municipal services fee in an amount equal to the greater of 1.25% of adjusted gross receipts or $4,000,000; and

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the payment of all regulatory and enforcement costs, including compulsive gaming programs, casino related programs and activities, casino related services provided by the Michigan Attorney General and casino related expenses of the Michigan State Police up to a combined total annual maximum charge of $25,000,000 in the first year of casino operations for all casinos licensed under the Michigan Act. This maximum amount is adjusted annually by the Detroit Consumer Price Index.

No casino licensed under the Michigan Act is liable for the payment of more than 1/3 of the total annual assessment. This fee is placed into a services fee fund. This service fee fund is prohibited from exceeding $65,000,000. If this service fee fund exceeds $65,000,000, any amount in excess of $65,000,000 must be credited towards the annual payments the casinos licensed under the Michigan Act are required to make to the service fee fund.

The five forms of fees and taxes listed above are in addition to the taxes, fees and assessments customarily paid by business entities in the State of Michigan and the City of Detroit.

The holder of a casino license issued under the Michigan Act is subject to a variety of penalties for violation of the Michigan Act or Rules. The penalties include, but are not necessarily limited to, the following:

monetary fines;

suspension of the casino license;

revocation of the casino license;

civil penalties of up to $10,000 or the amount of daily gross receipts derived from wagering on gaming on the day of the violation, whichever is greater;

criminal penalties;

seizure and/or destruction of gaming equipment;

seizure and/or sale of gaming operations;

imposition of a conservatorship; and

imposition of restrictions or conditions on gaming operations by the Michigan Board.

The Michigan Board is required to comply with the Michigan Act, the Michigan Rules, the Michigan Administrative Procedures Act and other applicable laws and regulations. The Michigan Board may suspend a casino operator's license, without notice or hearing, upon a determination that:

the safety or health of patrons or employees would be threatened by the continued operation of the casino; or

the action is necessary for the immediate preservation of the integrity of casino gaming, public peace, health, safety, morals, good order or general welfare.

The Michigan Board may waive any licensing requirement or procedures provided by the Michigan Rules provided that the waiver does not violate the Michigan Act. Any such waiver must be based upon a determination by the Michigan Board that the waiver is in the best interests of the public and the gaming industry.

The Michigan Board may amend or change the Michigan Rules provided that the amendment or change complies with the Michigan Act and other applicable Michigan law.

Uncertainty exists regarding the Michigan gaming regulatory environment due to the limited experience in interpreting the Michigan Act and the Michigan Rules. The Michigan Act and Michigan Rules are evolving pursuant to an ongoing regulatory, legislative and judicial process. Therefore, the

Michigan Act and Michigan Rules are subject to and, in all probability will, change with the maturation of casino gaming regulated by the Michigan Act.

Various regulatory proposals have been and, in all likelihood, will continue to be discussed by the Detroit City Council concerning the regulation of casinos in the City of Detroit. Legislation proposed to or by the Detroit City Council, if enacted, could adversely affect the gaming industry, Detroit Entertainment, L.L.C. or Mandalay. No assurance can be given whether additional ordinances will be enacted and what effect such ordinances could have on the operation of casinos in the City of Detroit.

From time to time various proposals have been introduced in the Michigan legislature which relate to casino gaming in Detroit. Some of the proposals, if enacted, would affect the taxation, regulation, operation or other aspects of the gaming industry, Detroit Entertainment, L.L.C. or Mandalay. In addition, legislation has been periodically introduced which would permit slot machines to be operated at racetracks, including racetracks in the greater Detroit area. No assurance can be given whether legislation will be enacted in the future and what effect such legislation could have on the operation of casinos in the City of Detroit.

Various lawsuits have been filed in the state and federal courts challenging the constitutionality of the Casino Development Competitive Selection Process Ordinance and the Michigan Gaming Control and Revenue Act, and seeking to appeal the issuance of a certificate of suitability and casino license to MotorCity Casino. A decision by the Sixth Circuit Court of Appeals in *Lac Vieux Desert Band of Lake Superior Chippewa Indians v. The Michigan Gaming Control Board et al*. held that the ordinance in its current form was unconstitutional and remanded the case to the District Court. The Michigan Gaming Control Board ("MGCB") took the ruling of the Sixth Circuit Court of Appeals under advisement without comment. The District Court declared that the ordinance in its current form is unconstitutional and awarded the Lac Vieux Band attorneys' fees and costs totaling $545,094, but rejected the Lac Vieux Band's request to require a rebidding of the three casino licenses, and in addition, rejected the Lac Vieux Band's request to enjoin the City of Detroit from entering into revised development agreements with the three casino developers, including MotorCity Casino. The Lac Vieux Band has appealed the District Court's decision to the Sixth Circuit Court of Appeals. The Sixth Circuit Court of Appeals issued an opinion granting the Lac Vieux Band's motion for an injunction pending appeal, that temporarily enjoins the City of Detroit from issuing building permits for the permanent casino facilities and temporarily enjoins the casino developers from commencing construction of the permanent casino facilities.

The Lac Vieux Band filed a separate action in the Gogebic County, Michigan, Circuit Court entitled *Lac Vieux Desert Band of Lake Superior Chippewa Indians v. Michigan Gaming Control Board,* in which the Lac Vieux Band requested the Circuit Court to enter an order requiring the MGCB to revoke the casino licenses issued to the three Detroit casinos, including MotorCity Casino. As a result of the settlement agreement discussed below, this action has been dismissed.

On November 26, 2003, we announced that MotorCity Casino had signed a settlement agreement with the Lac Vieux Desert Band of Lake Superior Chippewa Indians. On April 9, 2004, the District Court approved the settlement. On April 23, 2004, MotorCity paid to the Lac Vieux Tribe $1.5 million plus $500,000 in attorney's fees. MGM MIRAGE has appealed the approval of the settlement and the injunction remains in place. Because approval of the settlement agreement was subsequently appealed, all further settlement payments were suspended pending resolution of the appeal. These payments include $1.5 million due 30 days after the first payment, $5.75 million due on the first and second anniversaries of the first payment and $1 million due annually for 25 years, beginning on the third anniversary of the first payment. If the Sixth Circuit Court of Appeals ultimately affirms the approval of the settlement agreement, then, absent filing of another adverse claim, the payment schedule will be reinstated and MotorCity Casino will have to immediately pay all amounts that otherwise would have been due during the period of suspension (plus interest). The occurrence of certain events would

suspend, lower and/or terminate the payments. There can be no assurance as to when final resolution will occur with respect to this matter, or what action the courts might take. These payments would satisfy the joint venture's obligations under an indemnity agreement with respect to the Lac Vieux litigation claims. However, the joint venture would still be liable under the indemnity agreement for claims related to the acquisition of the riverfront land, which potentially are capped at $4 million.

Any future adverse ruling by the courts in the above lawsuits or in other lawsuits, or any adverse ruling by the MGCB, could affect the joint venture's operation of its current facility, as well as its ability to retain its certificate of suitability and casino license for its expanded permanent facility. No assurance can be given regarding the timing or outcome of any of these proceedings.

The joint venture's operation of MotorCity Casino is subject to ongoing regulatory oversight, and its ability to proceed with an expanded hotel/casino project is contingent upon the receipt of all necessary governmental approvals, successful resolution of pending litigation and satisfaction of other conditions.

Other Gaming Jurisdictions

We may expand our operations in the future to include gaming operations in jurisdictions other than those in which our activities and those of the joint ventures in which we participate are currently conducted. As a result, we and/or one or more joint ventures in which we participate may become subject to comprehensive gaming and other regulations in additional jurisdictions. Such regulations may be similar to, and could be more restrictive than, those currently applicable to us, our joint ventures and our officers, directors, employees and persons associated with us.

Other Laws and Regulations

Each of the casino hotels and the riverboat and dockside casinos described in this report is subject to extensive state and local regulations and, on a periodic basis, must obtain various other licenses and permits, including those required to sell alcoholic beverages. We believe that we and the joint ventures in which we participate have obtained all licenses and permits required for the conduct of our operations and that our businesses and those of our joint ventures are conducted in substantial compliance with applicable laws.

Internal Revenue Service Regulations

The Internal Revenue Service requires operators of casinos located in the United States to file information returns for U.S. citizens, including names and addresses of winners, for keno, bingo and slot machine winnings in excess of stipulated amounts. The Internal Revenue Service also requires operators to withhold taxes on some keno, bingo and slot machine winnings of nonresident alien visitors residing in certain countries. We are unable to predict the extent, to which these requirements, if extended, might impede or otherwise adversely affect operations of, and/or income from, the other games.

Regulations adopted by the Financial Crimes Enforcement Network of the Treasury Department and the gaming regulatory authorities in some of the jurisdictions in which we operate casinos, or in which we may apply for licensing to operate a casino, require the reporting of currency transactions in excess of $10,000 occurring within a gaming day, including identification of the patron by name and social security number. This reporting obligation began in May 1985 and may have resulted in the loss of gaming revenues to jurisdictions outside the United States which are exempt from the ambit of these regulations.

Employees and Labor Relations

At January 31, 2005, Mandalay and its consolidated subsidiaries employed approximately 29,000 persons. As of January 31, 2005, approximately 48% of these employees were employed pursuant to the terms of collective bargaining agreements. Four of our union contracts covering a total of approximately 225 employees have expired or will expire during fiscal 2006. We are currently or will be negotiating to renew these contracts. Our other collective bargaining agreements have remaining terms ranging from one to four years. We consider our labor relations to be satisfactory.

At January 31, 2005, Mandalay's 50%-owned joint ventures employed approximately 6,500 additional persons. Of those individuals, approximately 21% (all employees of Monte Carlo) were employed pursuant to the terms of a collective bargaining agreement expiring in two years. We consider our joint ventures' labor relations to be satisfactory.

A work stoppage has not been experienced at a property owned by us or a joint venture in which we participate since an industry-wide strike in 1975.

Certain states in which gaming has been legalized have established community commitment and similar laws or requirements which require that a specified percentage of employees of gaming ventures be residents of the community or state in which the gaming venture is located or meet certain other criteria. These laws can affect our ability to attract and retain qualified employees for gaming operations we or joint ventures in which we participate conduct outside Nevada.

Internet Website Access to Our Periodic Reports and Other Information

Mandalay makes available, free of charge, through its Internet website (www.mandalayresortgroup.com) its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC").

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics and the charters of our Audit Committee, Nominating/Corporate Governance Committee and Compensation Committee are also available on our Internet website and are available in print to any shareholder who requests them.

The information presented on Mandalay's website is not part of this report and the references to Mandalay's website are intended to be inactive textual references only.

Factors that May Affect Our Future Results

(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

Certain information included in this report and other materials filed or to be filed by Mandalay with the SEC (as well as information included in oral statements or other written statements made or to be made by us, including our 2004 Annual Report to Stockholders) contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events. These forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, intentions, financial condition, results of operations, future performance and business, including:

- statements relating to our business strategy;
- our current and future development plans; and
- statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan" or similar expressions.

Our forward-looking statements include information relating to plans for future expansion and other business development activities as well as capital spending, financing sources and the effects of regulation (including gaming and tax regulation) and competition. From time to time, oral or written forward-looking statements are also included in Mandalay's periodic reports on Forms 10-Q and 8-K, press releases and other materials released to the public.

Any or all of the forward-looking statements in this report or in any other public statements we make may turn out to be wrong. This can occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this report, such as government regulation and the competitive environment, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in Mandalay's subsequent reports to the Securities and Exchange Commission on Forms 10-K, 10-Q and 8-K should be consulted. The following discussion of risks, uncertainties and possible inaccurate assumptions relevant to our business includes factors we believe could cause our actual results to differ materially from expected and historical results. Other factors beyond those listed below could also adversely affect us. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

- In the event the merger contemplated by the Merger Agreement is not consummated or the Merger Agreement is terminated, our subsequent operations may be adversely impacted as a result of the limitations imposed on our conduct and operations during the term of the Merger Agreement. Depending on the particular facts and circumstances, any failure to consummate the merger or a termination of the Merger Agreement could result in litigation which, depending on the nature of the claims and the litigation's duration and outcome, could adversely impact our financial condition or results of operations.

- As described under "Competition," we and the joint ventures in which we participate operate in a very competitive environment, particularly in Nevada. To the extent that hotel and/or casino capacity is expanded by others in one or more of the markets where we and/or our joint ventures operate, the increased competition could adversely impact our future operations.

Legalization of gaming in any additional jurisdictions from which our properties or those of one or more of our joint ventures draw their visitors, including jurisdictions near our joint venture properties located near Detroit, Michigan and Elgin, Illinois, or the establishment of new large-scale gaming operations on nearby Native American reservations, could adversely affect our operations and/or those of one or more of our joint ventures.

Legalization of additional gaming in those jurisdictions which currently limit the types and/or number of gaming establishments, such as Michigan and Illinois, could adversely affect our operations and/or those of our joint ventures.

On March 7, 2000, California voters approved an amendment to the California constitution that gave Native American tribes in California the right to conduct gaming operations offering a limited number of slot machines and a range of house-banked card games, and the number of slot machines each tribe is allowed to operate is subject to change pursuant to negotiations which have been initiated between the tribes and the State of California. At this time, we cannot determine the future growth of Native American gaming in California or the impact of such growth on our Nevada operations and those of our Nevada joint ventures.

The expansion of Native American gaming which may result from the recent determination that gaming devices similar to slot machines but which are deemed to be technical enhancements to bingo-style gaming may be operated by Native American tribes without state permission could adversely impact our operations and/or those of our joint ventures.

As discussed under "Regulation and Licensing," our gaming operations and the gaming operations of the joint ventures in which we participate are highly regulated by governmental authorities in Nevada, Mississippi, Illinois and Michigan. We will also become subject to regulation in any other jurisdiction where we or any joint venture in which we participate conduct gaming in the future. Any regulation in other jurisdictions may or may not be similar to that in Nevada, Mississippi, Illinois and Michigan.

In Mississippi, in three separate instances in 1998 and 1999, referenda were proposed which, if approved, would have amended the Mississippi constitution to ban gaming in Mississippi and would have required all currently legal gaming entities to cease operations within two years of the ban. All three of the proposed referenda were ruled illegal by Mississippi state trial court judges, and the one such ruling which was appealed was affirmed by the Mississippi Supreme Court. The next election for which the proponents could attempt to place such a proposal on the ballot would be in November 2006. At this time, we cannot predict whether such a referendum will appear on a ballot or the likelihood of such a referendum being approved by the voters. If such a referendum were passed and gaming was prohibited in Mississippi, it would have a material adverse effect on our Mississippi gaming operations.

Changes in applicable laws or regulations could have a significant effect on our operations and those of the joint ventures in which we participate.

Our operations and those of the joint ventures in which we participate are affected by changes in local and national general economic, market and other conditions in the locations where those operations are conducted and where customers live.

We and the joint ventures in which we participate are large consumers of electricity and other energy. Accordingly, any significant shortages of, and/or substantial increases in the cost of, energy that may occur at any of our properties or those of our joint ventures could have a negative impact on our operations. Additionally, higher energy and gasoline prices, or shortages of those commodities which affect our customers, may adversely impact the number of customers who visit our properties and those of our joint ventures and adversely impact our revenues.

The interstate highway between southern California, where a large number of our customers reside, and Las Vegas has experienced long traffic delays, due to construction work or otherwise, during peak periods. Such delays may affect the number of customers who visit our properties in southern Nevada.

Any construction, including any expansion of MotorCity Casino in Detroit can be affected by a number of factors, including delays in obtaining necessary governmental permits and approvals and legal challenges. Changes may be made in the scope of a project, budgets and schedules for competitive, aesthetic or other reasons, and these changes may also result from circumstances beyond our control. These circumstances include weather interference, shortages of materials and labor, work stoppages, labor disputes, unforeseen engineering, environmental or geological problems and unanticipated cost increases. Any of these circumstances could give rise to delays in the completion of any project we or any joint venture in which we participate may undertake and/or cost overruns.

The gaming industry represents a significant source of tax revenues to the state, county and local jurisdictions in which gaming is conducted. In recent years, tax increases have been enacted in Nevada, Illinois and Michigan, where all but one of our properties are located. From time to time, various state and federal legislators and officials have proposed other changes in tax laws that could, if enacted, affect operations at all or some of our properties.

We believe that our recorded balances with respect to federal and state income taxes are adequate. However, it is not possible to determine with certainty the likelihood of possible changes in the tax laws or their administration. Changes in federal or state tax laws, if adopted, could have a material negative effect on our operating results and the operating results of joint ventures in which we participate.

The interest rate on a portion of our long-term debt is subject to fluctuation based on changes in short-term interest rates, our leverage ratio and the ratings which national rating agencies assign to outstanding debt. We may incur additional debt, all or a portion of which may be at interest rates that are subject to fluctuation. Interest expense could increase as a result of these factors.

Claims have been brought against us in various legal proceedings, and additional legal and tax claims may arise from time to time. While we believe that the ultimate disposition of current matters will not have a material impact on our financial condition or results of operations, it is possible that our cash flows and results of operations could be affected from time to time by the resolution of one or more of these contingencies. See the further discussion under "Legal Proceedings" in Item 3 of this report.

The terrorist attacks of September 11, 2001 adversely impacted our operations and any future attacks, as well as any hostilities which may develop between the United States and other countries, including the war in Iraq and its aftermath, could have a material adverse effect on our future operations.

There is intense competition to attract and retain management and key employees in the gaming industry. Our business or the business of the joint ventures in which we participate could be adversely affected in the event of the inability to recruit or retain key personnel.

ITEM 2. PROPERTIES.

Mandalay Bay. We own approximately 95 acres of land on the Las Vegas Strip and Mandalay Bay which is situated on the site.

Luxor and Excalibur. We own a 117-acre parcel on the southwest corner of the intersection of the Las Vegas Strip and Tropicana Avenue, with approximately 2,400 feet of frontage on the Las Vegas Strip, that includes, Excalibur and Luxor, which is situated on the site to the south of Excalibur.

Circus Circus-Las Vegas. We own approximately 69 acres of land, and Circus Circus-Las Vegas which is situated on the site.

Circus Circus-Reno. Circus Circus-Reno is situated on a three-block area in downtown Reno, of which approximately 90% is owned by us and the remainder is held under two separate leases, which expire in 2032 and 2033, respectively.

Colorado Belle. We own approximately 22 acres on the bank of the Colorado River in Laughlin, Nevada and the Colorado Belle which is situated on the site.

Edgewater. Adjacent to the site of the Colorado Belle, we own approximately 16 acres on the bank of the Colorado River in Laughlin, Nevada, and the Edgewater Hotel and Casino which is situated on the site.

Gold Strike. We own approximately 51 acres and the Gold Strike Hotel & Gambling Hall, which is situated on the site, located on the east side of I-15 in Jean, Nevada, approximately 12 miles from the California/Nevada border and 25 miles from Las Vegas.

Nevada Landing. We own approximately 55 acres and the Nevada Landing Hotel & Casino, which is situated on the site, located on the west side of I-15 in Jean, Nevada.

Railroad Pass. We own approximately 56 acres and the Railroad Pass Hotel & Casino, which is situated on the site, located on US-93 in Henderson, Nevada.

Gold Strike-Tunica. We own approximately 24 acres in Tunica County, Mississippi and Gold Strike- Tunica, which is situated on the site. We also own an undivided 50% interest in an additional 388-acre site which is owned jointly with another unaffiliated gaming company.

MotorCity Casino. We hold a 53.5% interest in the joint venture that owns and operates MotorCity Casino. MotorCity Casino and its related amenities are located on approximately 12 acres of land in Detroit, Michigan, near the downtown area. The joint venture owns approximately 10 additional acres of undeveloped land in the vicinity of MotorCity Casino. For information concerning an agreement to sell our 53.5% interest in this property if Mandalay's proposed merger with a wholly owned subsidiary of MGM MIRAGE is consummated, see "Pending Merger Pursuant to which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in Item 1 of this report.

Other Real Property. Slots-A-Fun is situated on a 30,000-square-foot parcel that we own on the Las Vegas Strip.

Incorporated by reference in this Item 2 is the additional information concerning the above properties appearing under the captions "Overview" and "Property Descriptions" in Item 1 of this report.

We own approximately 37 acres of unimproved land at the south end of the Las Vegas Strip, including 22 acres located immediately south of Mandalay Bay and approximately 15 acres located across the Las Vegas Strip from Luxor.

We own 60 acres of land in Jean, Nevada to the north of Gold Strike and approximately 85 acres of land in Sloan, Nevada off of I-15. Sloan is located between Jean and Las Vegas.

We also own or lease, or have options and/or agreements to purchase or lease, certain other improved and unimproved properties which are not deemed to be material to us.

As of January 31, 2005, none of the aforementioned properties we own was subject to any encumbrance securing the repayment of indebtedness.

Fifty-Percent-Owned Joint Ventures. Mandalay, through wholly owned subsidiaries, owns:

a 50% interest in the joint venture entity which owns and operates Grand Victoria, a riverboat casino and land-based entertainment complex in Elgin, Illinois;

a 50% interest in the joint venture entity which owns and operates Monte Carlo, a hotel-casino complex on the Las Vegas Strip; and

a 50% interest in the joint venture entity which owns and operates Silver Legacy, a hotel-casino in Reno.

Incorporated by reference in this Item 2 is the additional information concerning these joint venture properties appearing under the captions "Overview" and "Property Descriptions" in Item 1 of this report.

As of January 31, 2005, Silver Legacy was the only 50%-owned joint venture property encumbered by liens securing the repayment of indebtedness. The amount of this indebtedness was $160.0 million at January 31, 2005.

ITEM 3. LEGAL PROCEEDINGS.

Slot Machine Litigation

On April 26, 1994, William H. Poulos brought a class action in the U.S. District Court for the Middle District of Florida, Orlando Division captioned *William H. Poulos, et al. v. Caesars World, Inc. et al.*, against 41 manufacturers, distributors and casino operators of video poker and electronic slot machines, including Mandalay. On May 10, 1994, another plaintiff filed a class action complaint in the United States District Court for the Middle District of Florida in *William Ahearn, et al. v. Caesars World, Inc. et al.* alleging substantially the same allegations against 48 defendants, including Mandalay. On September 26, 1995, a third action was filed against 45 defendants, including Mandalay, in the U.S. District Court for the District of Nevada in *Larry Schreier, et al. v. Caesars World, Inc. et al*. The court consolidated the three cases in the U.S. District Court for the District of Nevada under the case captioned *William H. Poulos, et al. v. Caesars World, Inc. et al.*

The consolidated complaints allege that the defendants are involved in a scheme to induce people to play electronic video poker and slot machines based on false beliefs regarding how such machines operate and the extent to which a player is likely to win on any given play. The actions included claims under the Federal Racketeering Influenced and Corrupt Organizations Act, as well as claims of common law fraud, unjust enrichment and negligent misrepresentation, and seek unspecified compensatory and punitive damages. A motion for class certification was filed in March 1998. On June 26, 2002, the Motion for Class Certification was denied. Subsequently, the Plaintiffs sought permission from the Ninth Circuit Court of Appeals to appeal the issue of class certification and the Court of Appeals granted the Plaintiffs' motion. The appeal was heard and the Court of Appeals upheld the denial of Class Certification. Thus, the named Plaintiffs now can only proceed individually. Discovery is currently underway and the trial date has been set for September 12, 2005. Currently pending before the Court is Defendants' Motion for Partial Summary Judgment.

Detroit Litigation

In Lac Vieux Desert Band of Lake Superior Chippewa Indians v. The Michigan Gaming Control Board et al., originally filed on February 26, 1997, the Lac Vieux Band of Lake Superior Chippewa Indians has sought to challenge the validity of the Michigan Gaming Control and Revenue Act (the "Michigan Act") and the City of Detroit's Casino Development Competitive Selection Process Ordinance (the "Ordinance"). On October 31, 1997, the United States District Court for the Western District of Michigan issued an opinion holding that the Lac Vieux Band lacked standing to challenge the Michigan Act and the Ordinance on First Amendment and Equal Protection grounds. In a decision issued on April 12, 1999, the United States Court of Appeals for the Sixth Circuit affirmed the District Court's determination that the Lac Vieux Band lacked standing to challenge the Michigan Act. However, the Sixth Circuit reversed the District Court's determination that (i) the Lac Vieux Band lacked standing to challenge the Ordinance, (ii) the First Amendment is not implicated in the Ordinance, and (iii) a rational basis review rather than a strict scrutiny review should be applied in determining the merits of the Lac Vieux Equal Protection claim regarding the Ordinance. The Sixth Circuit remanded the case to the District Court for further proceedings consistent with the Sixth Circuit's decision. On July 17, 2000, the District Court found in favor of the Defendants as to all matters remanded by the Sixth Circuit Court of Appeals. The Lac Vieux Band appealed the District Court's decision to the Sixth Circuit Court of Appeals, which found that the Ordinance in its current form was unconstitutional and remanded the case to the District Court. The District Court declared that "the Ordinance in its current form is unconstitutional" and awarded the Lac Vieux Band attorney fees and costs totaling $545,094, but rejected the Lac Vieux Band's request to require a rebidding of the three casino licenses and, in addition, rejected the Lac Vieux Band's request to enjoin the City of Detroit from entering into revised development agreements with the three casino developers, including MotorCity Casino. The Lac Vieux Band appealed the District Court's decision to the Sixth Circuit Court of Appeals. The Sixth Circuit Court of Appeals issued an opinion granting the Lac Vieux Band's motion for an injunction pending appeal, which temporarily enjoins the City of Detroit from issuing building permits for the permanent casino facilities and temporarily enjoins the casino developers from commencing construction of the permanent casino facilities.

The Lac Vieux Band filed a separate action in the Gogebic County, Michigan, Circuit Court entitled *Lac Vieux Desert Band of Lake Superior Chippewa Indians v. Michigan Gaming Control Board,* in which the Lac Vieux Band requested the Circuit Court to enter an order requiring the MGCB to revoke the casino licenses issued to the three Detroit casinos, including MotorCity Casino. As a result of the settlement agreement discussed below, this action has been dismissed.

On November 26, 2003, we announced that MotorCity Casino had signed a settlement agreement with the Lac Vieux Desert Band of Lake Superior Chippewa Indians. On April 9, 2004, the District Court approved the settlement. On April 23, 2004, MotorCity paid to the Lac Vieux Tribe $1.5 million plus $500,000 in attorney's fees. MGM MIRAGE has appealed the approval of the settlement and the injunction remains in place. Because approval of the settlement agreement was subsequently appealed, all further settlement payments were suspended pending resolution of the appeal. These payments include $1.5 million due 30 days after the first payment, $5.75 million due on the first and second anniversaries of the first payment and $1 million due annually for 25 years, beginning on the third anniversary of the first payment. If the Sixth Circuit Court of Appeals ultimately affirms the approval of the settlement agreement, then, absent filing of another adverse claim, the payment schedule will be reinstated and MotorCity Casino will have to immediately pay all amounts that otherwise would have been due during the period of suspension (plus interest). The occurrence of certain events would suspend, lower and/or terminate the payments. There can be no assurance as to when final resolution will occur with respect to this matter, or what action the courts might take. These payments would satisfy the joint venture's obligations under an indemnity agreement with respect to the Lac Vieux

litigation claims. However, the joint venture would still be liable under the indemnity agreement for claims related to the acquisition of the riverfront land, which potentially are capped at $4 million.

Our Detroit joint venture continues to operate MotorCity Casino. However, any future ruling by the court in the above lawsuits or by the Michigan Gaming Control Board, as well as an adverse ruling in other lawsuits, could affect the joint venture's operation of its current facility, as well as its ability to retain its certificate of suitability and casino license. No assurance can be given regarding the timing or outcome of any of these proceedings.

For information concerning an agreement to sell our 53.5% interest in this property if Mandalay's proposed merger with a wholly owned subsidiary of MGM MIRAGE is consummated, see "Pending Merger Pursuant to which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in Item 1 of this report.

Shareholder Litigation

Mandalay and its directors were named defendants in *Stephen Ham, Trustee for the J.C. Ham Residuary Trust v. Mandalay Resort Group, et al.*, Case No. A487100, which was filed on June 11, 2004 in the 8th Judicial District Court for Clark County, Nevada, and *Robert Lowinger v. Mandalay Resort Group, et al*., Case No. A486782, which was filed on June 7, 2004 also in the 8th Judicial District Court for Clark County, Nevada. Both of these actions make claims concerning the announced merger between Mandalay and MGM MIRAGE, including claims of breach of fiduciary duty against Mandalay's directors, and seek injunctive relief and unspecified monetary damages. The plaintiffs in both actions agreed that Mandalay and the directors did not need to respond to the pending complaints, as they intended to file a joint amended complaint and consolidate both actions. On December 3, 2004, the plaintiff in *Ham* filed a motion for temporary restraining order and motion for preliminary injunction enjoining the Mandalay shareholder vote on the proposed merger and for an order shortening time to allow plaintiff to conduct expedited discovery. Plaintiff's motion was denied. On January 27, 2005 the plaintiff in *Ham* filed an amended complaint for breach of fiduciary duty in connection with approving the proposed merger. Mandalay moved to dismiss the amended complaint on April 4, 2005. The court has not yet ruled on that motion.

We are defendants in various other pending lawsuits. In management's opinion, the ultimate outcome of such lawsuits will not have a material adverse effect on our results of operations or our financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The 2004 Annual Meeting of our stockholders was held on December 10, 2004. At the meeting, stockholders approved the Agreement and Plan of Merger dated as of June 15, 2004, among MGM MIRAGE, MGM MIRAGE Acquisition Co. #61 and Mandalay, providing for the merger of a wholly owned subsidiary of MGM MIRAGE with and into Mandalay, by a vote (expressed in number of shares) of 38,486,824 for, 2,133,994 against, 8,259,134 abstentions and 12,736,327 broker non-votes. The stockholders also approved the adjournment of the meeting, if necessary or appropriate, to solicit additional proxies if there were insufficient votes at the time of the meeting to approve the above proposal, by a vote of 47,614,447 for, 12,205,415 against, 1,796,417 abstentions and no broker non-votes.

Also at the meeting, stockholders elected management's nominees to fill the three available positions as directors of Mandalay Resort Group. Voting was as follows: William E. Bannen, M.D. 60,845,112 for, 771,167 against or withheld and no abstentions or broker non-votes; Jeffrey D. Benjamin 60,789,638 for, 826,641 against or withheld and no abstentions or broker non-votes; and Rose McKinney-James 60,845,154 for, 771,125 against or withheld and no abstentions or broker non-votes. Stockholders also ratified the appointment of Deloitte & Touche LLP as our independent auditors to examine and report on our financial statements for the fiscal year ended January 31, 2005, by a vote of 60,539,953 for, 561,048 against, 515,278 abstentions and non broker non-votes.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Price Range of Common Stock. Mandalay's common stock is listed on the New York Stock Exchange and on the Pacific Exchange and traded under the symbol MBG. The following table sets forth, for the fiscal quarters shown, the low and high sale prices for the common stock on the New York Stock Exchange Composite Tape.

Fiscal 2005	Low	High
First Quarter	$ 46.10	$ 62.20
Second Quarter	$ 50.44	$ 72.80
Third Quarter	$ 66.11	$ 69.60
Fourth Quarter	$ 68.82	$ 70.70

Fiscal 2004	Low	High
First Quarter	$ 23.40	$ 29.30
Second Quarter	$ 25.80	$ 34.97
Third Quarter	$ 34.76	$ 42.52
Fourth Quarter	$ 39.16	$ 49.00

Prior to the public announcement of MGM MIRAGE's offer to purchase Mandalay, our common stock was trading substantially below the levels at which it has traded since that announcement. The cash consideration to be paid for our outstanding common stock if the merger is consummated represents a 17.8% premium over the closing price of Mandalay common stock on the New York Stock Exchange on June 4, 2004, the last full trading session prior to the public announcement of MGM MIRAGE's offer to purchase Mandalay, and a 26.4% premium over the average closing price of Mandalay common stock on the New York Stock Exchange for the three months preceding that announcement. In the event the transactions contemplated by the Merger Agreement are not consummated, the market price of our common stock may change to the extent that the current market price of our common stock reflects an assumption that the merger will be consummated.

Holders. On March 31, 2005 there were 2,464 holders of record of Mandalay's common stock.

Dividends. On June 12, 2003, Mandalay's board of directors instituted a policy of paying quarterly cash dividends on the common stock. The following table sets forth the cash dividends declared in fiscal 2004 and fiscal 2005:

Record Date	Payment Date	Dividend per share
June 26, 2003	August 1, 2003	$ .23
October 15, 2003	November 1, 2003	$ .25
January 15, 2004	February 2, 2004	$ .27
April 16, 2004	May 3, 2004	$ .27
July 15, 2004	August 2, 2004	$ .27

Pursuant to the terms of the Merger Agreement additional dividends may not be declared or paid pending the consummation of the merger or the termination of the Merger Agreement if the merger is not consummated. See "Pending Merger Pursuant to which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in Item 1 of this report.

Other than as set forth in the preceding table, Mandalay did not declare or pay any cash dividends on its common stock during fiscal 2004 or fiscal 2005. While we did not declare or pay cash dividends

prior to June 12, 2003, we did make payments to our stockholders in the form of the payments we made for shares of Mandalay common stock we purchased pursuant to share purchase authorizations of our Board of Directors. For information concerning our share purchase activity during fiscal 2004 and fiscal 2005 and our current share purchase authorization, reference is made to the discussion appearing in Item 7 of this report in the "Financial Position and Capital Resources" section of our Management's Discussion and Analysis of Financial Condition and Results of Operations under the captions "Share Purchases" and "Off Balance Sheet Arrangements Equity Forward Agreements."

Under the terms of the Merger Agreement, we may not purchase shares of Mandalay common stock pending the consummation of the merger or the termination of the Merger Agreement if the merger is not consummated. See "Pending Merger Pursuant to Which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in Item 1 of this report.

Recent Sales of Unregistered Securities. During the fiscal year ended January 31, 2005 we did not sell any equity securities of Mandalay that were not registered under the Securities Act of 1933.

Recent Purchases of Equity Securities. During the fourth quarter of the fiscal year ended January 31, 2005, we did not purchase any equity securities of Mandalay.

Equity Compensation Plans. Reference is made to the information appearing in Item 12 of this report under the caption "Equity Compensation Plan Information," which is incorporated herein by this reference.

ITEM 6. SELECTED FINANCIAL DATA.

	Year ended January 31,				
	2005	2004	2003	2002	2001
	(amounts in thousands, except ratios and per share amounts)				
Operating Results:(1)					
Net revenues (2)	$ 2,809,143	$ 2,491,099	$ 2,354,118	$ 2,348,512	$ 2,381,139
Income from operations	613,432	490,441	452,306	351,060	431,534
Pretax income	359,516	232,318	195,334	93,006	194,392
Net income (3)	229,062	149,847	115,603	53,044	119,700
Basic earnings per share	$ 3.41	$ 2.40	$ 1.71	$ .73	$ 1.53
Diluted earnings per share	$ 3.31	$ 2.31	$ 1.65	$ .71	$ 1.50
Balance Sheet Data:					
Total assets	$ 4,722,115	$ 4,782,496	$ 4,354,664	$ 4,032,478	$ 4,235,406
Long-term debt	2,646,986	3,001,975	2,763,593	2,482,087	2,623,597
Stockholders' equity	1,239,230	1,030,270	882,929	940,609	1,068,940
Other Data:					
Cash dividends declared per common share (4)	$ .54	$ .75			
Ratio of earnings to fixed charges (5)	3.12x	2.30x	1.91x	1.50x	1.85x

(1) Mandalay Bay opened its convention center in January 2003. Mandalay Place opened in October 2003 and THEhotel opened in December 2003.

(2) During fiscal 2003, we reclassified equity in earnings of unconsolidated affiliates from revenues to a separate component within income from operations. Prior fiscal years have been reclassified to conform to the new presentation. This reclassification had no impact on previously reported income from operations or net income.

(3) Net income includes charges for the cumulative effect of an accounting change of $1.9 million related to goodwill in fiscal 2003. In accordance with the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" on February 1, 2002, Mandalay no longer amortizes goodwill.

(4) Under the terms of the Merger Agreement, we may not declare or pay additional dividends pending the consummation of the merger or the termination of the Merger Agreement if the merger is not consummated. See "Pending Merger Pursuant to Which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in Item 1 of this report.

(5) The ratio of earnings to fixed charges has been computed by dividing net income before fixed charges and income taxes, adjusted to exclude capitalized interest. Fixed charges consist of interest, whether expensed or capitalized, amortization of debt discount and issuance costs, Mandalay's proportionate share of the interest cost of 50%-owned ventures, and the estimated interest component of rental expense.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Pending Merger Pursuant to Which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE

On June 16, 2004, Mandalay and MGM MIRAGE jointly announced that they had entered into an Agreement and Plan of Merger dated as of June 15, 2004 among Mandalay, MGM MIRAGE and MGM MIRAGE Acquisition Co. #61, a Nevada corporation (the "Merger Agreement") pursuant to which MGM MIRAGE is to acquire Mandalay for $71.00 in cash for each outstanding share of common stock of Mandalay. The transaction, which was approved by Mandalay stockholders on December 10, 2004, is structured as a merger of a wholly owned subsidiary of MGM MIRAGE with and into Mandalay. Except as otherwise contemplated by the Merger Agreement or with the prior written consent of MGM MIRAGE (which consent may not be unreasonably withheld or delayed), prior to the effective time of the merger or the termination of the Merger Agreement, we are required to conduct our business in the ordinary course consistent with past practice, and we are prohibited, among other things, from paying dividends, purchasing or otherwise acquiring our common stock, issuing indebtedness, making acquisitions, or selling, pledging or encumbering our assets. On March 22, 2005, Mandalay received from MGM MIRAGE a notice of MGM MIRAGE'S election to extend the outside date for the closing of the merger from March 31, 2005 to June 30, 2005 (the "Extension Notice") in accordance with the Merger Agreement. The merger remains subject to receipt of the regulatory approval of the Illinois Gaming Board and other customary closing conditions. The foregoing description, which does not include all of the material terms of the Merger Agreement, is qualified in its entirety by reference to the Merger Agreement included as an exhibit to our current report on Form 8-K dated June 15, 2004, and the Extension Notice included as an exhibit to our current report on Form 8-K dated March 22, 2005, which are incorporated by reference as Exhibits 10.1 and 10.2, respectively, to this report.

In order to avoid noncompliance with applicable Michigan law, which prohibits MGM MIRAGE from acquiring an interest in a second Detroit casino upon the consummation of our merger, Mandalay, MGM MIRAGE, Circus Circus Michigan, Inc. ("Circus Circus Michigan"), a wholly-owned subsidiary of Mandalay through which we hold our 53.5% interest in MotorCity Casino, CCM Merger Inc., an unaffiliated entity, and CCM Merger Sub., Inc., a wholly-owned subsidiary of CCM Merger Inc., entered into a merger agreement on March 22, 2005 (the "Michigan Agreement") pursuant to which CCM Merger Inc. is to acquire Circus Circus Michigan for approximately $525 million in cash. Actual cash proceeds are subject to working capital-type adjustments as provided in the Michigan Agreement. Closing of this transaction is subject to the closing of our merger pursuant to the Merger Agreement, which was approved by the Michigan Gaming Control Board on April 13, 2005, and other customary closing conditions. The foregoing description, which does not include all of the material terms of the Michigan Agreement, is qualified in its entirety by reference to the Michigan Agreement included as an exhibit to our current report on Form 8-K dated March 22, 2005, which is incorporated by reference as Exhibit 10.3 to this report.

Overview

We are one of the four largest hotel/casino operators in the United States, in terms of revenues, rooms and casino space. Our operations consist of wholly owned resorts in Nevada and Mississippi, as well as jointly owned resorts in Nevada, Illinois and Michigan. Our resorts cater to a wide variety of customers, from value-oriented to high-end, and we strive to provide the best overall experience in each of the market segments in which we compete. Our core market is Las Vegas, the world's largest gaming market, where our properties generated approximately 77% of our operating income in fiscal 2005. We have the largest-scaled hotel/casino resort development in Las Vegas. Our "Mandalay Mile" consists of three interconnected megaresorts on 230 acres, and includes our flagship property, Mandalay Bay. Mandalay Bay is typically the best performer among our properties, as it possesses amenities that appeal to higher-income customers. Strong demand from this segment of our customer base has

permitted us greater pricing leverage, which has helped to drive results at this property. With the recent additions of an all-suites hotel tower and a retail center (discussed more fully under "Financial Position and Capital Resources New Projects" below), Mandalay Bay should continue to be the leading driver of near-term growth for our company.

Our operating results are highly dependent on the volume of customers visiting and staying at our resorts, which drives results in our two principal revenue centers the casino and the hotel. We generate approximately 50% of our revenues from gaming activities, and approximately 25% from hotel operations. The volume of casino activity is measured by "drop," which refers to amounts wagered by our customers. The amount of drop which we keep and recognize as casino revenue is referred to as our "win" or "hold." In our hotel business, the key metric is revenue per available room, or "REVPAR." REVPAR reflects both occupancy levels and room rates, each of which is impacted by customer demand, among other factors. Although the casino accounts for approximately 50% of our revenues companywide, we consider the hotel to be the principal driver of our business in the Las Vegas market. This is due to the fact that the majority of our revenues are derived from "in-house" customers, that is, customers who stay in our hotel rooms. Consequently, to the extent we can place higher-value customers in our rooms, we can generate increased revenues throughout our properties. Furthermore, due to the nature of gaming activities, we have little pricing leverage in the casino, whereas we possess significant pricing leverage in our rooms.

Risks and Uncertainties

Our operations are exposed to various risks, the most significant of which are increased competition, tax increases, economic downturns and future security alerts or terrorist attacks.

Pending Merger Agreement

In the event the merger contemplated by the Merger Agreement is not consummated or the Merger Agreement is terminated, our subsequent operations may be adversely impacted as a result of the limitations imposed on our conduct and operations during the term of the Merger Agreement. Depending on the particular facts and circumstances, any failure to consummate the merger or a termination of the Merger Agreement could result in litigation which, depending on the nature of the claims and the litigation's duration and outcome, could adversely impact our financial condition or results of operations.

Competition

Historically, in our core market of Las Vegas, the addition of new competing hotel/casino resorts has not had a negative effect on our operations. In fact, major new developments have typically expanded the market and actually contributed to higher results at our properties. However, the expansion of Native American gaming operations in California and our other key feeder markets has contributed to generally lower operating results at our properties in the secondary markets of Reno, Laughlin and Jean, Nevada. While most existing Native American gaming facilities in California are modest compared to our Nevada casinos, numerous Native American tribes have announced that they are in the process of constructing, developing, or are considering establishing, new large-scale hotel and gaming facilities, or expanding existing facilities, in California. In addition, under action taken by the National Indian Gaming Commission, gaming devices similar in appearance to slot machines which are deemed to be technical enhancements to bingo-style gaming may be used by Native American tribes without state permission, making it easier for tribes to engage in gaming. The continued growth of Native American gaming establishments in California (as well as elsewhere in the country), or the potential placement of slot machines in card rooms or racetracks in California, could have a material adverse effect on our operations.

Taxes

We pay substantial amounts of income taxes, gaming taxes, property taxes and various other taxes. Significant increases in tax rates could materially affect our results. For example, the gaming tax rate in Michigan increased from 18% to 24% effective September 1, 2004. In addition, increases in the gaming tax rate in Illinois in 2002 and 2003 contributed to significant declines in the contribution to income from operations by Grand Victoria (our 50%-owned riverboat casino). See the discussion under "Recent Tax Developments" under "Results of Operations" for additional details regarding these tax increases.

Economy

Historically, there has not been a high correlation between economic conditions and our operating results. This has been true with respect to the overall U.S. economy and also the regional economies from which we derive a sizeable portion of our customers (e.g., California). However, we believe an improved economy in the country contributed to positive results in fiscal 2005. In fact, visitor volume on the Las Vegas Strip increased 5.2% in calendar 2004.

Terrorism / War

Terrorist attacks, such as those that occurred September 11, 2001, can materially affect our operations. In that specific instance, the precipitous decline in air travel that immediately followed the attacks was particularly detrimental to the Las Vegas market, which depends on air travel for roughly 50% of its customers. This continued to negatively affect results at our properties well into fiscal 2003. We also believe that the war in Iraq affected our operating results in fiscal 2004. The intense and comprehensive media coverage of the war, along with new travel concerns associated with elevated alert levels, caused many customers to stay close to home during March and April 2003, though the war and its aftermath did not appear to significantly affect our results in the latter part of that fiscal year. We cannot predict the extent to which the ongoing war on terrorism will continue to directly or indirectly impact our operating results, nor can we predict the extent to which future security alerts or terrorist attacks may interfere with our operations.

Critical Accounting Policies

The consolidated financial statements included in this report were prepared in conformity with accounting principles generally accepted in the United States. Certain accounting policies require us to apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, such judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, observance of trends in the gaming industry and information available from other outside sources. There can be no assurance that actual results will not differ from these estimates. The following is a summary of our critical accounting policies.

Property and Equipment

We have significant capital invested in our property and equipment, which represents approximately 75% of our total assets. We utilize our judgment in (i) determining whether an expenditure is a maintenance expense or a capital asset; (ii) determining the estimated useful lives of assets; (iii) determining the salvage values to be assigned to assets; and (iv) determining if or when an asset has been impaired. The accuracy of these estimates affects how much depreciation expense we recognize in our income statement, whether we have a gain or loss on the disposal of an asset, and whether or not we record an impairment loss related to an asset.

We review the carrying value of our property and equipment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable, based upon the estimated future

cash flows expected to result from its use and eventual disposition. The factors we consider in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors. In estimating expected future cash flows, we group assets at the operating-unit level, which for most of our assets is the individual casino. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, we recognize an impairment loss. The impairment loss recognized is the amount by which the carrying amount exceeds the fair value. The ability to accurately predict future cash flows may impact the determination of fair value and, hence, the amount of the impairment loss. Our assessment of cash flows represents our best estimate at the time of the impairment review and is consistent with our internal planning. Based upon our most recent review of the carrying values of our property and equipment, we do not believe that any additional impairments have occurred or are likely to occur in the near term.

Goodwill and Other Intangible Assets

Effective February 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), which requires an annual review of goodwill and other indefinite-life intangible assets for impairment. Our initial assessment of these assets resulted in an impairment charge of $1.9 million, reflected as a cumulative effect of a change in accounting principle in the first quarter of fiscal 2003. Our subsequent annual assessment for fiscal 2003 resulted in an additional impairment charge of $5.4 million. These impairment charges were necessitated by significant declines in income from operations at the affected properties, as well as lower future expectations attributable to increased competition from Native American casinos.

The annual evaluation of goodwill and other indefinite-life intangible assets requires the use of projections about future operating results at each reporting unit to determine the assets' estimated fair value. Changes in forecasted operations can materially affect these estimates. Once an impairment of goodwill or other intangible assets has been recorded, it cannot be reversed. Based upon our annual assessment of goodwill and intangible development costs for fiscal 2005, we do not believe that there are additional impairments that have occurred or are likely to occur in the near term. We had $38.0 million in goodwill and $102.5 million in intangible development costs on our consolidated balance sheet at January 31, 2005. The goodwill relates entirely to our acquisition of Slots-A-Fun and our investment in MotorCity Casino in Detroit. The carrying value of goodwill related to those investments, relative to the market value of the other assets, is small; furthermore, operating results at these properties have historically been strong and stable. The intangible asset represents casino development rights associated with MotorCity Casino and stem from a revised development agreement entered into with the City of Detroit on August 2, 2002. Pursuant to this agreement, MotorCity has paid certain amounts to the City in exchange for the right to develop a permanent facility at its current location.

Players' Club Program

Our players' club program offers incentives to customers who gamble at our casinos. Customers earn points, redeemable for cash and complimentaries, based upon their level of gambling. These points may accumulate up to a maximum of 18 months, at which time the points expire if the customer has not yet redeemed them. We accrue expense related to this program as the points are earned based upon historical redemption percentages and, in the case of complimentaries, the estimated cost of the complimentaries to be provided. The actual amount of expense can differ from the amount accrued to the extent that actual redemptions differ from historical patterns. Through fiscal 2005, approximately 85% of the points earned and available had been redeemed. The total accrued liability related to our players' club was $14.8 million at January 31, 2005, compared with $12.9 million at January 31, 2004.

Bad Debt Reserves

Our receivables balances relate primarily to our hotel operations and our casino operations. Historically, we have not reserved amounts related to our hotel operations, since the majority of those receivables relate to credit card transactions for which we have not historically experienced any material losses. For our casino operations, we reserve an estimated amount for receivables that may not be collected. We estimate casino bad debt reserves using a combination of specific reserves and various percentages applied to aged receivables based upon our judgment. We consider historical collection rates along with customer relationships in determining specific reserves. At January 31, 2005, we had $8.5 million in our casino bad debt reserve, representing approximately 29% of the related casino receivables. At January 31, 2004, we had $12.3 million in the reserve, representing approximately 28% of the related casino receivables. To the extent that world events such as economic downturns, war or further terrorist attacks impact the ability of our customers to pay us, our reserves could be inadequate. However, a significant portion of our casino receivables relate to domestic play. Consequently, we believe our casino receivables are less exposed to the impact of some of these events, and that our current reserve is appropriate and reasonable based upon our experience.

Self-Insurance Accruals

We are self-insured, up to certain limits, for costs associated with workers' compensation and employee medical coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of estimates for claims incurred but not yet reported. At January 31, 2005, we had total self-insurance accruals reflected on our balance sheet of $15.3 million, compared with $10.5 million at January 31, 2004. Based upon this review, we believe our estimates of future liability are reasonable based upon our methodology, which considers historical claims patterns and loss experience, as well as an independent actuarial review, among other factors. However, changes in health care costs, accident frequency and severity, and other factors could materially affect the estimate for these liabilities.

Income Taxes

We are subject to both federal, state and city income taxes. We account for income taxes according to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires the recognition of deferred tax assets, net of applicable reserves, related to net operating loss carryforwards and certain temporary differences. The standard requires recognition of a future tax benefit to the extent that realization of such a benefit is more likely than not. Otherwise, a valuation allowance is applied. At January 31, 2005, we had $78.9 million of deferred tax assets and $279.7 million of deferred tax liabilities. We believe that our deferred tax assets are fully realizable because of the future reversal of existing taxable temporary differences and future projected taxable income.

Our income tax returns are subject to examination by the Internal Revenue Service and other tax authorities. We regularly assess the potential outcomes of these examinations in determining the adequacy of our provision for income taxes and our income tax liabilities. Inherent in our determination of any necessary reserves are assumptions based on past experiences and judgments about potential actions by taxing authorities. Our estimate of the potential outcome for any uncertain tax issue is highly judgmental, though we believe that our exposure to uncertain tax matters is immaterial.

When actual results of tax examinations differ from our estimates, we adjust the income tax provision in the period in which the examination issues are settled. In August 2002, we settled the IRS audits of our fiscal 1992 through fiscal 1995 tax returns, which did not result in a material impact on our results of operations or financial position. Additionally, in May 2003, we settled the IRS audits of our fiscal 1996 through fiscal 2000 tax returns. This settlement did not materially impact our results of

operations or financial position. We do not currently have any tax years under audit by either federal, state or local tax authorities.

Contingencies

We are involved in various legal proceedings, as more fully discussed in Item 3 of this report. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental intervention. Management assesses the probability of loss for such contingencies and accrues a liability and/or discloses the relevant circumstances, as appropriate. We believe that any liability that may arise as a result of currently pending legal proceedings will not have a material adverse effect on our financial condition, taken as a whole.

Fiscal 2005 Compared with Fiscal 2004

RESULTS OF OPERATIONS

Earnings per Share

For the year ended January 31, 2005, we reported net income of $229.1 million, or $3.31 per diluted share, versus $149.8 million, or $2.31 per diluted share, for the year ended January 31, 2004.

Strong results at our Las Vegas Strip properties were the principal factor in this increase. Income from operations at these properties (including our 50% share of Monte Carlo) increased $139.6 million, or 42%, in fiscal 2005, as REVPAR rose 17%. At Mandalay Bay, income from operations increased $79.8, or 95%, in fiscal 2005, driven primarily by the first full year of operation of THEhotel (the new all-suites tower which opened in December 2003). The convention center and THEhotel have contributed to a pronounced shift towards the more profitable convention customer. In fact, we believe all of our Las Vegas Strip properties have benefited from increased convention business. We also believe that the improved economy positively affected results at our Las Vegas Strip properties. As previously discussed, overall visitation to Las Vegas increased 5.2% in calendar 2004. Other significant factors which affected our fiscal 2005 and 2004 results included the following:

Merger Related Expenses. During fiscal 2005, we recognized $11.6 million of expenses related to the pending merger with MGM MIRAGE. These expenses, which are not deductible for tax purposes, were reflected in Corporate General and Administrative Expense.

Adjustments to Carrying Values. At the end of each quarterly reporting period, we adjust the carrying value of investments associated with our Supplemental Executive Retirement Plan ("SERP"), a defined benefit plan for senior executives, to reflect the investments' market value. These noncash adjustments (reflected in the "Interest, dividends and other income" caption in the Consolidated Statements of Income) resulted in gains of $6.0 million in fiscal 2005 and $7.7 million in fiscal 2004.

Accounting Adjustments. During fiscal 2005, we made various accounting adjustments which included (1) a change in accounting estimate with respect to our fixed jackpot accrual, which resulted in additional casino revenue of $5.4 million; (2) a change in accounting estimate with respect to the amortization of deferred income, which resulted in a reduction of other revenues of $3.4 million; and (3) an increase in the reserve for worker's compensation claims of $3.1 million, based upon changes in claims patterns and loss experience, among other factors. These adjustments were not considered material to our consolidated financial statements.

Preopening Expenses. We recorded preopening expenses of $8.2 million in fiscal 2004 related primarily to THEhotel and Mandalay Place, the new retail center connecting Mandalay Bay and Luxor that opened in October 2003.

Loss on Early Retirement of Debt. Results for fiscal 2004 include a loss of $6.3 million on early retirement of debt arising from the July 2003 call of our $275 million 9¼% Senior Subordinated Notes due 2005.

Higher Average Diluted Shares Outstanding. Average diluted shares outstanding for fiscal 2005 increased 7% from fiscal 2004. This reflects the issuance of shares pursuant to the exercise of employee stock options, as well as grants of restricted stock in the first quarter of fiscal 2005. It also includes the dilutive effect of our Floating-Rate Convertible Senior Debentures due 2033.

Revenues

Revenues increased $318.0 million, or 13%, for fiscal 2005, due primarily to results at our Las Vegas Strip properties. Mandalay Bay was the largest contributor, with revenues rising $178.5 million, or 27%, over the prior year. As previously noted, this property benefited substantially from the December 2003 opening of THEhotel, which generated hotel revenues of $78.2 million, with a REVPAR of $193, during fiscal 2005.

Casino Revenues

Casino revenues rose $105.8 million, or 9%, in fiscal 2005, led by Mandalay Bay (up $25.0 million, or 13%) and Luxor (up $15.6 million, or 15%). These increases were largely attributable to a full year of operations for THEhotel and Mandalay Place, our retail shopping experience connecting Mandalay Bay and Luxor. These key additions not only increased the overall number of customers visiting those properties, their proximity to the casino floor also contributed to improved casino traffic. Casino revenues also rose sharply at MotorCity Casino (our 53.5%-owned casino in Detroit, Michigan), up $35.1 million, or 9%, as the upturn in the economy and increased marketing efforts drove results. With the exception of our Jean, Nevada properties, which experienced a slight downtick, all of our other properties reported higher casino revenues in fiscal 2005.

Hotel Revenues

Hotel revenues increased $140.2 million, or 21%, in fiscal 2005. Mandalay Bay accounted for most of this increase, with hotel revenues rising $92.3 million, or 36%, driven primarily by a full year of the additional 1,117 suites in THEhotel. Including this additional capacity, REVPAR at this property still rose 9%. THEhotel, along with the convention center, have enabled this property to increase its emphasis on the business and convention segment of the market, which has traditionally been willing to pay a higher rate for midweek rooms. Meanwhile, REVPAR at our other Las Vegas Strip properties grew 14%, reflecting increased demand. The following table compares average room rates, occupancy and REVPAR at our major wholly owned properties:

	FYE 1/31/2005			FYE 1/31/2004		
	Rate	Occ.%	REVPAR	Rate	Occ.%	REVPAR
Mandalay Bay	$ 207	85%	$ 175	$ 186	86%	$ 161
Luxor	$ 114	90%	$ 103	$ 105	85%	$ 90
Excalibur	$ 85	94%	$ 79	$ 76	91%	$ 69
Circus Circus-Las Vegas	$ 62	90%	$ 56	$ 55	89%	$ 49
Circus Circus-Reno	$ 59	75%	$ 44	$ 54	77%	$ 41
Colorado Belle	$ 31	81%	$ 25	$ 29	80%	$ 23
Edgewater	$ 31	78%	$ 24	$ 29	79%	$ 23
Gold Strike-Tunica	$ 51	83%	$ 42	$ 49	82%	$ 40
Weighted average all wholly owned properties	**$ 101**	**86%**	**$ 86**	**$ 87**	**84%**	**$ 74**
Weighted average wholly owned Las Vegas Strip properties	**$ 120**	**89%**	**$ 107**	**$ 104**	**88%**	**$ 92**

Food and Beverage Revenues

Food and beverage revenues increased $48.4 million, or 11%, in fiscal 2005. The increase was due mainly to new restaurants and bars located in THEhotel, as well as the continued expansion of Mandalay Bay's convention business.

Other Revenues

Other revenues come principally from entertainment, amusements and retail stores, and rose $38.1 million, or 11%, in fiscal 2005. Retail revenues benefited from the October 2003 opening of Mandalay Place. Entertainment revenues were higher due to a number of major events that were held in Mandalay Bay's Special Events Center (most notably the May 15, 2004 championship boxing match between Roy Jones Jr. and Antonio Tarver and two concerts by Prince).

Costs and Expenses

Health Care

Employee health care costs increased $17.8 million, or 12%, in fiscal 2005. Rising medical costs, a higher incidence of catastrophic claims and an increase in the number of employees (due primarily to the December 2003 opening of THEhotel) contributed to these increases. These costs are included in the various departmental expenses reported in the Consolidated Statements of Income.

Corporate General and Administrative

Corporate general and administrative expense for fiscal 2005 was $64.4 million compared with $32.9 million in fiscal 2004. The increase of $31.5 million was attributable primarily to amortization of deferred compensation related to restricted stock awards of $16.5 million and merger related costs of $11.6 million.

Depreciation and Amortization

For fiscal 2005, depreciation and amortization expense was $189.8 million versus $175.5 million in fiscal 2004. Depreciation expense increased due to the December 2003 opening of THEhotel along with the June 30, 2003 exercise of purchase options under our two operating lease agreements, pursuant to which we paid $198.3 million to acquire the equipment under the leases. These increases were partially offset by original equipment at Mandalay Bay that became fully depreciated on March 2, 2004, the five-year anniversary of the opening of Mandalay Bay. See the discussions under "Financing Activities Other Financing Transactions" and "Off Balance Sheet Arrangements Operating Leases" under "Financial Position and Capital Resources" for additional details regarding our operating lease agreements.

Operating Lease Rent There was no operating lease rent for fiscal 2005 compared to $20.2 million in fiscal 2004, due to the previously discussed June 30, 2003 termination of our operating leases.

Income from Operations

For the year ended January 31, 2005, income from operations rose $123.0 million, or 25%, from the previous year. The composite operating margin in fiscal 2005 was 21.8% versus 19.7% in fiscal 2004. Income from operations for fiscal 2005 benefited from improved operating results at our Las Vegas Strip properties, most notably Mandalay Bay, as discussed more fully below. The table below

summarizes our operating results by property and is followed by a discussion of operating results by market.

	FYE 1/31/2005		FYE 1/31/2004	
	Income from Operations	Depreciation and Amortization	Income from Operations	Depreciation and Amortization
	(in millions)			
Mandalay Bay	$ 163.4	$ 78.4	$ 83.6	$ 72.3
Luxor	113.2	30.1	92.5	25.5
Excalibur	97.7	16.3	79.4	14.1
Circus Circus-Las Vegas (1)	55.8	19.0	42.3	18.8
Gold Strike-Tunica	19.9	9.2	21.6	8.7
Colorado Belle / Edgewater	7.9	9.2	4.4	9.8
Circus Circus-Reno	8.8	5.9	5.6	5.8
Gold Strike properties (2)	5.8	3.3	1.7	3.4
MotorCity Casino (3)	133.7	11.4	125.5	10.1
Unconsolidated joint ventures (4)	83.3	0.3	81.2	0.3
Other	(5.1)	0.1	(7.9)	0.1
Subtotal	**$ 684.4**	**$ 183.2**	**$ 529.9**	**$ 168.9**
Corporate expense	(71.0)	6.6	(39.5)	6.6
Total	**$ 613.4**	**$ 189.8**	**$ 490.4**	**$ 175.5**

(1) Includes Circus Circus-Las Vegas and Slots-A-Fun.

(2) Includes Gold Strike, Nevada Landing and Railroad Pass.

(3) MotorCity Casino is 53.5%-owned and its operations are consolidated for financial reporting purposes.

(4) Includes Monte Carlo, Grand Victoria and Silver Legacy, each of which is 50%-owned.

Las Vegas

Our Las Vegas properties (including our 50% share of Monte Carlo) posted an overall increase in income from operations of $139.6 million, or 42%, in fiscal 2005. At Mandalay Bay, income from operations rose $79.8 million, or 95%. As noted previously, this property benefited significantly from the first full year of operation of THEhotel. Including the additional 1,117 suites in THEhotel, REVPAR at Mandalay Bay rose 9%, as expanded convention business contributed to higher REVPAR during the slower midweek period.

At Luxor, income from operations increased $20.7 million, or 22%. This property benefited from higher customer counts attributable to increased convention business (derived in large part from its proximity to the Convention Center at Mandalay Bay), as well as the October 2003 opening of Mandalay Place, the retail experience located between Luxor and Mandalay Bay. Meanwhile, income from operations at Excalibur rose $18.3 million, or 23%, and at Circus Circus-Las Vegas, it increased $13.5 million, or 32%. The contribution from the 50%-owned Monte Carlo rose $7.4 million, or 20%. The rebound in the national economy and the overall strength of the Las Vegas market were significant factors in the higher results at our Las Vegas Strip properties.

Reno

Income from operations at our Reno properties (including our 50% share of Silver Legacy) rose $3.5 million, or 19%, in fiscal 2005. A stronger economy offset the negative impact of expanded Native American gaming in California and the northwestern U.S.

Laughlin

Income from operations at our two Laughlin properties, Colorado Belle and Edgewater, rose to $7.9 million from an all-time record low of $4.4 million in fiscal 2004. Like the Reno market, Laughlin benefited from an improved economy, despite facing increased competition from Native American casinos in its primary feeder markets in Arizona and southern California.

Other Markets

In Detroit, Michigan, MotorCity Casino generated an increase in income from operations of $8.2 million, or 7%, despite an increase in the casino tax rate which took effect September 1, 2004 and resulted in additional tax of approximately $10.3 million in fiscal 2005. (See "Recent Tax Developments" for additional details regarding this tax increase.) MotorCity benefited from the economic rebound and increased marketing efforts, which have increased its market share.

In Tunica County, Mississippi, income from operations at Gold Strike declined $1.7 million, or 8%, during fiscal 2005. Costs related to increased marketing efforts contributed to the lower results, though they are expected to drive improved results in the future.

The contribution to income from operations from Grand Victoria (our 50%-owned riverboat casino in Elgin, Illinois) decreased $5.5 million, or 18%, in fiscal 2005. The decrease was due primarily to the impact of a gaming tax increase that took effect July 1, 2003. See "Recent Tax Developments" below.

Interest Expense

In fiscal 2005, interest expense decreased $4.8 million, benefiting from lower average debt outstanding ($2.8 billion versus $2.9 billion in fiscal 2004), the payoff of our $275 million 9¼% Senior Subordinated Notes in July 2003 using less expensive borrowings under our revolving credit facility, and the amortization of gains related to the termination of interest rate swap agreements. These benefits were partially mitigated by higher capitalized interest in fiscal 2004 (see discussion below). See also "Financing Activities-Interest Rate Swaps" and "Market Risk and Derivative Financial Instruments" under "Financial Position and Capital Resources."

Capitalized interest was $1.0 million in fiscal 2005 compared to $7.6 million in the previous year. Capitalized interest in the current year relates primarily to the spa and roof-top restaurant at THEhotel, and in the previous year related primarily to the original construction of THEhotel and Mandalay Place.

Income Taxes

The effective tax rates for fiscal 2005 and fiscal 2004 were 36.3% and 35.5%, respectively. These rates reflect the federal corporate statutory rate of 35%, plus state income taxes and the effect of various nondeductible expenses, including merger-related costs.

Recent Tax Developments

On August 17, 2004, the Governor of Michigan signed new legislation providing for an increase in the gaming tax rate from 18% to 24% effective September 1, 2004. The new law provides for additional one percent increases in the tax rate on July 1, 2009, 2010 and 2011. Once a permanent facility is fully operational, the tax is reduced to 19%. The legislation further provides that the tax increase is eliminated if the Michigan Lottery Act is amended and video lottery terminals at horse racetracks become operational. As a result of this new legislation, we currently estimate that gaming taxes at MotorCity Casino will be increased by approximately $25-$30 million on an annual basis.

New tax legislation signed into law by the Governor of Nevada on July 22, 2003, increased the taxes applicable to our Nevada operations and those of our Nevada joint ventures. The impact on our income from operations in FY05 was less than $10 million.

On June 20, 2003, the Governor of Illinois signed new tax legislation providing for an increase in tax rates on Illinois gaming revenues effective July 1, 2003. Under the bill, the upper tax rate on casino revenues was increased from 50% on casino revenues exceeding $200 million to 70% on casino revenues exceeding $250 million. The legislation also provided for increased tax rates for the lower revenue tiers as well as increased boarding fees. By law, the above increase is to be repealed after a tenth casino license is awarded and the new property commences operations, or July 1, 2005, whichever occurs first. The tenth casino license was previously awarded, however based upon a number of contingencies needed to finalize this tenth license, we cannot determine at this time when or whether a tenth property will commence operations. There is no assurance that the Illinois Act will not be further amended, or other legislation enacted, to change the wagering tax rollback.

Fiscal 2004 Compared with Fiscal 2003

RESULTS OF OPERATIONS

Earnings per Share

For the year ended January 31, 2004, we reported net income of $149.8 million, or $2.31 per diluted share, versus $115.6 million, or $1.65 per diluted share, for the year ended January 31, 2003. The principal factors which contributed to the increase in earnings were:

Strong Results at Our Las Vegas Strip Properties. Income from operations at our Las Vegas Strip properties (including our 50% share of Monte Carlo) increased $37.8 million, or 13% in fiscal 2004, driven primarily by a 14% increase in REVPAR. The new convention center and the all-suites tower at Mandalay Bay (THEhotel) contributed to a pronounced shift towards the more profitable convention customer. This significantly benefited REVPAR at Mandalay Bay and, to a lesser extent, the adjacent Luxor. We also believe that the rebound in the national economy positively affected results at all of our Las Vegas Strip properties, particularly in the latter half of our fiscal year.

Lower Average Diluted Shares Outstanding. Average diluted shares outstanding for fiscal 2004 decreased 8% from the prior year, reflecting the effect of substantial share purchases in the latter half of fiscal 2003, as well as the March 2003 settlement of our equity forward agreement pursuant to which we acquired an additional 3.3 million shares. These purchases were somewhat offset by the issuance of 6.1 million shares in fiscal 2004 pursuant to the exercise of employee stock options.

Other significant factors which affected our fiscal 2004 and 2003 results included the following:

Preopening Expenses. We recorded preopening expenses of $8.2 million in fiscal 2004 related primarily to THEhotel, which opened in December 2003 at Mandalay Bay, and Mandalay Place, the new retail center connecting Mandalay Bay and Luxor that opened in October 2003. For fiscal 2003, preopening expenses of $4.6 million related primarily to the new convention center at Mandalay Bay that opened in January 2003.

Adjustments to Carrying Values. At the end of each quarterly reporting period, we adjust the carrying value of investments associated with our Supplemental Executive Retirement Plan ("SERP"), a defined benefit plan for senior executives, to reflect the investments' market value. These noncash adjustments (reflected in the "Interest, dividends and other income" caption in the Consolidated Statements of Income) resulted in a gain of $7.7 million in fiscal 2004 compared with a loss of $2.9 million in fiscal 2003.

Loss on Early Retirement of Debt. Results for fiscal 2004 include a loss of $6.3 million on early retirement of debt arising from the July 2003 call of our $275 million 9¼% Senior Subordinated Notes due 2005.

Write-off of Intangibles. Results for fiscal 2003 reflect the write-off of $13.0 million of intangible costs associated with MotorCity Casino in Detroit. These intangible costs represented amounts paid by Mandalay to its partner, Atwater Casino Group, in exchange for a so-called preference (applicable to predecessors of Atwater Casino Group) to develop a casino in Detroit. In early 2002, preferences of this nature were declared unconstitutional by a federal appeals court. On August 2, 2002, MotorCity signed a Revised Development Agreement with the City of Detroit which provided for the development of an expanded casino on the site of the current facility. As a result of these events, it was determined that the intangible preference had no value and should be written off.

Goodwill Impairment. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), became effective for Mandalay on February 1, 2002. Under SFAS 142, goodwill is no longer amortized, but must be reviewed at least annually for impairment. In connection with our implementation of SFAS 142, we completed an analysis of the goodwill arising from our prior acquisitions and recorded a write-off of $1.9 million, representing the unamortized goodwill associated with the June 1, 1995 acquisition of the Railroad Pass Hotel and Casino in Henderson, Nevada. This write-off was reflected as a cumulative effect of a change in accounting principle in the first quarter of fiscal 2003. Pursuant to our subsequent annual review for goodwill impairment, we recorded a write-off of $5.4 million that was reflected as an impairment loss in the fourth quarter of fiscal 2003. This latter write-off represented the unamortized goodwill associated with the February 1, 1983, acquisition of the Edgewater Hotel and Casino in Laughlin, Nevada. The write-off was necessitated by a decline in income from operations at that property, and by lower future expectations for the Laughlin market arising from increased competition from Native American casinos.

Revenues

Revenues increased $137.0 million, or 6%, for fiscal 2004, due largely to results at our Las Vegas Strip properties. Mandalay Bay was the largest contributor, with revenues rising $91.1 million, or 16%, over the prior year. As previously noted, this property benefited substantially from the new convention center and, to a lesser extent, from the December 2003 opening of THEhotel, which together helped drive a 22% increase in room revenue at the property.

Casino Revenues

Casino revenues rose $20.1 million, or 2%, in fiscal 2004. In Las Vegas, Excalibur led the way with a $10.3 million, or 10%, increase in casino revenues. This increase was attributable to improved occupancy levels along with a higher hold percentage stemming from a change in the mix of pit games and slot machines. Mandalay Bay reported a $6.0 million, or 3%, increase in casino revenues, benefiting from the increased casino traffic generated by the convention center and THEhotel. Elsewhere in Nevada, casino revenues were mostly down, due to the effects of expanded Native American gaming. Meanwhile, casino revenues at the Gold Strike Resort in Tunica County, Mississippi rose $11.4 million, or 11%, driven by the upturn in the economy and increased marketing efforts, which have resulted in that property gaining market share.

Hotel Revenues

Hotel revenues increased $82.1 million, or 14%, in fiscal 2004. Our Las Vegas Strip properties were the source for most of the increase. REVPAR grew 14% at these properties, which accounted for approximately 20,000 rooms out of 28,258 rooms companywide (including the 50%-owned Monte Carlo). Mandalay Bay was the most significant contributor, generating an increase of $53.9 million, or 27%, driven by a 17% increase in REVPAR. As noted earlier, with the opening of the convention

center and THEhotel, this property has increased its emphasis on the business and convention segment of the market, which has traditionally been willing to pay a higher rate for midweek rooms. In fiscal 2004, approximately 30% of Mandalay Bay's room nights were sold to the convention segment, compared with approximately 22% in the previous year, and we expect this percentage to rise. Hotel revenues at Mandalay Bay also include revenues related to the rental of the new convention space, which amounted to $12.4 million in fiscal 2004 compared with $1.7 million in fiscal 2003. The following table compares average room rates, occupancy and REVPAR at our major wholly owned properties:

	FYE 1/31/2004			FYE 1/31/2003		
	Rate	Occ.%	REVPAR	Rate	Occ.%	REVPAR
Mandalay Bay	$ 186	86%	$ 161	$ 171	80%	$ 137
Luxor	$ 105	85%	$ 90	$ 95	84%	$ 79
Excalibur	$ 76	91%	$ 69	$ 69	90%	$ 62
Circus Circus-Las Vegas	$ 55	89%	$ 49	$ 53	89%	$ 47
Circus Circus-Reno	$ 54	77%	$ 41	$ 53	78%	$ 41
Colorado Belle	$ 29	80%	$ 23	$ 34	73%	$ 25
Edgewater	$ 29	79%	$ 23	$ 32	73%	$ 23
Gold Strike-Tunica	$ 49	82%	$ 40	$ 53	73%	$ 39
Weighted average all wholly owned properties	**$ 87**	**84%**	**$ 74**	**$ 80**	**82%**	**$ 65**
Weighted average wholly owned Las Vegas Strip properties	**$ 104**	**88%**	**$ 92**	**$ 94**	**86%**	**$ 80**

Food and Beverage Revenues

Food and beverage revenues increased $40.6 million, or 10%, in fiscal 2004. The increase was due mainly to the expansion of Mandalay Bay's convention business following the opening of the new convention center in January 2003 and subsequent opening of THEhotel in December 2003.

Other Revenues

Other revenues come principally from entertainment, amusements and retail stores, and rose $.7 million, or less than 1%, in fiscal 2004. While the successful February 2003 opening of *Mamma Mia!* generated additional entertainment revenue at Mandalay Bay, the increase was offset by the absence of a major boxing match that was held in the Events Center at Mandalay Bay during the prior year (the Oscar De La Hoya/Fernando Vargas fight).

Costs and Expenses

Depreciation and Amortization

For fiscal 2004, depreciation and amortization expense was $175.5 million versus $145.0 million in fiscal 2003. The increase of $30.5 million was due primarily to the June 30, 2003 exercise of purchase options under our two operating lease agreements, pursuant to which we paid $198.3 million to acquire the equipment under the leases. (See the discussion in "Financing Activities Other Financing Transactions" under "Financial Position and Capital Resources" for additional details.) The resulting increase was partially offset by the reduction of depreciation expense at MotorCity Casino. Based upon a Revised Development Agreement entered into with the City of Detroit on August 2, 2002 (discussed more fully under "Financial Position and Capital Resources New Projects"), depreciation expense related to the MotorCity Casino temporary facility was reduced prospectively. Previously, the cost of the temporary facility was being depreciated over its contractual operating term of four years, with annual depreciation expense approximating $40 million. Under the Revised Development Agreement, the existing facility will be expanded into a permanent resort (as opposed to the permanent resort being developed on a separate site as was the requirement under the original development agreement). As a result, the remaining book value of the existing facility is being depreciated over its remaining

expected life, resulting in estimated annual depreciation expense of $10 million, pending construction of the expanded permanent facility or other equipment additions.

Operating Lease Rent

Operating lease rent for fiscal 2004 decreased to $20.2 million from $49.1 million in fiscal 2003. The decrease was related primarily to the previously discussed June 30, 2003 termination of our operating leases. See the discussion under "Off Balance Sheet Arrangements Operating Leases" under "Financial Position and Capital Resources" for additional details regarding our operating lease agreements.

Income from Operations

For the year ended January 31, 2004, income from operations rose $38.1 million, or 8%, from the previous year. The composite operating margin in fiscal 2004 was 19.7% versus 19.2% in fiscal 2003. Income from operations for fiscal 2004 benefited from improved operating results at our Las Vegas Strip properties, as discussed more fully below. Comparisons also benefited from lower depreciation and amortization expense at MotorCity Casino (see the discussion under "Depreciation and Amortization" above) and the previously discussed write-off of $13.0 million in intangible costs associated with MotorCity Casino in fiscal 2003. The above benefits were partially offset by a decrease in earnings from unconsolidated affiliates of $16.8 million, stemming from the impact of higher gaming taxes at the 50%-owned Grand Victoria in Elgin, Illinois, discussed in more detail below. The table below summarizes our operating results by property and is followed by a discussion of operating results by market.

	FYE 1/31/2004		FYE 1/31/2003	
	Income from Operations	Depreciation and Amortization	Income from Operations	Depreciation and Amortization
	(in millions)			
Mandalay Bay	$ 83.6	$ 72.3	$ 79.5	$ 35.0
Luxor	92.5	25.5	79.6	18.1
Excalibur	79.4	14.1	64.9	11.4
Circus Circus-Las Vegas (1)	42.3	18.8	39.5	17.4
Gold Strike-Tunica	21.6	8.7	14.0	12.2
Colorado Belle / Edgewater	4.4	9.8	5.3	10.3
Circus Circus-Reno	5.6	5.8	12.9	7.0
Gold Strike properties (2)	1.7	3.4	3.5	4.0
MotorCity Casino (3)	125.5	10.1	91.8	24.9
Unconsolidated joint ventures (4)	81.2	0.3	98.0	0.3
Other	(7.9)	0.1	(5.4)	0.5
Subtotal	**$ 529.9**	**$ 168.9**	**$ 483.6**	**$ 141.1**
Corporate expense	(39.5)	6.6	(31.3)	3.9
Total	**$ 490.4**	**$ 175.5**	**$ 452.3**	**$ 145.0**

(1) Includes Circus Circus-Las Vegas and Slots-A-Fun.

(2) Includes Gold Strike, Nevada Landing and Railroad Pass.

(3) MotorCity Casino is 53.5%-owned and its operations are consolidated for financial reporting purposes.

(4)

Includes Monte Carlo, Grand Victoria and Silver Legacy, each of which is 50%-owned.

Las Vegas

Our Las Vegas properties (including our 50% share of Monte Carlo) posted an overall increase in income from operations of $37.8 million, or 13%, in fiscal 2004. At Mandalay Bay, income from operations rose $4.1 million, or 5%. As noted previously, this property benefited from the opening of the new convention center and THEhotel, which have contributed to higher REVPAR during the slower midweek period. Furthermore, operating margins on incremental hotel revenues approach 100%, meaning for each additional dollar of room revenue, income from operations increases by nearly a like amount. However, this benefit was mitigated by higher depreciation expense stemming primarily from the purchase of previously leased equipment. On June 30, 2003, we exercised purchase options under our operating lease agreements, the majority of which related to equipment at Mandalay Bay. The resulting additional depreciation more than offset the benefit from the elimination of operating lease rent. See the discussion under "Financing Activities" under "Financial Position and Capital Resources" for additional details regarding our operating leases.

At Luxor, income from operations increased $12.9 million, or 16%. This property also benefited from the new convention center at Mandalay Bay, though to a lesser extent. Meanwhile, income from operations at Excalibur rose $14.5 million, or 22%, and at Circus Circus-Las Vegas, it increased $2.8 million, or 7%. The contribution from the 50%-owned Monte Carlo rose $3.5 million, or 10%. We believe the rebound in the national economy contributed to our higher results on the Las Vegas Strip. Excalibur also benefited from a change in its mix of pit games and slot machines.

Reno

Income from operations at our Reno properties (including our 50% share of Silver Legacy) was down $9.6 million, or 34%, in fiscal 2004. Expanded Native American gaming in California and the northwestern U.S. was the principal factor in the decline, most notably the June 2003 opening of a significant new Native American casino located in the heart of Reno's principal feeder market in northern California.

Laughlin

Our two Laughlin properties, Colorado Belle and Edgewater, posted a combined decrease in income from operations of $0.9 million, or 17%, for fiscal 2004, despite the prior year write-off of $5.4 million of goodwill associated with Edgewater. Like the Reno market, Laughlin is facing increased competition from Native American casinos in its primary feeder markets in Arizona and southern California.

Other Markets

In Detroit, Michigan, MotorCity Casino generated an increase in income from operations of $33.7 million, or 37%. Depreciation expense, which decreased $14.8 million, was a principal factor in this increase (see discussion under "Depreciation and Amortization"), along with the $13.0 million write-off of an intangible asset in the prior year. See "New Projects" under "Financial Position and Capital Resources" for additional details regarding our Detroit operation.

In Tunica County, Mississippi, income from operations at Gold Strike rose $7.6 million, or 54%, during fiscal 2004. Increased marketing efforts at this property have increased its market share and contributed to a $11.4 million, or 11%, increase in casino revenues.

The contribution to income from operations from Grand Victoria (our 50%-owned riverboat casino in Elgin, Illinois) decreased $17.9 million, or 37%, in fiscal 2004. The decrease was due primarily to the impact of gaming tax increases approved by the Illinois legislature, the first of which took effect July 1, 2002 and included a top end rate of 50% on gaming revenues exceeding $200 million, and a

second increase that took effect July 1, 2003, which raised the top-end rate to 70% on gaming revenues exceeding $250 million. By law, the latter increase is to be repealed after a tenth casino license is awarded and the new property commences operations, or July 1, 2005, whichever occurs first. The tenth casino license was recently awarded, however based upon a number of contingencies needed to finalize this tenth license, we cannot determine at this time when or whether a tenth property will commence operations.

Interest Expense

In fiscal 2004, interest expense decreased $13.9 million. While average debt outstanding was higher than in the prior year ($2.9 billion versus $2.5 billion), the impact was offset by a higher proportion of less-expensive variable-rate debt; lower interest rates on short-term borrowings; and the amortization of gains related to the termination of interest rate swap agreements. At January 31, 2003, approximately 82% of our $2.78 billion debt portfolio was comprised of fixed-rate obligations. Through a combination of financing transactions over the course of the year, this percentage was reduced to approximately 50% of our $3.02 billion debt portfolio at January 31, 2004. See also "Financing Activities Interest Rate Swaps" and "Market Risk and Derivative Financial Instruments" under "Financial Position and Capital Resources."

Capitalized interest was $7.6 million in fiscal 2004 compared to $13.2 million in the previous year. Capitalized interest in fiscal 2004 related primarily to THEhotel and Mandalay Place. For fiscal 2003, capitalized interest related primarily to the new convention center at Mandalay Bay.

Income Taxes

The effective tax rates for fiscal 2004 and fiscal 2003 were 35.5% and 40.2%, respectively. These rates reflect the corporate statutory rate of 35% plus the effect of various nondeductible expenses. The higher effective tax rate in fiscal 2003 reflects the impact of the goodwill write-offs at Edgewater and Railroad Pass, which were not deductible for tax purposes.

Recent Tax Developments

On June 20, 2003, the Governor of Illinois signed new tax legislation providing for an increase in tax rates on Illinois gaming revenues. Under the bill, the upper tax rate on casino revenues was increased from 50% on casino revenues exceeding $200 million to 70% on casino revenues exceeding $250 million. The legislation also provided for increased tax rates for the lower revenue tiers as well as increased boarding fees.

New tax legislation signed into law by the Governor of Nevada on July 22, 2003, increased the taxes applicable to our Nevada operations and those of our Nevada joint ventures. Based on our evaluation of the new Nevada tax law, we believe that its impact on our income from operations will be less than $10 million annually.

FINANCIAL POSITION AND CAPITAL RESOURCES

Operating Activities

Net cash provided by operating activities was $497.1 million in fiscal 2005 versus $418.5 million in fiscal 2004 and $364.9 million in fiscal 2003. Net cash provided by operating activities increased in fiscal 2005 due mostly to improved operating results, as net income rose $79.2 million. The tax benefit from the exercise of employee stock options decreased by $32.5 million, with 1.0 million options exercised in fiscal 2005 versus 6.1 million options in fiscal 2004. (For tax purposes, gains recognized by employees upon the exercise of stock options are considered additional compensation expense and are therefore deductible.) In addition, the minority interest in earnings (net of distributions) decreased $21.0 million

since the majority of earnings at MotorCity Casino were distributed in fiscal 2005. However, the above decreases were largely offset by changes in working capital which occurred in the normal course of business.

For fiscal 2004, net cash provided by operating activities increased due primarily to improved operating results, as net income and depreciation expense rose a combined $64.8 million. In addition, the tax benefit from the exercise of employee stock options increased by $30.0 million in fiscal 2004, when 6.1 million options were exercised compared to 2.2 million options in fiscal 2003. These increases were partially offset by changes in working capital which occurred in the normal course of business. The fiscal 2004 comparison was also affected by two significant items which occurred in the prior year when we received a $20.0 million special distribution from Silver Legacy (in conjunction with the restructuring of the joint venture's debt) and wrote off a $13.0 million intangible asset at MotorCity Casino.

Mandalay had cash and cash equivalents of $169.7 million at January 31, 2005, sufficient for normal daily operating requirements. Our cash balance has historically not been subject to significant fluctuations because we manage our cash through our revolving credit facility. To the extent excess cash is available, it is used to repay borrowings under our revolving credit facility, and to the extent additional cash is required, we borrow funds under the facility.

Investing Activities

Net cash used in investing activities was $138.3 million in fiscal 2005 versus $573.8 million in fiscal 2004 and $370.3 million in fiscal 2003. For all three fiscal years, investing activities related primarily to capital expenditures, which are discussed in more detail below. We also paid amounts required under the Revised Development Agreement in Detroit (see "New Projects Detroit" for additional details). In addition, in fiscal 2005, we received $18.1 million in insurance proceeds representing a settlement for remediation costs incurred due to the excess settling of Mandalay Bay's hotel tower during its original construction. Meanwhile, in fiscal 2003 we contributed $43.5 million to Monte Carlo that, along with a similar contribution from our partner, was used to pay off that property's revolving credit facility.

Capital expenditures for fiscal 2005, which were funded from a combination of cash flow and additional borrowings, totaled $133.1 million. Of this amount, $33.4 million related to the completion of certain elements of THEhotel (the all-suites hotel tower at Mandalay Bay which opened in December 2003), $14.4 million related to an expansion of Mandalay Place (the retail center located between Mandalay Bay and Luxor which opened in October 2003), $7.1 million related to the Luxor room remodel, $4.6 million related to the new Fleur De Lys restaurant at Mandalay Bay, $7.5 million related to a parking garage expansion at Mandalay Bay and $2.4 million related to a new spa at Excalibur.

Capital expenditures for fiscal 2004, which were funded from a combination of cash flow and additional borrowings, totaled $545.1 million. Of this amount, $225.6 million related to the construction of THEhotel, $37.3 million related to the construction of Mandalay Place, and $22.7 million related to the purchase of a new corporate aircraft (which was funded primarily through the application of a $22.5 million deposit made in fiscal 2003). Capital expenditures for fiscal 2004 also include $188.0 million related to the acquisition of equipment pursuant to purchase options we exercised under our operating lease agreements. See "Financing Activities Other Financing Transactions" and "Off Balance Sheet Arrangements Operating Leases" for additional details.

Capital expenditures for fiscal 2003 totaled $300.5 million. Of this amount, $180.4 million related to the construction of a new convention center at Mandalay Bay that opened in January 2003, $18.5 million related to the construction of THEhotel, $15.4 million related to the remodeling of the original suites at Mandalay Bay, and $8.2 million related to the construction of Mandalay Place.

We estimate that capital expenditures in fiscal 2006 will be in the range of $125-$150 million. These estimated capital expenditures include primarily maintenance capital spending, which consists of items necessary to maintain the operating condition of our properties, such as new slot machines, carpeting, computers and similar equipment. Capital expenditures for fiscal 2006 will be funded primarily from cash flow, though we also have funds available under our revolving credit facility. Actual capital expenditures for fiscal 2006 may differ significantly from the estimated range, particularly if we proceed with the development of an expanded permanent facility in Detroit. See "New Projects Detroit" for additional details.

For information concerning an agreement to sell our 53.5% interest in this property if Mandalay's proposed merger with a wholly owned subsidiary of MGM MIRAGE is consummated, see "Pending Merger Pursuant to which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in this Item 7.

Financing Activities

For fiscal 2005, financing activities used net cash of $342.5 million. The cash was used primarily to repay $351.8 million in borrowings and to fund $36.4 million in dividend payments to our shareholders. This was partially offset by the proceeds from exercises of employee stock options, which provided cash of $19.9 million. A discussion of specific financing activities in fiscal 2005 is provided below. For fiscal 2004, financing activities provided net cash of $160.4 million. Net borrowings provided cash of $242.0 million, while proceeds from exercises of employee stock options provided an additional $99.8 million. Cash was used primarily to fund the March 2003 settlement of our $100 million equity forward agreement and to fund $47.6 million in dividend payments to our shareholders. For fiscal 2003, financing activities provided net cash of $47.9 million. Net borrowings provided cash of $235.5 million, while proceeds from exercises of employee stock options provided an additional $29.3 million. The majority of this cash was used to purchase 7.5 million shares of our common stock at a cost of $220.9 million.

Credit Facility

Our $850 million revolving credit facility, which is for general corporate purposes, is unsecured and provides for the payment of interest, at our option, at either (i) a Eurodollar-based rate; or (ii) a rate equal to or an increment above the higher of (a) the Bank of America prime rate, or (b) the Federal Reserve Board federal funds rate plus 50 basis points. At January 31, 2005, the effective rate of interest on the indebtedness outstanding under our revolving credit facility was 4.3%. The revolving credit facility includes financial covenants regarding total debt and interest coverage, plus covenants that limit our ability to dispose of assets, make distributions on our capital stock, engage in a merger, incur liens and engage in transactions with our affiliates. On August 21, 2006, the entire principal amount then outstanding under our revolving credit facility becomes due and payable, unless the maturity date is extended with the consent of the lenders. The balance outstanding under our revolving credit facility at January 31, 2005 was $115 million.

In February 2003, we amended the covenants under each of our credit facilities. These amendments modified the definition of "Adjusted EBITDA" with respect to our 53.5% ownership of MotorCity Casino in Detroit, Michigan. As previously defined in our credit facilities, Adjusted EBITDA included only the cash distributions we actually received from MotorCity Casino. Under the amended definition, Adjusted EBITDA includes our 53.5% share of the Adjusted EBITDA of MotorCity Casino, whether or not distributed. These amendments also provided for a more liberal test for total debt coverage during the fiscal year ended January 31, 2004.

As of January 31, 2005, we were in compliance with all of the covenants in our revolving credit facility, including those related to total debt and interest coverage, and under the most restrictive

covenant, we had the ability to issue additional debt of approximately $532 million. Our borrowing capacity under these covenants can fluctuate substantially from quarter to quarter depending upon our operating cash flow.

As of January 31, 2005, the senior debt of Mandalay Resort Group was rated Ba2 by Moody's Investors Service ("Moody's") and BB+ by Standard & Poors Ratings Services ("S&P"). These ratings remained stable throughout fiscal 2005. To the extent that these credit ratings change, our ability to borrow, as well as the rates at which we borrow, could be affected. However, given our current financial position, as well as our historically strong and stable cash flows, we do not anticipate any significant changes in our credit ratings in the near term. In addition, we do not believe our credit ratings, or changes in those ratings, have had a significant impact on our previous financing activities, or will have a significant impact on future financing activities.

Convertible Senior Debentures

On March 21, 2003, we issued $350 million original principal amount of floating-rate convertible senior debentures due 2033 ("convertible debentures"). An additional $50 million original principal amount of the convertible debentures was issued on April 2, 2003, pursuant to an option granted to the initial purchasers. The convertible debentures bear interest at a floating rate equal to 3-month LIBOR (reset quarterly) plus 0.75%, subject to a maximum rate of 6.75%. The convertible debentures also provide for the payment of contingent interest after March 21, 2008 if the average market price of the convertible debentures reaches a certain threshold. Such contingent interest is considered an embedded derivative with a nominal value. The convertible debentures provide for an initial base conversion price of $57.30 per share, reflecting a conversion premium of 100% over Mandalay's closing stock price of $28.65 on March 17, 2003.

We may redeem all or some of the convertible debentures for cash at any time on or after March 21, 2008, at their accreted principal amount plus accrued and unpaid interest, if any, to, but not including, the redemption date. At the option of the holders, we may be required to repurchase all or some of the convertible debentures on the 5th, 10th, 15th, 20th and 25th anniversaries of their issuance, at their accreted principal amount plus accrued and unpaid interest, if any, to, but not including, the purchase date. We may choose to pay the purchase price in cash, shares of Mandalay common stock or any combination thereof.

We issued these debentures because they provide a much lower interest rate relative to other financing alternatives, which has contributed to lower interest expense, and which we expect to contribute to lower interest expense in the future. The proceeds from this issuance were used to repay borrowings under our revolving credit facility, which created additional capacity under that facility and, in turn, provided overall greater financial flexibility.

Each convertible debenture is convertible into shares of Mandalay's common stock (i) during any calendar quarter beginning after June 30, 2003, if the closing price of Mandalay's common stock is more than 120% of the base conversion price (initially 120% of $57.30, or $68.76) for at least 20 of the last 30 trading days of the preceding calendar quarter; (ii) during any period in which the credit rating assigned to the convertible debentures by S&P, or its successor, is at or below B+ or the equivalent, or if the credit rating assigned to the convertible debentures by Moody's, or its successor, is at or below B2 or the equivalent; (iii) if we take certain corporate actions, including a merger such as the one contemplated by our definitive merger agreement with MGM MIRAGE; or (iv) if we call the convertible debentures for redemption.

On January 3, 2005, Mandalay issued a press release announcing that the closing price of Mandalay's common stock had exceeded $68.76 per share for at least 20 trading days of the 30 consecutive trading day period ended December 31, 2004, and as a result, the debentures were convertible during the calendar quarter ended March 31, 2005. On April 4, 2005, Mandalay issued a

press release announcing that the closing price of Mandalay's common stock had exceeded $68.76 per share for at least 20 trading days of the 30 consecutive trading day period ended March 31, 2005, and as a result, the debentures are convertible during the calendar quarter ending June 30, 2005. In addition, upon determination of the closing date of the proposed merger of a wholly owned subsidiary of MGM MIRAGE with and into Mandalay, holders of the debentures will be able to surrender their debentures for conversion until 15 days after the effective date of the merger.

If the convertible debentures are converted, holders will be entitled to receive 17.452 shares per convertible debenture, or an aggregate of 7.0 million shares of Mandalay common stock, subject to our right to deliver cash in lieu of all or a portion of the shares, and subject to adjustment of the conversion rate for any stock dividend; any subdivision or combination, or certain reclassifications, of the shares of our common stock; any distribution to all holders of shares of our common stock of certain rights to purchase shares of our common stock for a period expiring within 60 days at less than the sale price per share of our common stock at the time; any distribution to all holders of shares of our common stock of our assets (including shares of capital stock of a subsidiary), debt securities or certain rights to purchase our securities; or any "extraordinary cash dividend." For this purpose, an extraordinary cash dividend is one the amount of which, together with all other cash dividends paid during the preceding 12-month period, is on a per share basis in excess of the sum of (i) 5% of the sale price of the shares of our common stock on the day preceding the date of declaration of such dividend and (ii) the quotient of the amount of any contingent cash interest paid on a convertible debenture during such 12-month period divided by the number of shares of common stock issuable upon conversion of a convertible debenture at the conversion rate in effect on the payment date of such contingent cash interest. In addition, if at the time of conversion the market price of Mandalay's common stock exceeds the then-applicable base conversion price, holders will be entitled to receive up to an additional 14.2789 shares of Mandalay's common stock for each $1,000 original principal amount of convertible debentures, as determined pursuant to a specified formula, or up to an additional 5.7 million shares in the aggregate, subject to our right to deliver cash in lieu of all or a portion of the shares.

Mandalay and The Bank of New York, as trustee, executed a supplemental indenture dated as of July 26, 2004. The supplemental indenture amended the notice provisions of the indenture to permit Mandalay, at any time prior to a conversion date, to elect to exercise its right to deliver cash in lieu of shares of Mandalay common stock for all or any portion of the shares due to holders of the debentures upon conversion of the debentures. On January 3, 2005, Mandalay delivered an irrevocable cash settlement notice to The Bank of New York, the conversion agent for the debentures, which irrevocably obligates Mandalay to cash settle a number of shares of common stock equal to the base conversion rate in effect on the conversion date if the debentures are ultimately converted, provided however, that the amount of cash that we could be required to pay to cash settle the shares is limited to $1,000 for each $1,000 original principal amount of debentures, or a total of $400 million. We also retain the option of delivering cash in lieu of any additional shares due upon conversion of the debentures.

Upon conversion, payment is due to a holder no later than the tenth business day following the applicable conversion date. In the event that the payment date falls after the consummation of the proposed merger, holders who convert their debentures will receive a cash settlement based on the $71.00 per share consideration payable in the merger. The delivery to the holder of the cash due upon conversion of a debenture is deemed to satisfy Mandalay's obligation to pay the accreted principal amount of the debenture and to satisfy the obligation to pay accrued but unpaid interest, including contingent interest, if any, attributable to the period from the most recent interest payment date through the applicable conversion date. Because of this deemed satisfaction, the holder of any debenture converted after the record date for the next interest payment, but before the corresponding interest payment date, is required to pay to Mandalay an amount equal to the interest payment to be received by the holder with respect to such debenture.

Interest Rate Swaps

In February 2003, we entered into two "reverse" interest rate swap agreements ("fair value hedges") with members of our bank group. Under one agreement, we received a fixed interest rate of 9.25% and paid a variable interest rate (based on LIBOR plus 6.35%) on $275 million notional amount. Under the other, we received a fixed rate of 6.45% and paid a variable interest rate (based on LIBOR plus 3.57%) on $200 million notional amount. In May 2003, we elected to terminate the $275 million swap and received $2.7 million in cash, representing the fair market value of the swap. Accounting rules require such gains to be treated as debt premium and amortized over the remaining life of the related debt instrument using an effective interest method. However, since the underlying $275 million Senior Subordinated Notes were called on July 15, 2003, the unamortized portion of this gain (along with the unamortized portion of the gain related to a similar interest rate swap that was terminated in October 2002) was offset against the related loss on early retirement of debt. The total gain thus offset was $9.0 million. Meanwhile, in June 2003, we elected to terminate the $200 million swap. We received $4.1 million in cash, representing the fair market value of this swap, and recorded a corresponding debt premium which will be amortized to interest expense over the then remaining life of the related debt instrument, which was approximately 2 1/2 years.

In July 2003, we entered into two "reverse" interest rate swap agreements ("fair value hedges") with members of our bank group. Under one agreement, we received a fixed interest rate of 6.5% and paid a variable interest rate (based on LIBOR plus 2.39%) on $200 million notional amount. Under the other agreement, we received a fixed rate of 6.5% and paid a variable interest rate (based on LIBOR plus 2.42%) on $50 million notional amount. These swaps were being used to hedge our $250 million 6 1/2% Senior Notes due 2009. In March 2004, we elected to terminate both of the above swaps, pursuant to which we received $5.4 million in cash representing the fair market value of these swaps, and recorded a corresponding debt premium which will be amortized to interest expense over the remaining life of the related debt instrument, which was approximately 5 1/2 years.

Mandalay had an interest rate swap agreement ("cash flow hedge") of $200 million notional amount which terminated on September 24, 2003.

In December 2003, we entered into two "reverse" interest rate swap agreements ("fair value hedges") with members of our bank group. Under one agreement, we receive a fixed interest rate of 6.375% and pay a variable interest rate (based on LIBOR plus 1.74%) on $125 million notional amount. Under the other, we receive a fixed rate of 6.375% and pay a variable interest rate (based on LIBOR plus 1.72%) on $125 million notional amount. These swaps are being used to hedge our $250 million 6 3/8% Senior Notes due 2011.

In April 2004, we entered into a "reverse" interest rate swap agreement ("fair value hedge") with a member of our bank group. Under this agreement, we receive a fixed interest rate of 6.5% and pay a variable interest rate (based on LIBOR plus 2.58%) on $250 million notional amount. This swap is being used to hedge our $250 million 6 1/2% Senior Notes due 2009.

We entered into the above swap agreements, which met the criteria established by the Financial Accounting Standards Board for hedge accounting, in order to further manage our interest expense and achieve a better balance of variable to fixed rate debt in our debt portfolio. Including the effect of interest rate swaps, approximately 44% of our debt outstanding at January 31, 2005 was variable rate. This compares to approximately 50% at January 31, 2004. While we believe the company is currently better served by maintaining a higher proportion of less expensive variable rate debt, we continue to monitor and evaluate current economic conditions, along with the company's financial condition, and may adjust the percentage of variable rate debt in the future, as we consider appropriate.

Other Financing Transaction

On June 30, 2003, we exercised our options under two operating lease agreements relating to equipment located at several of our Nevada properties, and purchased the equipment for a total purchase price of $198.3 million, representing the equipment's estimated fair market value based on independent appraisals. Simultaneously, we entered into a new lease agreement pursuant to which we assigned a portion of the equipment acquired above to the new lessors and borrowed $145 million. These proceeds, along with borrowings under our revolving credit facility, were used to fund the purchase of the equipment under the previous operating leases.

The new lease agreement was considered a capital lease for financial reporting purposes, and we recorded an asset and a corresponding liability equal to the fair market value of the assets at inception of the lease. An option to borrow up to an additional $105 million under the new lease agreement expired December 31, 2003. The new lease agreement contained financial covenants regarding total debt and interest coverage that were similar to those under our revolving credit facility. The agreement also contained covenants regarding equipment maintenance, insurance requirements and prohibitions on liens. As of January 31, 2005, we were in compliance with all of the covenants in this lease agreement. On March 4, 2005, we terminated this capital lease facility and paid off the balance of $128.6 million utilizing borrowings under our revolving credit facility.

NOTE: The discussion under "Investing Activities" above indicated that we had incurred capital expenditures of $188.0 million related to the purchase of the equipment under our operating lease agreements. This amount differs from the $198.3 million reported above due to $10.3 million of unamortized deferred gain related to the December 2001 operating lease transaction. This deferred gain was reversed when the purchase option was exercised.

On July 15, 2003, we repaid our $150 million 6 3/4% Senior Subordinated Notes due July 15, 2003, using borrowings under our revolving credit facility.

On July 15, 2003, we called our $275 million 9 1/4% Senior Subordinated Notes due 2005 at a call price of 104.625% using borrowings under our revolving credit facility.

On July 31, 2003, we issued $250 million 6 1/2% Senior Notes due 2009. The net proceeds were used to repay borrowings under our revolving credit facility. We issued these notes in order to take advantage of low interest rates in the bond market and to replenish capacity under our revolving credit facility.

On November 17, 2003, we redeemed $145.6 million of our $150 million aggregate principal amount of 6.70% Debentures due 2096 pursuant to the holders' one-time option, which was funded utilizing borrowings under our revolving credit facility.

On November 25, 2003, we issued $250 million 6 3/8% Senior Notes due 2011. The net proceeds, together with borrowings under our revolving credit facility, were used to permanently repay in full our then existing $250 million term loan facility. As previously discussed, we hedged these notes by entering into swap agreements pursuant to which we pay a composite floating rate of LIBOR plus 1.73%, slightly below the LIBOR plus 1.75% rate we were paying on the term loan facility. Thus, by issuing these notes and entering into these swap agreements, we effectively extended the original July 2006 maturity date for this indebtedness to November 2011 at approximately the same interest rate.

Dividends

On June 12, 2003, Mandalay's board of directors' instituted a policy of quarterly cash dividends. The following table sets forth the cash dividends declared:

Record Date	Payment Date	Dividend per share
June 26, 2003	August 1, 2003	$ .23
October 15, 2003	November 1, 2003	$ .25
January 15, 2004	February 2, 2004	$ .27
April 16, 2004	May 3, 2004	$ .27
July 15, 2004	August 2, 2004	$ .27

Pursuant to the terms of the definitive merger agreement with MGM MIRAGE, additional dividends may not be declared or paid pending the consummation of the merger or the termination of the definitive merger agreement if the merger is not consummated.

New Projects

THEhotel

THEhotel, a 1,117-all-suites tower at Mandalay Bay, opened in December 2003. The suites average 750 square feet, among the largest room product in the Las Vegas market. The 43-story tower also includes meeting suites, a spa and fitness center, a lounge and two restaurants, including a rooftop venue "Mix-Las Vegas" created by famed chef Alain Ducasse that opened in December 2004. The total cost of the new tower was approximately $280 million, excluding land, capitalized interest and preopening expenses.

Mandalay Place

In October 2003, we opened Mandalay Place, a retail center located between Mandalay Bay and Luxor. The center includes approximately 90,000 square feet of retail space and approximately 40 stores and restaurants, including internationally branded retailers like Oilily, GF Ferre, Nike Golf and Urban Outfitters, along with restaurants by celebrity chefs Pierro Selvaggio, Hubert Keller and Rick Moonen. The total cost was approximately $65 million, excluding land, capitalized interest and preopening expenses.

Detroit

We participate with the Detroit-based Atwater Casino Group in a joint venture that owns and operates a casino in Detroit, Michigan. This joint venture is one of three groups which negotiated casino development agreements with the City of Detroit. We have a 53.5% ownership interest in the joint venture.

On August 2, 2002, the Detroit City Council approved a revised development agreement between the joint venture and the City of Detroit (the "Revised Development Agreement"). Under the Revised Development Agreement, MotorCity Casino is to be expanded into a permanent facility at its current location. The permanent facility is currently expected to include 100,000 square feet of casino space, a 400-room hotel, a 1,200-seat theater, convention space, and additional restaurants, retail space and parking. Depending upon market conditions, the availability of additional land and the joint venture's ability to obtain reasonable financing, the joint venture could be required to construct an additional 400 rooms. Under the terms of this agreement, the joint venture has paid the City a total of $44.0 million. Also, beginning January 1, 2006, the joint venture is to pay the City 1% of its adjusted casino revenues. If its casino revenues top $400 million in any given calendar year, the payment will be increased to 2% for that calendar year.

Originally, the joint venture's permanent facility was to have been located on land along the Detroit River. The City's Economic Development Corporation issued bonds to finance the City's acquisition of that land, and Bank of America issued letters of credit totaling $49.4 million to secure (and ultimately make) the payments of principal and interest on those bonds. We then issued letters of credit totaling $49.4 million to back Bank of America's letters of credit. We will continue to provide such letters of credit. As part of the Revised Development Agreement, the joint venture has relinquished the right to receive any of the riverfront land acquired by the City, and has transferred to the City its interest in certain real property previously purchased by the joint venture and the other casino developers. Both the joint venture and Mandalay are subject to a radius restriction prohibiting them from operating additional casinos within approximately 150 miles of Detroit, so long as the laws of the state are not amended to permit more than three casinos within the radius. Additionally, the joint venture is required to indemnify the City for up to $20 million in claims against the City in connection with the acquisition of the riverfront land and in connection with the *Lac Vieux* litigation described below.

We have committed to contribute 20% of the costs of the permanent facility in the form of an investment in the joint venture. The joint venture will seek to borrow any additional funds (in excess of Mandalay's equity contribution) which may be necessary to complete the expanded permanent facility. Under our operating agreement, the project costs are to be reviewed every six months. As of January 31, 2005, we had contributed 20% of the project costs as most recently determined. The cost of the additional facilities (excluding land, capitalized interest and preopening expenses) is currently estimated to be $275 million. Under the Revised Development Agreement, we have guaranteed completion of the facility and have entered into a keep-well agreement with the City that could require us to contribute additional funds to continue operation of the expanded facility until two years following the execution of the completion guarantee and keep-well agreement. There is no contractual limitation on the amount that we may be required to contribute under our completion guarantee or the keep-well agreement. However, based on the performance of the casino to date, we do not expect that our completion guarantee or keep-well agreement with the City will require the outlay of additional capital.

The joint venture's $150 million credit facility matured June 30, 2003. We had guaranteed this credit facility.

Under the terms of the joint venture's operating agreement, Mandalay is to receive a management fee for a period of ten years equal to 1.5% of the cost of the permanent casino facility. The management committee of the joint venture initially determined that Mandalay was entitled to the management fee commencing on the date the Revised Development Agreement was signed, since that agreement provided for the existing facility to become the permanent facility. The management committee ultimately determined that the management fee should not be paid until the permanent casino expansion is completed. As a result, we reversed previously accrued management fee income of $1.8 million in the second quarter ended July 31, 2003.

Various lawsuits have been filed in the state and federal courts challenging the constitutionality of the Casino Development Competitive Selection Process Ordinance and the Michigan Gaming Control and Revenue Act, and seeking to appeal the issuance of a certificate of suitability and casino license to MotorCity Casino. A decision by the Sixth Circuit Court of Appeals in *Lac Vieux Desert Band of Lake Superior Chippewa Indians v. The Michigan Gaming Control Board et al*. held that the ordinance in its current form was unconstitutional and remanded the case to the District Court. The Michigan Gaming Control Board ("MGCB") took the ruling of the Sixth Circuit Court of Appeals under advisement without comment. The District Court declared that the ordinance in its current form is unconstitutional and awarded the Lac Vieux Band attorneys' fees and costs totaling $545,094, but rejected the Lac Vieux Band's request to require a rebidding of the three casino licenses, and in addition, rejected the Lac Vieux Band's request to enjoin the City of Detroit from entering into revised development

agreements with the three casino developers, including MotorCity Casino. The Lac Vieux Band has appealed the District Court's decision to the Sixth Circuit Court of Appeals. The Sixth Circuit Court of Appeals issued an opinion granting the Lac Vieux Band's motion for an injunction pending appeal that temporarily enjoins the City of Detroit from issuing building permits for the permanent casino facilities and temporarily enjoins the casino developers from commencing construction of the permanent casino facilities.

The Lac Vieux Band filed a separate action in the Gogebic County, Michigan, Circuit Court entitled *Lac Vieux Desert Band of Lake Superior Chippewa Indians v. Michigan Gaming Control Board,* in which the Lac Vieux Band requested the Circuit Court to enter an order requiring the MGCB to revoke the casino licenses issued to the three Detroit casinos, including MotorCity Casino. As a result of the settlement agreement discussed below, this action has been dismissed.

On November 26, 2003, we announced that MotorCity Casino had signed a settlement agreement with the Lac Vieux Desert Band of Lake Superior Chippewa Indians. On April 9, 2004, the District Court approved the settlement. On April 23, 2004, MotorCity paid to the Lac Vieux Tribe $1.5 million plus $500,000 in attorney's fees. MGM MIRAGE has appealed the approval of the settlement and the injunction remains in place. Because approval of the settlement agreement was subsequently appealed, all further settlement payments were suspended pending resolution of the appeal. These payments include $1.5 million due 30 days after the first payment, $5.75 million due on the first and second anniversaries of the first payment and $1 million due annually for 25 years, beginning on the third anniversary of the first payment. If the Sixth Circuit Court of Appeals ultimately affirms the approval of the settlement agreement, then, absent filing of another adverse claim, the payment schedule will be reinstated and MotorCity Casino will have to immediately pay all amounts that otherwise would have been due during the period of suspension (plus interest). The occurrence of certain events would suspend, lower and/or terminate the payments. There can be no assurance as to when final resolution will occur with respect to this matter, or what action the courts might take. These payments would satisfy the joint venture's obligations under an indemnity agreement with respect to the Lac Vieux litigation claims. However, the joint venture would still be liable under the indemnity agreement for claims related to the acquisition of the riverfront land, which potentially are capped at $4 million.

Any future adverse ruling by the courts in the above lawsuits or in other lawsuits, or any adverse ruling by the MGCB, could affect the joint venture's operation of its current facility, as well as its ability to retain its certificate of suitability and casino license for its expanded permanent facility. No assurance can be given regarding the timing or outcome of any of these proceedings.

The joint venture's operation of MotorCity Casino is subject to ongoing regulatory oversight, and its ability to proceed with an expanded hotel/casino project is contingent upon the receipt of all necessary governmental approvals, successful resolution of pending litigation and satisfaction of other conditions.

For information concerning an agreement to sell our 53.5% interest in this property if Mandalay's proposed merger with a wholly owned subsidiary of MGM MIRAGE is consummated, see "Pending Merger Pursuant to which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in this Item 7.

Share Purchases

Since March 31, 2003, when we purchased 3.3 million shares under our equity forward agreements for $100 million (discussed more fully under "Off Balance Sheet Arrangements"), we have made no additional share purchases, and, as of January 31, 2005, the number of shares we were authorized to purchase under authorizations of our Board of Directors was approximately 10.3 million. Any share purchases we may make in the future will be dependent upon cash flow, borrowing capacity and market

conditions, and are expected to be made in accordance with the volume and other limitations of Rule 10b-18 under the Securities Exchanges Act of 1934.

Pursuant to the terms of the definitive merger agreement with MGM MIRAGE, we may not purchase additional shares of our common stock pending the consummation of the merger or the termination of the definitive merger agreement if the merger is not consummated.

Liquidity

We have various obligations including the following: (i) existing cash obligations; (ii) capital commitments on projects under way as well as capital commitments and other obligations relating to the proposed expansion of our Detroit joint venture property (see "New Projects Detroit"); and (iii) the potential cash settlement of our convertible debentures. We believe we have sufficient capital resources to meet all of the above obligations. Furthermore, if the merger contemplated by our definitive merger agreement with MGM MIRAGE is not consummated, we believe we have sufficient capital resources to pay dividends to holders of our common stock, strategically purchase shares of our common stock or invest in new projects. These beliefs are based upon (i) our historically strong and dependable operating cash flows; (ii) the availability of borrowing capacity under our revolving credit facility; and (iii) the ability to raise funds in the debt and equity markets. Under our revolving bank facility, which expires August 2006, we had $735 million of borrowing capacity available as of January 31, 2005, and under the most restrictive of our loan covenants, we had the ability to incur additional debt of approximately $532 million. Our borrowing capacity under these covenants can fluctuate substantially from quarter to quarter, depending upon our operating cash flow.

Off Balance Sheet Arrangements

Commitments Related to Our Detroit Joint Venture

We are committed to contribute 20% of the cost of our Detroit joint venture's permanent facility in the form of an investment in the Detroit joint venture. The cost of the permanent facility is to be evaluated each January 31 and July 31. While we currently anticipate that the cost of the additional facilities (excluding land, capitalized interest, and preopening expenses) will be approximately $275 million, the timing and the ultimate amount of the required equity contribution cannot be determined at this time.

We have guaranteed completion of our Detroit joint venture's expanded permanent facility. If we contribute additional amounts pursuant to this guarantee, there will be no proportionate increase in our ownership of the Detroit joint venture. The amount we may be required to contribute under this guarantee has no contractual limit and cannot be determined at this time.

We have entered into a keep-well agreement with the City of Detroit that could require us to contribute additional funds, to the extent needed, to continue operation of the permanent facility through two years following the execution of the keep-well agreement. If we contribute additional amounts pursuant to this guarantee, there will be no proportionate increase in our ownership of the Detroit joint venture. The amount we may be required to contribute under this agreement has no contractual limit and cannot be determined at this time.

Under the Revised Development Agreement dated August 2, 2002, the Detroit joint venture is required to indemnify the City of Detroit for up to $20 million in claims against the City in connection with the acquisition of riverfront land and in connection with the Lac Vieux litigation. See the preceding discussion under "New Projects Detroit" for additional details.

We entered into the above arrangements as part of our negotiations with the City of Detroit related to the operation of our Detroit joint venture.

For information concerning an agreement to sell our 53.5% interest in the Detroit joint venture if Mandalay's proposed merger with a wholly owned subsidiary of MGM MIRAGE is consummated, see "Pending Merger Pursuant to which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in this Item 7.

Operating Leases

In October 1998, we entered into a $200 million operating lease agreement with a group of financial institutions to lease equipment at Mandalay Bay. In December 2001, we entered into a series of sale and leaseback agreements covering equipment located at several Nevada properties. These agreements, also made with a group of financial institutions, totaled $130.5 million.

We entered into the above operating leases solely to provide greater financial flexibility under the covenants in our bank credit facilities. The rent expense related to these operating leases was reported separately in the consolidated statements of income as operating lease rent. The operating lease agreements contained financial covenants regarding total debt and interest coverage that were similar to those under our credit facilities. The agreements also contained covenants regarding maintenance of the equipment, insurance requirements and prohibitions on liens.

On June 30, 2003, we exercised our purchase options under these operating leases and purchased the equipment for a total purchase price of $198.3 million, representing the equipment's fair market value based upon independent appraisals. The purchase was financed through a combination of borrowings under our new lease agreement and borrowings under our revolving credit facility.

Equity Forward Agreements

To facilitate our purchase of shares, we entered into equity forward agreements with Bank of America ("B of A" or "the Bank") providing for the Bank's purchase of up to an agreed amount of our outstanding common stock. Bank of America acquired a total of 6.9 million shares at a total cost (notional amount) of $138.7 million under these agreements. Pursuant to the interim settlement provisions and an amendment to the agreements, we had received a net of 3.6 million shares and reduced the notional amount of the agreements by $38.7 million as of January 31, 2003. On March 31, 2003, we purchased the remaining 3.3 million shares from B of A for the notional amount of $100 million. The settlement of the contract was funded under our revolving credit facility.

We incurred quarterly interest charges on the notional amount at a rate equal to LIBOR plus 1.95%. Total interest charges incurred from inception through March 31, 2003, amounted to $12.3 million. We also incurred structuring fees and commission charges totaling $3.7 million. These interest charges and other fees are included in the cost of treasury stock, net of the related tax benefit.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of January 31, 2005:

	Year Ending January 31,						
Description	**2006**	**2007**	**2008**	**2009**	**2010**	**Thereafter**	**Total**
				(in thousands)			
Long-term debt (1)	$ 300	$ 315,255	$ 500,299	$ 200,299	$ 250,299	$ 1,253,324	$ 2,519,776
Capital leases (1)	128,614						128,614
Estimated interest payments on long-term debt (2)	175	169	147	96	65	95	747
Operating leases	1,103	1,021	689	342	291	5,163	8,609
Purchase obligations	12,594						12,594
Detroit revised development agreement payments							
Letters of credit supporting Detroit revenue bonds (3)					49,360		49,360
Total	**$ 142,786**	**$ 316,445**	**$ 501,135**	**$ 200,737**	**$ 300,015**	**$ 1,258,582**	**$ 2,719,700**

(1) On March 4, 2005, we terminated our capital lease facility and paid off the balance of $128.6 million utilizing borrowings under our revolving credit facility.

(2) Estimated interest payments on long-term debt are based on principal amounts outstanding at January 31, 2005 taking into account stated interest rates and forecasted LIBOR rates for our revolving credit facility.

(3) We have issued letters of credit totaling $49.4 million to secure payments of principal and interest on bonds issued by the Economic Development Corporation of the City of Detroit. The proceeds of the bonds were to be used to finance costs associated with acquiring land for the joint venture's permanent facility. However, under the Revised Development Agreement with the City of Detroit dated August 2, 2002, we are obligated to repay these bonds even though the joint venture's permanent casino is not being relocated.

Market Risk and Derivative Financial Instruments

Mandalay is exposed to market risk in the form of fluctuations in interest rates and their potential impact upon our variable-rate debt. We evaluate our exposure to market risk by monitoring interest rates in the marketplace. We manage this market risk by utilizing derivative financial instruments in accordance with established policies and procedures. We do not utilize derivative financial instruments for trading purposes.

Our derivative financial instruments consist exclusively of interest rate swap agreements. Interest differentials resulting from these agreements are recorded on an accrual basis as an adjustment to interest expense. Interest rate swaps related to debt are initially matched either with specific fixed-rate debt obligations or with levels of variable-rate borrowings.

To manage our exposure to counterparty credit risk in interest rate swaps, we enter into agreements with highly rated institutions that can be expected to fully perform under the terms of such agreements. Frequently, these institutions are also members of the bank group providing our credit facilities, which management believes further minimizes the risk of nonperformance.

Reference is made to the discussion of the swap agreements we entered into during fiscal 2004 and fiscal 2005 under "Financing Activities Interest Rate Swaps" above, which is incorporated herein by this reference.

The following table provides information as of January 31, 2005 about our financial instruments (debt obligations and interest rate swaps) that are sensitive to changes in interest rates. For debt obligations, the table presents principal payments and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and weighted-average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual cash flows to be exchanged under the contract. Weighted-average variable rates are based on implied forward rates in the yield curve. Implied forward rates should not be considered a predictor of actual future interest rates.

	Year Ending January 31,						
	2006	2007	2008	2009	2010	Thereafter	Total
	(in millions)						
Long-term debt (including current portion)							
Fixed-rate	$ .3	$ 200.3	$ 500.3	$ 200.3	$ 250.3	$ 853.3	$ 2,004.8
Average interest rate	6.7%	6.5%	10.2%	9.5%	6.5%	7.8%	8.3%
Variable-rate	$ 128.6	$ 115.0				$ 400.0	$ 643.6
Average interest rate	6.0%	5.8%				6.0%	6.0%
Interest rate swaps							
Pay floating					$ 250.0	$ 250.0	$ 500.0
Average payable rate					7.3%	7.0%	7.1%
Average receivable rate					6.5%	6.4%	6.4%

Forward-Looking Statements

Reference is made to the information appearing under "Factors that May Affect Our Future Results" in Item 1 of this report, which is incorporated herein by this reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Reference is made to the information in Item 7 of this report under "Financial Position and Capital Resources" appearing under the captions "Market Risk and Derivative Financial Instruments" and "Financing Activities Interest Rate Swaps", which is incorporated herein by this reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MANDALAY RESORT GROUP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 31, 2005	January 31, 2004
	(in thousands, except per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 169,738	$ 153,490
Accounts receivables, net of allowance	67,020	72,590
Income tax receivable	9,931	14,522
Inventories	40,201	35,166
Prepaid expenses	56,407	57,337
Deferred income tax	10,006	16,762
Total current assets	353,303	349,867
Property, equipment and leasehold interests, at cost, net	3,510,103	3,590,699
Other assets		
Excess of purchase price over fair value of net assets acquired	37,965	37,965
Investments in unconsolidated affiliates	573,657	573,306
Other investments	76,700	60,886
Intangible development costs	102,506	95,610
Deferred charges and other assets	67,881	74,163
Total other assets	858,709	841,930
Total assets	$ 4,722,115	$ 4,782,496
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	$ 16,688	$ 16,681
Accounts and contracts payable		
Trade	52,928	39,016
Construction	4,573	10,122
Accrued liabilities		
Salaries, wages, vacations and bonuses	62,391	65,357
Progressive jackpots	10,089	12,977
Advance room deposits	24,829	21,674
Interest	62,223	62,556
Other	114,884	102,568
Total current liabilities	348,605	330,951
Long-term debt, net of current portion	2,646,986	3,001,975
Deferred income tax	210,852	230,324
Accrued intangible development costs	49,360	49,360
Other long-term liabilities	180,271	96,393
Total other liabilities	440,483	376,077
Total liabilities	3,436,074	3,709,003
Minority interest	46,811	43,223

	January 31, 2005	January 31, 2004
Stockholders' equity		
Common stock $.01-2/3 par value		
Authorized 450,000,000 shares		
Issued 114,798,988 and 113,654,263 shares	1,913	1,894
Preferred stock $.01 par value		
Authorized 75,000,000 shares		
Additional paid-in capital	631,046	556,087
Retained earnings	1,784,819	1,592,199
Deferred compensation	(52,382)	(540)
Accumulated other comprehensive loss	(64,378)	(23,293)
Treasury stock (47,252,618 and 48,242,286 shares), at cost	(1,061,788)	(1,096,077)
Total stockholders' equity	1,239,230	1,030,270
Total liabilities and stockholders' equity	$ 4,722,115	$ 4,782,496

The accompanying notes are an integral part of these consolidated financial statements.

MANDALAY RESORT GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year ended January 31,		
	2005	**2004**	**2003**
REVENUES:			
Casino	$ 1,331,009	$ 1,225,249	$ 1,205,163
Hotel	792,524	652,287	570,236
Food and beverage	502,975	454,602	414,051
Other	372,708	334,645	333,979
	2,999,216	2,666,783	2,523,429
Less complimentary allowances	(190,073)	(175,684)	(169,311)
	2,809,143	2,491,099	2,354,118
COSTS AND EXPENSES:			
Casino	697,231	652,870	647,195
Hotel	272,757	231,093	201,630
Food and beverage	354,654	317,406	285,153
Other operating expenses	224,743	204,765	212,075
General and administrative	475,437	438,918	409,166
Corporate general and administrative	64,372	32,856	27,439
Depreciation and amortization	189,786	175,531	144,995
Operating lease rent		20,172	49,073
Preopening expenses		8,230	4,614
Impairment loss			5,422
Write-off of intangible asset			13,000
	2,278,980	2,081,841	1,999,762
EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES	83,269	81,183	97,950
INCOME FROM OPERATIONS	613,432	490,441	452,306
OTHER INCOME (EXPENSE):			
Interest, dividend and other income	3,991	6,882	(2,229)
Guarantee fees from unconsolidated affiliate			193
Interest expense	(188,442)	(193,236)	(207,114)
Loss on early extinguishment of debt, net of related gain on swap terminations		(6,327)	
Net interest expense from unconsolidated affiliates	(8,245)	(8,089)	(7,172)
	(192,696)	(200,770)	(216,322)
MINORITY INTEREST	(61,220)	(57,353)	(40,650)
INCOME BEFORE PROVISION FOR INCOME TAX	359,516	232,318	195,334
Provision for income tax	(130,454)	(82,471)	(77,869)
Income before cumulative effect of a change in accounting principle	229,062	149,847	117,465
Cumulative effect of a change in accounting for goodwill			(1,862)
Net income	$ 229,062	$ 149,847	$ 115,603
Basic earnings per share:			
Income before cumulative effect of a change in accounting principle	$ 3.41	$ 2.40	$ 1.74

	Year ended January 31,		
Cumulative effect of a change in accounting principle			(.03)
Net income	$ 3.41	$ 2.40	$ 1.71
Diluted earnings per share:			
Income before cumulative effect of a change in accounting principle	$ 3.31	$ 2.31	$ 1.68
Cumulative effect of a change in accounting principle			(.03)
Net income	$ 3.31	$ 2.31	$ 1.65
Average shares outstanding (basic)	67,197,027	62,316,945	67,555,934
Average shares outstanding (diluted)	69,157,904	64,881,844	70,158,204

The accompanying notes are an integral part of these consolidated financial statements.

MANDALAY RESORT GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended January 31,		
	2005	**2004**	**2003**
		(in thousands)	
Cash flows from operating activities			
Net income	$ 229,062	$ 149,847	$ 115,603
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	189,786	175,531	144,995
Provision for bad debts	879	2,105	7,165
Increase in deferred income tax	9,406	6,185	26,744
Tax benefit from stock option exercises	12,458	44,937	14,983
(Decrease) increase in interest payable	(333)	(5,175)	9,139
Increase in accrued pension cost	15,511	11,088	8,420
Loss on disposition of fixed assets	4,507	1,621	1,747
Impairment loss			5,422
Write-off of intangible asset			13,000
Cumulative effect of accounting change			1,862
Unconsolidated affiliates' (earnings in excess of distributions) distributions in excess of earnings	(744)	(376)	23,827
Minority interest in earnings, net of distributions	3,588	24,636	22,226
Changes in assets and liabilities:			
Other current assets	5,177	(35,281)	(10,298)
Other current liabilities	27,780	36,845	(2,616)
Other noncurrent assets	5,990	14,201	(20,294)
Other	(6,014)	(7,664)	2,981
Total adjustments	267,991	268,653	249,303
Net cash provided by operating activities	497,053	418,500	364,906
Cash flows from investing activities			
Capital expenditures	(133,071)	(545,130)	(300,532)
(Decrease) increase in construction payable	(5,549)	91	1,747
Increase in other investments	(9,799)	(9,597)	(10,793)
Increase in investments in unconsolidated affiliates			(43,500)
Development agreement costs	(11,146)	(20,250)	(19,500)
Insurance proceeds related to fixed asset remediation	18,147		
Other	3,073	1,038	2,295
Net cash used in investing activities	(138,345)	(573,848)	(370,283)
Cash flows from financing activities			
Proceeds from issuance of senior notes and convertible senior debentures		898,053	
Proceeds from equipment leasing		145,000	
Net effect on cash issuances and payments of debt with initial maturities of three months or less	(335,000)	(210,000)	280,000
Principal payments of debt with initial maturities in excess of three months	(16,806)	(591,077)	(44,478)
Debt premium on reverse interest swap termination	5,424		28,892
Debt issuance costs	(214)	(20,000)	(1,574)
Exercise of stock options	19,946	99,755	29,303
Purchases of treasury stock			(220,866)
Settlements and interest under equity forward agreements, net of tax benefit		(100,419)	(1,656)
Reversal of deferred gain		(10,339)	(16,414)
Payment of cash dividend	(36,442)	(47,627)	
Other	20,632	(2,950)	(5,293)
Net cash (used in) provided by financing activities	(342,460)	160,396	47,914

	Year ended January 31,		
Net increase in cash and cash equivalents	16,248	5,048	42,537
Cash and cash equivalents at beginning of year	153,490	148,442	105,905
Cash and cash equivalents at end of year	$ 169,738	$ 153,490	$ 148,442
Supplemental cash flow disclosures			
Cash paid for interest (net of amounts capitalized of $1,031, $7,624 and $13,203)	$ 178,561	$ 192,494	$ 190,395
Cash paid for income taxes	$ 96,705	$ 22,461	$ 33,265
Noncash items			
(Increase) decrease in market value of investment in insurance contracts	$ (6,014)	$ (7,664)	$ 2,919
Increase in market value of interest rate swaps	$	$ (8,939)	$ (16,494)
Minimum pension liability adjustment	$ 63,592	$ 16,927	$ 7,412
Accrual of development agreement costs	$	$	$ 73,860
Application of deposit for purchase of equipment	$	$ 22,500	$

MANDALAY RESORT GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Issued		Additional Paid-in Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
	Shares	Amount						
				(in thousands)				
Balance, January 31, 2002	113,634	$ 1,894	$ 572,992	$ 1,374,376	$	$ (21,902)	$ (986,751)	$ 940,609
Net income				115,603				115,603
Minimum pension liability adjustment, net of tax						(5,571)		(5,571)
Interest rate swap market adjustment						10,553		10,553
Total comprehensive income								120,585
Exercise of stock options, including tax benefit			8,203				36,083	44,286
Treasury stock acquired (7,470 shares), at cost							(220,866)	(220,866)
Interim settlements and interest under equity forward agreements, net of tax benefit							(1,656)	(1,656)
Other			(29)					(29)
Balance, January 31, 2003	113,634	1,894	581,166	1,489,979		(16,920)	(1,173,190)	882,929
Net income				149,847				149,847
Minimum pension liability adjustment, net of tax						(11,923)		(11,923)
Interest rate swap market adjustment						5,550		5,550
Total comprehensive income								143,474
Exercise of stock options, including tax benefit			(32,840)				177,532	144,692
Final settlement and interest under equity forward agreements, net of tax benefit							(100,419)	(100,419)
Tax benefit from convertible interest			7,065					7,065
Restricted stock grants, net of cancellations	20		696		(696)			
Restricted stock amortization					156			156
Dividend				(47,627)				(47,627)
Balance, January 31, 2004	113,654	1,894	556,087	1,592,199	(540)	(23,293)	(1,096,077)	1,030,270
Net income				229,062				229,062
Minimum pension liability adjustment, net of tax						(41,085)		(41,085)
Total comprehensive income								187,977
Exercise of stock options, including tax benefit			(1,885)				34,289	32,404

	Common Stock Issued							
Tax benefit from convertible interest			8,280					8,280
Restricted stock grants, net of cancellations		19	68,278		(68,297)			
Restricted stock amortization					16,455			16,455
Dividend				(36,442)				(36,442)
Other	1,145		286					286
Balance, January 31, 2005	114,799	$ 1,913	$ 631,046	$ 1,784,819	$ (52,382)	$ (64,378)	$ (1,061,788)	$ 1,239,230

The accompanying notes are an integral part of these consolidated financial statements.

MANDALAY RESORT GROUP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

Mandalay Resort Group (the "Company"), which changed its name from Circus Circus Enterprises, Inc. effective June 18, 1999, was incorporated February 27, 1974 in Nevada. The Company owns and operates hotel and casino facilities in Las Vegas, Reno, Laughlin, Jean and Henderson, Nevada and a hotel and dockside casino in Tunica County, Mississippi. In Detroit, Michigan, the Company is the majority investor in a casino. It is also an investor in several unconsolidated affiliates, with operations that include a riverboat casino in Elgin, Illinois, a hotel/casino in Reno, Nevada and a hotel/casino on the Las Vegas Strip. (See Note 5 Investments in Unconsolidated Affiliates.)

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and the Detroit joint venture (53.5% owned), which is required to be consolidated. Material intercompany accounts and transactions have been eliminated. Investments in 50% or less owned affiliated companies are accounted for under the equity method. The Company views each casino property as an operating segment and all such operating segments have been aggregated into one reporting segment.

PENDING MERGER PURSUANT TO WHICH MANDALAY IS TO BECOME A WHOLLY OWNED SUBSIDIARY OF MGM MIRAGE

On June 16, 2004, Mandalay and MGM MIRAGE jointly announced that they had entered into an Agreement and Plan of Merger dated as of June 15, 2004 among Mandalay, MGM MIRAGE and MGM MIRAGE Acquisition Co. #61, a Nevada corporation (the "Merger Agreement") pursuant to which MGM MIRAGE is to acquire Mandalay for $71.00 in cash for each outstanding share of common stock of Mandalay. The transaction, which was approved by Mandalay stockholders on December 10, 2004, is structured as a merger of a wholly owned subsidiary of MGM MIRAGE with and into Mandalay. Except as otherwise contemplated by the Merger Agreement or with the prior written consent of MGM MIRAGE (which consent may not be unreasonably withheld or delayed), prior to the effective time of the merger or the termination of the Merger Agreement, the Company is required to conduct its business in the ordinary course consistent with past practice, and prohibited, among other things, from paying dividends, purchasing or otherwise acquiring its common stock, issuing indebtedness, making acquisitions, or selling, pledging or encumbering its assets. On March 22, 2005, Mandalay received from MGM MIRAGE a notice of MGM MIRAGE's election to extend the outside date for the closing of the merger from March 31, 2005 to June 30, 2005 (the "Extension Notice") in accordance with the Merger Agreement. The merger remains subject to receipt of the regulatory approval of the Illinois Gaming Board and other customary closing conditions.

In order to avoid noncompliance with applicable Michigan law, which prohibits MGM MIRAGE from acquiring an interest in a second Detroit casino upon the consummation of the merger, Mandalay, MGM MIRAGE, Circus Circus Michigan, Inc. ("Circus Circus Michigan"), a wholly-owned subsidiary of Mandalay through which Mandalay holds its 53.5% interest in MotorCity Casino, CCM Merger Inc., an unaffiliated entity, and CCM Merger Sub., Inc., a wholly-owned subsidiary of CCM Merger Inc., entered into a merger agreement on March 22, 2005 (the "Michigan Agreement") pursuant to which CCM Merger Inc. is to acquire Circus Circus Michigan for approximately $525 million in cash. Actual cash proceeds are subject to working capital-type adjustments as provided in the Michigan Agreement. Closing of this transaction, which was approved by the Michigan Gaming Control Board on April 13, 2005, is subject to the closing of the merger pursuant to the Merger Agreement and other customary closing conditions.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. On a regular basis, management evaluates its estimates, including those related to bad debts, intangible assets, self-insurance liabilities, income taxes, contingencies and litigation. Actual results could differ from those estimates.

CASH EQUIVALENTS

At January 31, 2005 and 2004, cash equivalents (consisting principally of money market funds and instruments with maturities at date of purchase of three months or less) had a cost approximately equal to market value.

INVENTORIES

Inventories (consisting primarily of food, beverage and retail inventories) are stated at the lower of cost or market. Cost is determined using the first-in, first-out and the average cost methods.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the determination of income.

Depreciation and amortization of property, equipment and leasehold interests are provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	15-45 years
Equipment, furniture and fixtures	3-15 years
Leasehold interests and improvements	5-16 years

CAPITALIZED INTEREST

The Company capitalizes interest costs associated with debt incurred in connection with major construction projects. When debt is not specifically identified as being incurred in connection with a construction project, the Company capitalizes interest on amounts expended on the project at the Company's average cost of borrowed money. Capitalization of interest ceases when a project is substantially complete or construction activities are no longer underway. The amounts capitalized during the years ended January 31, 2005, 2004 and 2003, were $1.0 million, $7.6 million and $13.2 million, respectively.

LONG-LIVED ASSETS

Long-lived assets are comprised of goodwill, indefinite-life intangible assets, property and equipment and other assets. Accounting for goodwill and indefinite-life intangible assets is discussed in Note 4 and Note 7, respectively. Property and equipment and other assets are reviewed for impairment, on a property by property basis (the lowest level for which there are identifiable cash flows), whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Pursuant to applicable accounting rules, an estimate of undiscounted future cash flows produced by the asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether an impairment exists. If an asset is determined to be impaired based on expected

future cash flows, a loss, measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset, is recognized in the consolidated statements of income. Assets to be disposed of are reported at the lower of the carrying amount or their estimated net realizable value.

SELF-INSURANCE

The Company is self-insured up to certain limits for workers' compensation and employee medical claims. Self-insurance reserves are estimated based on the Company's historical claims patterns and loss experience, as well as an independent actuarial review (among other factors) and are included in accrued liabilities on the consolidated balance sheets. The self-insurance reserves at January 31, 2005 and 2004 were $15.3 million and $10.5 million, respectively.

TREASURY STOCK

Shares purchased and placed in treasury are valued at cost. Shares are removed from treasury using the first-in, first-out method. Interest charges and other fees related to the Company's equity forward agreements were included in treasury stock, net of the related tax benefit. (See Note 17 Equity Forward Agreements.)

REVENUE RECOGNITION

Casino revenue is derived primarily from patrons wagering on slot machines, table games and other gaming activities. Table games typically include Blackjack or Twenty One, Craps, Baccarat and Roulette. Other gaming activities include Keno, Poker and Race and Sports. Casino revenues represent the net difference between the sums received as winnings and the sums paid as losses. Incentives, such as discounts to induce casino play and player club points (discussed more fully below), are deducted from gross casino revenues.

Hotel, food and beverage, entertainment and other operating revenues are recognized as services are performed. Advance deposits on rooms and advance ticket sales are recorded as accrued liabilities until services are provided to the customer. The retail value of accommodations, food and beverage, and other services furnished to hotel-casino guests without charge is included in gross revenue and then deducted as complimentary allowances.

The estimated cost of providing such complimentary allowances, as they relate to the casino department, was included in casino expenses as follows:

	Year ended January 31,		
	2005	2004	2003
	(in thousands)		
Rooms	$ 20,296	$ 18,847	$ 17,368
Food and beverage	94,789	90,107	89,218
Other	13,665	11,890	10,972
	$ 128,750	$ 120,844	$ 117,558

PLAYERS' CLUB POINTS

The Company's players' club allows customers to earn "points" based on the volume of their gaming activity. These points are redeemable for cash rebates and/or certain complimentary services. Expense associated with cash rebates is accrued as a reduction of casino revenues as the points are earned based upon their historical redemption rate multiplied by the cash value. The amount by which casino revenues were reduced was $29.6 million, $29.7 million and $30.0 million in the years ended January 31, 2005, 2004 and 2003, respectively. Expense associated with complimentary services is

accrued as casino expense based upon the historical redemption rate multiplied by the cost of the services provided.

PREOPENING EXPENSES

Preopening expenses consist principally of direct incremental personnel costs and advertising and marketing expenses. In accordance with the American Institute of Certified Public Accountants' Statement of Position 98-5, preopening expenses are expensed as incurred.

The Company did not incur any preopening expenses during the year ended January 31, 2005. For the year ended January 31, 2004, preopening expenses of $8.2 million related primarily to our new all-suites tower, THEhotel at Mandalay Bay that opened in December 2003, and Mandalay Place, the new retail center connecting Mandalay Bay and Luxor that opened in October 2003. For the year ended January 31, 2003, preopening expenses of $4.6 million related primarily to the new convention center at Mandalay Bay that opened in January 2003.

INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on the income tax provision and deferred tax assets and liabilities is recognized in the results of operations in the period that includes the enactment date.

EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period, while diluted earnings per share reflects the impact of additional dilution for all potentially dilutive securities, such as stock options. Anti-dilutive securities are not included in the computation of earnings per share. The total of all such anti-dilutive securities was immaterial for all periods presented.

In September 2004, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board reached a consensus on issue No. 04-08, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share", which is effective for reporting periods ending after December 15, 2004. EITF 04-08 requires companies to include shares issuable under convertible instruments in diluted earnings per share computations (if dilutive) regardless of whether the market price trigger (or other contingent feature) has been met. In addition, prior period earnings per share amounts presented for comparative purposes must be restated. In March 2003, the Company issued convertible senior debentures with terms as described in Note 9 to the Consolidated Financial Statements. During the fourth quarter of the fiscal year ended January 31, 2005, the Company's Floating Rate Convertible Senior Debentures due 2033 became convertible. The dilutive effect related to these debentures was properly included in the Company's diluted EPS calculation using the treasury method.

The table below reconciles weighted-average shares outstanding used to calculate basic earnings per share with weighted-average shares outstanding used to calculate diluted earnings per share. There were no reconciling items for net income.

	Year ended January 31,		
	2005	2004	2003
	(in thousands, except per share data)		
Net income	$ 229,062	$ 149,847	$ 115,603
Weighted-average shares outstanding (basic)	67,197	62,317	67,556
Dilutive effect of stock options	645	2,565	2,524
Convertible debt	1,316		
Equity forward contract			78
Weighted-average shares outstanding (diluted)	69,158	64,882	70,158
Basic earnings per share	$ 3.41	$ 2.40	$ 1.71
Diluted earnings per share	$ 3.31	$ 2.31	$ 1.65

STOCK-BASED COMPENSATION

The Company has various employee stock option plans as more fully described in Note 15 Stock Options and Restricted Stock. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") provides that companies may elect to account for employee stock options using a fair value method or continue to apply the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). The Company has elected to continue to apply APB 25 and related interpretations in accounting for its stock option plans using the intrinsic value method. Intrinsic value represents the excess, if any, of the market price of the underlying common stock at the grant date over the exercise price of the stock option. Since all stock options granted had an exercise price equal to the market value of the underlying common stock on the date of grant, no compensation expense related to stock options was reflected in net income. Had compensation expense related to stock options been determined in accordance with the fair value recognition provisions of SFAS 123, the effect on the Company's net income and basic and diluted earnings per share would have been as follows:

	Year ended January 31,		
	2005	2004	2003
	(in thousands, except per share data)		
Net income as reported	$ 229,062	$ 149,847	$ 115,603
Less total stock-based employee compensation expense determined under the fair value method, net of tax	(1,033)	(2,834)	(8,224)
Pro forma net income	$ 228,029	$ 147,013	$ 107,379
Net income per share (basic)			
As reported	$ 3.41	$ 2.40	$ 1.71
Pro forma	3.39	2.36	1.59
Net income per share (diluted)			
As reported	$ 3.31	$ 2.31	$ 1.65

	Year ended January 31,		
Pro forma	3.30	2.27	1.53

In December 2004, the FASB issued FASB Statement No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"). Under the original standard, FASB No. 123, companies had the option of

recording stock options issued to employees at fair value or intrinsic value, which generally leads to no expense being recorded. The Company opted to use this intrinsic value method and make required disclosures of fair value expense. SFAS 123(R) eliminates this intrinsic value alternative. SFAS 123(R) is effective for the Company on February 1, 2006, at which time all future share-based payments must be recorded at fair value. The Company is currently in the process of determining the impact this statement will have on its results of operations.

The fair value of each option grant (no stock options were granted in fiscal 2005) was estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted-average assumptions:

	Year ended January 31,		
	2005	2004	2003
Expected stock price volatility		36.0%	40.7%
Risk-free interest rate		2.0%	2.3%
Expected option lives (years)		4.4	4.1
Dividend yield		2.5%	0.0%
Estimated fair value of options granted (per share)		$ 7.40	$ 9.58

The Company has also issued restricted stock pursuant to one of its stock incentive plans. The total value of each restricted stock grant, based upon the fair market value of the stock on the date of grant, is initially reported as deferred compensation under stockholders' equity. This deferred compensation is then amortized to compensation expense over the related vesting period. The following table shows the amount of compensation expense reflected in the income statements related to grants of restricted stock (in thousands):

	Year ended January 31,		
	2005	2004	2003
Compensation expense	$ 16,455	$ 156	$

COMPREHENSIVE INCOME

Comprehensive income is a broad concept of an enterprise's financial performance that includes all changes in equity during a period that arise from transactions and economic events from nonowner sources. Comprehensive income is net income plus "other comprehensive income," which consists of revenues, expenses, gains and losses that do not affect net income under accounting principles generally accepted in the United States. Other comprehensive income for the Company includes adjustments for minimum pension liability and adjustments to interest rate swaps, net of tax.

The accumulated other comprehensive loss reflected on the balance sheet consisted solely of the minimum pension liability adjustment.

RECLASSIFICATIONS

During fiscal 2003, the Company changed its presentation of equity in earnings of unconsolidated affiliates, which was previously reported as a component of revenues. The Company now reports equity in earnings of unconsolidated affiliates as a separate component of income from operations on the consolidated statements of income under a separate caption titled "Equity in Earnings of Unconsolidated Affiliates." Prior years have been reclassified to conform with the new presentation. This reclassification had no effect on previously reported income from operations or net income.

The consolidated financial statements for prior years reflect certain other reclassifications to conform to classifications adopted in the current year. These reclassifications had no effect on previously reported net income.

RECENTLY ISSUED ACCOUNTING STANDARDS

During the period covered by these financial statements, the FASB and the EITF have issued certain pronouncements on accounting policies that the Company has adopted as prescribed. Except as otherwise discussed in these notes, the adoption of these accounting policies did not have a material impact on the Company's financial position or results of operations.

Note 2. Accounts Receivable

The Company extends credit to approved casino customers. These receivables are the principal financial instruments that potentially subject the Company to concentration of credit risk. The Company maintains an allowance for doubtful accounts to reduce the receivables to their estimated collectible amount, which approximates fair value. As of January 31, 2005, management believes that there are no concentrations of credit risk for which an allowance has not been established and recorded. The collectibility of foreign and domestic receivables could be affected by future business or economic conditions or other significant events in the United States or in the countries in which foreign customers reside. Bad debt expense was $.9 million, $2.1 million and $7.2 million for the years ended January 31, 2005, 2004 and 2003, respectively.

Accounts receivable consisted of the following:

	January 31,	
	2005	2004
	(in thousands)	
Casino	$ 29,674	$ 44,139
Hotel	36,873	31,724
Other	10,816	10,726
	77,363	86,589
Less allowance for doubtful accounts	(10,343)	(13,999)
	$ 67,020	$ 72,590

The above allowance for doubtful accounts includes $8.5 million and $12.3 million related to casino receivables at January 31, 2005 and 2004, respectively.

Note 3. Property, Equipment and Leasehold Interests

Property, equipment and leasehold interests consisted of the following:

	January 31,	
	2005	2004
	(in thousands)	
Land and land leases	$ 402,150	$ 401,171
Buildings and improvements	3,742,317	3,610,601
Equipment, furniture and fixtures	1,060,815	1,128,406
Leasehold interests and improvements	3,461	3,525
	5,208,743	5,143,703
Less accumulated depreciation and amortization	(1,731,046)	(1,596,022)
	3,477,697	3,547,681

	January 31,	
Construction in progress	32,406	43,018
	$ 3,510,103	$ 3,590,699

Note 4. Goodwill

On November 1, 1979, the Company purchased the Slots-A-Fun Casino in Las Vegas. The excess of the purchase price over the fair market value of the net assets acquired amounted to $4.2 million.

On June 1, 1995, the Company completed its acquisition of a group of properties (collectively, the "Gold Strike Properties") consisting of (i) two hotel/casino facilities in Jean, Nevada (see Note 1 regarding an impairment loss at these properties); (ii) a hotel/casino in Henderson, Nevada; (iii) a 50% interest in a joint venture which owns Grand Victoria, a riverboat casino and land-based entertainment complex in Elgin, Illinois; and (iv) a 50% interest in a joint venture which owns Monte Carlo, a major hotel/casino on the Las Vegas Strip. The excess of the purchase price over the fair market value of the net assets acquired amounted to $394.5 million.

When the Gold Strike acquisition was consummated, the Company recorded the entire excess of the purchase price over the fair market value of net assets acquired as goodwill. However, the majority of the excess related to the value of the investments in Grand Victoria and Monte Carlo. Since the amount was not assigned to the specific assets (e.g., property and equipment) of the joint ventures, it was properly treated as goodwill. With the adoption of SFAS 142, it was determined that goodwill related to investments in unconsolidated affiliates should be reviewed differently for impairment than other goodwill. Therefore, unamortized goodwill of $309.2 million at January 31, 2002 was reclassified to investment in unconsolidated affiliates. This reclassification had no impact on the Company's reported net income.

On December 14, 1999, the Company purchased an additional ownership interest in a joint venture which operates MotorCity Casino, a casino in Detroit, Michigan, bringing its total ownership interest in the joint venture to 53.5%. The excess of the purchase price over the fair market value of the net assets acquired amounted to $38.4 million.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 provides that goodwill will no longer be amortized, but will instead be reviewed for impairment at least annually. SFAS 142 was adopted by the Company on February 1, 2002.

As of February 1, 2002, the Company had approximately $45.4 million of unamortized goodwill. Most of this total related to the fiscal 2000 purchase of an additional ownership interest in the joint venture which operates MotorCity Casino. In accordance with SFAS 142, each property with assigned goodwill is to be valued as an operating entity. If the fair value of the operating entity is greater than the book value, including assigned goodwill, no further testing is required. However, if the book value, including goodwill, is greater than the fair value of the operating entity, the assets and liabilities of the operating entity need to be valued. The difference between the fair value of the operating entity and the fair value of the assets represents the implied fair value of goodwill. To the extent that the implied fair value of goodwill is less than the book value of goodwill, an impairment charge must be recognized as a cumulative effect of a change in accounting principle upon adoption.

The Company completed its implementation analysis of the goodwill arising from its prior acquisitions. For purposes of this analysis, the fair value of the operating entities was determined using a combination of a discounted cash flow model and a valuation multiple or, in certain instances, an independent appraisal. Based upon this analysis, the Company recorded an impairment charge of $1.9 million, representing the unamortized goodwill associated with the June 1, 1995 acquisition of the Railroad Pass Hotel and Casino. This charge was reflected as a cumulative effect of a change in accounting principle in fiscal 2003.

The Company completed its annual review of impairment for fiscal 2003, pursuant to which it recorded an impairment loss of $5.4 million, representing the unamortized goodwill associated with the February 1, 1983 acquisition of the Edgewater Hotel and Casino in Laughlin, Nevada. A decline in

income from operations at that property, along with lowered expectations for the Laughlin market, indicated impairment.

The Company has also completed its annual reviews of impairment for fiscal 2005 and 2004 and no additional impairments were noted.

In September 2004, the Emerging Issues Task Force of the Financial Accounting Standards Board discussed EITF D-108 "Use of the Residual Method to Value Acquired Assets Other Than Goodwill", which is effective the beginning of the Company's first fiscal year after December 15, 2004 and would require companies who have applied the residual method to the valuation of intangible assets for purposes of impairment testing to perform an impairment test using a direct value method on all intangible assets that were previously valued using the residual method. The Company did not early adopt the provisions of this EITF. The Company does not believe the use of a direct value method would result in an impairment to their intangible assets when adopted.

Note 5. Investments in Unconsolidated Affiliates

The Company has investments in unconsolidated affiliates that are accounted for under the equity method. Under the equity method, original investments are recorded at cost and adjusted by the Company's share of earnings, losses and distributions of these companies. The investment balance also includes interest capitalized during construction. The Company has included these investments in operations in its Consolidated Statements of Income due to the fact that their operations are very similar to those of the Company's wholly owned properties (i.e., hotel/casino). Investments in unconsolidated affiliates consisted of the following:

	January 31,	
	2005	2004
	(in thousands)	
Circus and Eldorado Joint Venture (50%) (Silver Legacy, Reno, Nevada)	$ 61,828	$ 60,032
Elgin Riverboat Resort (50%) (Grand Victoria, Elgin, Illinois)	244,009	246,637
Victoria Partners (50%) (Monte Carlo, Las Vegas, Nevada)	267,820	266,637
	$ 573,657	$ 573,306

The investment balances for Grand Victoria and Monte Carlo are greater than the carrying values of the net assets of the respective unconsolidated affiliates due primarily to goodwill recognized when the Company acquired the investments. (See Note 4 Goodwill.) In July 2002, the Company made an additional equity contribution of $43.5 million to Victoria Partners. These funds, along with an identical equity contribution by the Company's partner, were used to payoff the remaining balance on Monte Carlo's credit facility.

The Company's unconsolidated affiliates operate with fiscal years ending on December 31. Combined summarized balance sheet information of the unconsolidated affiliates as of December 31, 2004 and 2003 is as follows:

	2004	2003
	(in thousands)	
Current assets	$ 113,146	$ 103,968
Property and other assets, net	627,903	632,876
Current liabilities	76,661	78,875
Long-term debt and other liabilities	162,767	162,046
Equity	501,621	495,923

Selected results of operations for each of the unconsolidated affiliates for the years ended December 31, 2004, 2003 and 2002 are as follows:

December 31, 2004	Silver Legacy	Grand Victoria	Monte Carlo	Total
		(in thousands)		
Revenues	$ 153,755	$ 395,930	$ 290,011	$ 839,696
Expenses	126,160	343,661	197,758	667,579
Income from operations	27,595	52,269	92,253	172,117
Net income	10,710	52,472	92,451	155,633

December 31, 2003	Silver Legacy	Grand Victoria	Monte Carlo	Total
		(in thousands)		
Revenues	$ 151,955	$ 379,157	$ 260,255	$ 791,367
Expenses	126,451	312,854	186,413	625,718
Income from operations	25,504	66,303	73,842	165,649
Net income	9,496	66,544	73,948	149,988

December 31, 2002	Silver Legacy	Grand Victoria	Monte Carlo	Total
		(in thousands)		
Revenues	$ 159,432	$ 402,869	$ 250,317	$ 812,618
Expenses	129,124	300,803	184,268	614,195
Income from operations	30,308	102,066	66,049	198,423
Net income	16,766	102,683	64,979	184,428

Note 6. Other Investments

The Company has adopted a Supplemental Executive Retirement Plan ("SERP"), a defined benefit plan pursuant to which the Company pays supplemental pension benefits to certain key employees upon retirement. The SERP is an unfunded plan. However, the Company is informally funding the plan through life insurance contracts on the participants. These life insurance contracts had cash surrender values of $69.9 million and $53.7 million at January 31, 2005 and 2004, respectively. (See Note 14 Employee Retirement Plans for additional information regarding the SERP.)

Note 7. Intangible Development Costs

On August 2, 2002, the Detroit City Council approved a revised development agreement pursuant to which MotorCity Casino will expand its current facility by December 31, 2005. Under the revised development agreement, MotorCity Casino had paid the City of Detroit $44 million as of January 31, 2005. MotorCity is further obligated, through letters of credit issued by the Company, to fund approximately $49.4 million to

repay bonds issued by the Economic Development Corporation of the

City of Detroit ("EDC"). The Company recorded an intangible asset of $93.4 million, representing the total of the above obligations. As of January 31, 2005, the remaining unpaid obligation is $49.4 million.

MotorCity is also obligated under an indemnity agreement to indemnify the EDC and the City of Detroit with respect to certain liabilities. As of January 31, 2005, MotorCity had paid $6.3 million under this indemnity agreement. In addition, MotorCity agreed to contribute to the City of Detroit its one-third interest in Jefferson Holdings, LLC, for which it had paid $2.8 million as of January 31, 2005. These payments are also considered to be part of the intangible development costs.

These intangible development costs have an indefinite life. Based on the Company's annual assessment of intangible development costs for fiscal 2005 and 2004, the Company does not believe that an impairment has occurred or is likely to occur in the near term. (See Note 18 Commitments and Contingent Liabilities for additional details regarding the Company's Detroit joint venture.)

Note 8. Deferred Charges and Other Assets

Deferred charges and other assets consisted of the following:

	January 31,	
	2005	2004
	(in thousands)	
Debt issuance costs, net	$ 29,673	$ 39,673
Intangible asset related to SERP	20,801	20,417
Other	17,407	14,073
	$ 67,881	$ 74,163

The Company incurs discounts, structuring fees and other costs in connection with its issuance of debt and in connection with its credit facilities. Debt issuance costs are capitalized when incurred and amortized to interest expense based on the anticipated debt maturities using the straight-line method, which approximates the effective interest method. The amortization of debt issuance costs included in interest expense was $10.2 million, $9.6 million and $7.6 million for the years ended January 31, 2005, 2004 and 2003, respectively.

The Company accounts for its SERP according to Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" ("SFAS 87"). SFAS 87 requires the recognition of an intangible asset in an amount equal to the additional minimum liability, provided that such intangible asset may not exceed the amount of unrecognized prior service cost and unrecognized net obligation. The amount by which the additional minimum liability exceeds unrecognized prior service cost and unrecognized net obligation is recorded as a negative component of stockholders' equity through comprehensive income (net of related tax benefits). In fiscal 2004, the Company adopted SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," which, as revised, requires additional disclosures about assets, obligations, cash flows, estimated future benefit payments and net periodic pension cost of defined benefit pension plans and other postretirement benefit plans. (See Note 14 Employee Retirement Plans for additional information regarding the SERP.)

Note 9. Long-term Debt

Long-term debt consisted of the following:

	January 31,	
	2005	2004
	(in thousands)	
Amounts due under bank credit agreements at floating interest rates, weighted average of 4.3% and 2.9%	$ 115,000	$ 450,000
6.45% Senior Notes due 2006 (net of unamortized discount of $44 and $88)	199,956	199,912
10 1/4% Senior Subordinated Notes due 2007	500,000	500,000
9 1/2% Senior Notes due 2008	200,000	200,000
6 1/2% Senior Notes due 2009	250,000	250,000
9 3/8% Senior Subordinated Notes due 2010 (net of unamortized discount of $1,347 and $1,612)	298,653	298,388
6 3/8% Senior Notes due 2011 (net of unamortized discount of $1,666 and $1,907)	248,334	248,093
7 5/8% Senior Subordinated Debentures due 2013	150,000	150,000
Amounts due under Convertible Senior Debentures due 2033 at floating interest rates, weighted average of 3.3% and 1.9%	400,000	400,000
7.0% Debentures due 2036 (net of unamortized discount of $52 and $65)	149,948	149,935
6.70% Debentures due 2096	4,265	4,415
Obligation under capital lease	128,614	145,000
Other notes	3,620	3,888
	2,648,390	2,999,631
Current portion of long-term debt	(16,688)	(16,681)
Debt premium from termination of reverse interest rate swaps (See Note 10)	15,771	17,711
Market value of reverse interest rate swaps	(487)	1,314
	$ 2,646,986	$ 3,001,975

In August 2001, the Company replaced its $1.8 billion unsecured credit facility, dated May 23, 1997, with three separate facilities that totaled $1.25 billion. These credit facilities included a $150 million capital markets term loan facility which was paid in full using a portion of the net proceeds received from the issuance of $300 million of Senior Subordinated Notes in December 2001 (discussed more fully below) and a $250 million term loan facility which was paid in full using the net proceeds from the issuance of $250 million of Senior Notes in November 2003 (discussed more fully below) together with borrowings under the Company's revolving credit facility, thus reducing the borrowing capacity to $850 million under the remaining facility. The remaining credit facility, which is for general corporate purposes, is an $850 million revolving facility, $115 million of which was outstanding at January 31, 2005. The credit facility is unsecured and provides for the payment of interest, at the Company's option, either at a rate equal to or an increment above the higher of the Bank of America, N.A. "prime rate" and the Federal Reserve Board "Federal Funds Rate" plus 50 basis points or, alternatively, at a Eurodollar-based rate. The entire principal amount outstanding under the credit facility becomes due and payable on August 21, 2006, unless the maturity date is extended with the consent of the lenders. While the debt instrument issued under the above credit facility is short term in tenor, it is classified as long-term debt because it is management's intention to continue to replace such borrowings on a rolling basis as various instruments come due and to have such borrowings outstanding for longer than one year. The fair value of the debt issued under the credit facility approximates the carrying value of the debt.

The credit facility includes financial covenants regarding total debt and interest coverage and contains covenants that limit the Company's ability, among other things, to dispose of assets, make

distributions on its capital stock, engage in a merger, incur liens and engage in transactions with its affiliates. In December 2001, the Company amended the covenants under each of its credit facilities to provide for more liberal tests for total debt and interest coverage. These amendments were obtained to address the impact of the terrorist attacks that occurred on September 11, 2001. In February 2003, the Company again amended the covenants under each of its credit facilities. These amendments modified the definition of "Adjusted EBITDA" with respect to the Company's 53.5% ownership in MotorCity Casino in Detroit, Michigan. As previously defined in the credit facilities, Adjusted EBITDA included only the cash distributions the Company actually received from MotorCity Casino. Under the amended definition, Adjusted EBITDA includes the Company's 53.5% share of the Adjusted EBITDA of MotorCity Casino, whether or not distributed. These amendments also provided for a more liberal test for total debt coverage during the fiscal year ended January 31, 2004. At January 31, 2005, the Company was in compliance with all of the covenants in its credit facility and, under the most restrictive loan covenant, was restricted from issuing additional debt in excess of approximately $532 million.

On November 25, 2003, the Company issued $250 million principal amount of 6 3/8% Senior Notes due December 2011 (the "6 3/8% Notes"), with interest payable each June and December. The 6 3/8% Notes are redeemable prior to maturity at the option of the Company, in whole, at 100% principal amount plus a make-whole premium. The 6 3/8% Notes, which were discounted to $248.1 million, are not subject to any sinking fund requirements. The net proceeds from this issuance, together with borrowings under the revolving credit facility, were used to repay in full the Company's $250 million term loan facility. As of January 31, 2005, the estimated fair value of the 6 3/8% Notes was $261.9 million based on their trading price.

On July 31, 2003, the Company issued $250 million principal amount of 6 1/2% Senior Notes due 2009 (the "6 1/2% Notes"), with interest payable each January and July. The 6 1/2% Notes are redeemable prior to maturity at the option of the Company, in whole, at 100% principal amount plus a make-whole premium. The 6 1/2% Notes are not subject to any sinking fund requirements. The net proceeds from this issuance were used to repay borrowings under the Company's revolving credit facility. As of January 31, 2005, the estimated fair value of the 6 1/2% Notes was $261.6 million, based on their trading price.

On March 21, 2003, the Company issued $350 million original principal amount of floating-rate convertible senior debentures due 2033 ("convertible debentures"). An additional $50 million original principal amount of the convertible debentures was issued on April 2, 2003, pursuant to an option granted to the initial purchasers. The convertible debentures bear interest at a floating rate equal to 3-month LIBOR (reset quarterly) plus 0.75%, subject to a maximum rate of 6.75%. The convertible debentures also provide for the payment of contingent interest after March 21, 2008 if the average market price of the convertible debentures reaches a certain threshold. Such contingent interest is considered an embedded derivative with a nominal value. The convertible debentures provide for an initial base conversion price of $57.30 per share, reflecting a conversion premium of 100% over Mandalay's closing stock price of $28.65 on March 17, 2003. The proceeds of the offering were used to repay borrowings under the Company's revolving credit facility.

The Company may redeem all or some of the convertible debentures for cash at any time on or after March 21, 2008, at their accreted principal amount plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At the option of the holders, the Company may be required to repurchase all or some of the convertible debentures on the 5th, 10th, 15th, 20th and 25th anniversaries of their issuance, at their accreted principal amount plus accrued and unpaid interest, if any, to, but excluding, the purchase date. The Company may choose to pay the purchase price in cash, shares of Mandalay common stock or any combination thereof.

Each convertible debenture is convertible into shares of Mandalay's common stock (i) during any calendar quarter beginning after June 30, 2003, if the closing price of Mandalay's common stock is

more than 120% of the base conversion price (initially 120% of $57.30, or $68.76) for at least 20 of the last 30 trading days of the preceding calendar quarter; (ii) during any period in which the credit rating assigned to the convertible debentures by S&P, or its successor, is at or below B+ or the equivalent, or if the credit rating assigned to the convertible debentures by Moody's, or its successor, is at or below B2 or the equivalent; (iii) if we take certain corporate actions, including a merger such as the one contemplated by our definitive merger agreement with MGM MIRAGE; or (iv) if we call the convertible debentures for redemption.

On January 3, 2005, Mandalay issued a press release announcing that the closing price of Mandalay's common stock had exceeded $68.76 per share for at least 20 trading days of the 30 consecutive trading day period ended December 31, 2004, and as a result, the debentures were convertible during the calendar quarter ended March 31, 2005. On April 4, 2005, Mandalay issued a press release announcing that the closing price of Mandalay's common stock had exceeded $68.76 per share for at least 20 trading days of the 30 consecutive trading day period ended March 31, 2005, and as a result, the debentures are convertible during the calendar quarter ending June 30, 2005. In addition, upon determination of the closing date of the proposed merger of Mandalay and MGM MIRAGE, holders of the debentures will be able to surrender their debentures for conversion until 15 days after the effective date of the merger.

Pursuant to the original indenture, if the convertible debentures are converted, holders will be entitled to receive 17.452 shares per convertible debenture, or an aggregate of 7.0 million shares of Mandalay common stock, subject to our right to deliver cash in lieu of all or a portion of the shares, and subject to adjustment of the conversion rate for any stock dividend; any subdivision or combination, or certain reclassifications, of the shares of our common stock; any distribution to all holders of shares of our common stock of certain rights to purchase shares of our common stock for a period expiring within 60 days at less than the sale price per share of our common stock at the time; any distribution to all holders of shares of our common stock of our assets (including shares of capital stock of a subsidiary), debt securities or certain rights to purchase our securities; or any "extraordinary cash dividend." For this purpose, an extraordinary cash dividend is one the amount of which, together with all other cash dividends paid during the preceding 12-month period, is on a per share basis in excess of the sum of (i) 5% of the sale price of the shares of our common stock on the day preceding the date of declaration of such dividend and (ii) the quotient of the amount of any contingent cash interest paid on a convertible debenture during such 12-month period divided by the number of shares of common stock issuable upon conversion of a convertible debenture at the conversion rate in effect on the payment date of such contingent cash interest. In addition, if at the time of conversion the market price of Mandalay's common stock exceeds the then-applicable base conversion price, holders will be entitled to receive up to an additional 14.2789 shares of Mandalay's common stock for each $1,000 original principal amount of convertible debentures, as determined pursuant to a specified formula, or up to an additional 5.7 million shares in the aggregate, subject to our right to deliver cash in lieu of all or a portion of the shares.

With respect to the Convertible Senior Debentures due 2033, Mandalay and the Bank of New York, as trustee, executed a supplemental indenture dated as of July 26, 2004. The supplemental indenture amends the notice provisions of the indenture to permit Mandalay, at any time prior to a conversion date, to elect to exercise its right to deliver cash in lieu of shares of Mandalay common stock for all or any portion of the shares due to holders of the debentures upon conversion of the debentures. Thereafter, Mandalay delivered an irrevocable cash settlement notice to The Bank of New York, the conversion agent for the debentures, which irrevocably obligates Mandalay to cash settle a number of shares of common stock equal to the base conversion rate in effect on the conversion date if the debentures are ultimately converted, provided however, that the amount of cash that Mandalay could be required to pay to cash settle the shares is limited to $1,000 for each $1,000 original principal amount of debentures, or a total of $400 million. Any additional obligation to holders who elect conversion will be settled, at the option of Mandalay, in cash or shares of Mandalay common stock. To the extent debentures are converted, the Company has sufficient borrowing capacity available under its revolving credit facility to fund the cash settlement of the entire $400 million.

On December 20, 2001, the Company issued $300 million principal amount of 9 3/8% Senior Subordinated Notes due February 2010 (the "9 3/8% Notes"), with interest payable each February and August. The 9 3/8% Notes are redeemable prior to maturity at the option of the Company, in whole, at 100% of the principal amount plus a make-whole premium. The 9 3/8% Notes, which were discounted to $297.8 million, are not subject to any sinking fund requirements. The net proceeds from this issuance were used to repay borrowings under the Company's credit facilities. As of January 31, 2005, the estimated fair value of the 9 3/8% Notes was $345.4 million, based on their trading price.

On August 16, 2000, the Company issued $200 million principal amount of 9 1/2% Senior Notes due August 2008 (the "9 1/2% Notes"), with interest payable each February and August. The 9 1/2% Notes are redeemable prior to maturity at the option of the Company, in whole, at 100% of the principal amount plus a make-whole premium. The 9 1/2% Notes are not subject to any sinking fund requirements. The net proceeds from this issuance were used to repay borrowings under the Company's credit facility. As of January 31, 2005, the estimated fair value of the 9 1/2% Notes was $227.0 million, based on their trading price.

On July 24, 2000, the Company issued $500 million principal amount of 10 1/4% Senior Subordinated Notes due August 2007 (the "10 1/4% Notes"), with interest payable each February and August. The 10 1/4% Notes are redeemable prior to maturity at the option of the Company, in whole, at 100% of the principal amount plus a make-whole premium. The 10 1/4% Notes are not subject to any sinking fund requirements. The net proceeds from this issuance were used to repay borrowings under the Company's credit facility. As of January 31, 2005, the estimated fair value of the 10 1/4% Notes was $565.0 million, based on their trading price.

In November 1998, the Company issued $275 million principal amount of 9 1/4% Senior Subordinated Notes due December 2005 (the "9 1/4% Notes"), with interest payable each June and December. On July 15, 2003, the Company redeemed the 9 1/4% Notes at a redemption price of 104.625% plus interest accrued to the redemption date. In addition to the premium of $12.7 million, the Company wrote off related unamortized loan fees of $2.6 million, resulting in a total loss of $15.3 million. However, this loss was partially offset by $9.0 million in gains from the sale of related interest rate swaps. This resulted in a net loss on redemption of $6.3 million.

In November 1996, the Company issued $150 million principal amount of 7.0% Debentures due November 2036 (the "7.0% Debentures"). The 7.0% Debentures may be redeemed at the option of the holder in November 2008. Also in November 1996, the Company issued $150 million principal amount of 6.70% Debentures due November 2096 (the "6.70% Debentures"). Of the $150 million principal amount outstanding, $145.6 million principal amount of the 6.70% Debentures were put to us by the holders at 100% of their principal amount plus accrued interest on November 17, 2003. The 7.0% Debentures, which were discounted to $149.8 million, and the 6.70% Debentures, which were discounted to $149.7 million, have interest payable each May and November, are not redeemable by the Company prior to maturity and are not subject to any sinking fund requirements. As of January 31, 2005, the estimated fair value of the 7.0% Debentures was $158.4 million and the estimated fair value of the 6.70% Debentures was $4.4 million, based on their trading prices.

In February 1996, the Company issued $200 million principal amount of 6.45% Senior Notes due February 1, 2006 (the "6.45% Notes"), with interest payable each February and August. The 6.45% Notes, which were discounted to $199.6 million, are not redeemable prior to maturity and are not subject to any sinking fund requirements. As of January 31, 2005, the estimated fair value of the 6.45% Notes was $204.0 million, based on their trading price.

In July 1993, the Company issued $150 million principal amount of 6 3/4% Senior Subordinated Notes (the "6 3/4% Notes") due July 2003 and $150 million principal amount of 7 5/8% Senior Subordinated Debentures (the "7 5/8% Debentures") due July 2013, with interest payable each July and January. The 6 3/4% Notes, which were discounted to $149.8 million, were repaid in July 2003. The 7 5/8%

Debentures are not redeemable prior to maturity and are not subject to any sinking fund requirements. As of January 31, 2005, the estimated fair value of the 7⅝% Debentures was $162.8 million, based on their trading price.

On June 30, 2003, the Company exercised its options under two operating lease agreements relating to equipment located at several of the Company's Nevada properties, and purchased the equipment for a total purchase price of $198.3 million, representing the equipment's estimated fair market value based on independent appraisals. Simultaneously, the Company entered into a new lease agreement pursuant to which the Company assigned a portion of the equipment acquired above to the new lessors and borrowed $145 million. These proceeds, along with borrowings under the Company's revolving credit facility, were used to fund the purchase of the equipment under the operating leases.

The new lease agreement was considered a capital lease for financial reporting purposes, and the Company recorded an asset and a corresponding liability equal to the fair market value of the assets at inception of the lease. The new lease agreement contained financial covenants regarding total debt and interest coverage that were similar to those under the Company's revolving credit facility. The agreement also contained covenants regarding equipment maintenance, insurance requirements and prohibitions on liens. The balance outstanding under the capital lease facility was $128.6 million at January 31, 2005. On March 4, 2005, the Company terminated this capital lease facility and paid off the balance utilizing borrowings under the revolving credit facility.

Required annual principal payments on long-term debt as of January 31, 2005 are as follows:

Year ending January 31,	**(in thousands)**
2006	$ 128,914
2007	315,255
2008	500,299
2009	200,299
2010	250,299
Thereafter	1,253,324
	$ 2,648,390

Note 10. Interest Rate Swaps

The Company has a policy aimed at managing interest rate risk associated with its current and anticipated future borrowings. Under this policy, the Company may use any combination of interest rate swaps, futures, options, caps and similar instruments. To the extent the Company employs such financial instruments pursuant to this policy, and the instruments qualify for hedge accounting, they are accounted for as hedging instruments. In order to qualify for hedge accounting, the underlying hedged item must expose the Company to risks associated with market fluctuations and the financial instrument used must be designated as a hedge and must reduce the Company's exposure to market fluctuation throughout the hedge period. If these criteria are not met, a change in the market value of the financial instrument is recognized as a gain or loss in the period of change. Otherwise, gains and losses are not recognized except to the extent that the financial instrument is disposed of prior to maturity. Net interest paid or received pursuant to the financial instrument is included as interest expense in the period.

The Company has entered into various interest rate swaps, principally with its bank group, to manage interest expense, which is subject to fluctuation due to the variable rate nature of the debt under the Company's credit facilities.

In February 2003, the Company entered into two "reverse" interest rate swap agreements ("fair value hedges") with members of its bank group. Under one agreement, the Company received a fixed

interest rate of 9.25% and paid a variable interest rate (based on LIBOR plus 6.35%) on $275 million notional amount. Under the other, the Company received a fixed rate of 6.45% and paid a variable interest rate (based on LIBOR plus 3.57%) on $200 million notional amount. In May 2003, the Company elected to terminate the $275 million swap and received $2.7 million in cash representing the fair market value of the swap. Since the underlying $275 million Senior Subordinated Notes were called on July 15, 2003, the unamortized portion of this gain (along with the unamortized portion of the gain related to a similar interest rate swap that was terminated in October 2002) was offset against the related loss on early retirement of debt. The total gain thus offset was $9.0 million. Meanwhile, in June 2003, the Company elected to terminate the $200 million swap. The Company received $4.1 million in cash, representing the fair market value of the swap, and recorded a corresponding debt premium which is being amortized to interest expense, over the then remaining life of the related debt instrument, which was approximately 2 1/2 years.

In July 2003, the Company entered into two "reverse" interest rate swap agreements ("fair value hedges") with members of its bank group. Under one agreement, the Company received a fixed interest rate of 6.5% and paid a variable interest rate (based on LIBOR plus 2.39%) on $200 million notional amount. Under the other, the Company received a fixed rate of 6.5% and paid a variable interest rate (based on LIBOR plus 2.42%) on $50 million notional amount. These swaps were being used to hedge the Company's $250 million 6 1/2% Senior Notes due 2009. In March 2004, the Company elected to terminate both of the swaps, pursuant to which it received $5.4 million in cash representing the fair market value of these swaps, and recorded a corresponding debt premium which is being amortized to interest expense over the remaining life of the related debt, which was approximately 5 1/2 years.

In December 2003, the Company entered into two "reverse" interest rate swap agreements ("fair value hedges") with members of its bank group. Under one agreement, the Company receives a fixed interest rate of 6.375% and pays a variable interest rate (based on LIBOR plus 1.74%, or 4.7% at January 31, 2005) on $125 million notional amount. Under the other, the Company receives a fixed rate of 6.375% and pays a variable interest rate (based on LIBOR plus 1.72%, or 4.7% at January 31, 2005) on $125 million notional amount. These swaps are being used to hedge the Company's $250 million 6 3/8% Senior Notes due 2011.

In April 2004, the Company entered into a "reverse" interest rate swap agreement ("fair value hedge") with a member of its bank group. Under this agreement, the Company receives a fixed interest rate of 6.5% and pays a variable interest rate (based on LIBOR plus 2.58%, or 5.5% at January 31, 2005) on $250 million notional amount. This swap is being used to hedge the Company's $250 million 6 1/2% Senior Noted due 2009.

The Company had an interest rate swap agreement ("cash flow hedge") of $200 million notional amount, which terminated on September 24, 2003.

The net effect of all swaps, including the amortization of debt premiums arising from terminations, resulted in reductions of interest expense of $16.0 million and $7.3 million for the years ended January 31, 2005 and 2004, and resulted in additional interest expense of $12.9 million for the fiscal year ended January 31, 2003.

The Company is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap agreements. However, the Company considers the risk of nonperformance by the counterparties to be minimal because the parties to the swaps are members of the Company's bank group. If the Company had terminated all swaps as of January 31, 2005, the Company would have had to pay a net amount of $0.5 million based on quoted market values from the various financial institutions holding the swaps.

Our swaps meet the criteria for hedge accounting established by Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities"

("SFAS 133"), which the Company adopted in fiscal 2002. The fair market value of the swaps designated as fair value hedges decreased $1.8 million during the year ended January 31, 2005, which increased the net liability with a corresponding decrease in long-term debt. The fair market value of the swaps designated as a cash flow hedge (which terminated in September 2003) increased by $7.6 million ($5.6 million, net of tax) during the year ended January 31, 2004, which decreased the net liability, with the corresponding income included as other comprehensive income.

Note 11. Other Long-term Liabilities

Other long-term liabilities consisted of the following:

	January 31,	
	2005	2004
	(in thousands)	
Accrued SERP liability	$ 50,129	$ 34,616
SERP additional minimum liability	119,845	56,253
Other	10,297	5,524
	$ 180,271	$ 96,393

The Company accounts for its SERP according to Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" ("SFAS 87"). SFAS 87 requires the recognition of a liability if the net periodic pension expense exceeds the amount the employer has contributed to the plan. Since the SERP is a non-qualified retirement plan, the Company does not make contributions and consequently, a liability is recorded for the net periodic pension expense. The resulting accrued SERP liability is reduced by benefit distributions to participants. SFAS 87 also requires an employer to recognize an additional minimum liability for the amount that the unfunded accumulated benefit obligation exceeds the fair value of the plan assets and accrued pension liability. (See Note 14 Employee Retirement Plans for additional information regarding the SERP.)

Note 12. Leasing Arrangements

In October 1998, the Company entered into a $200 million operating lease agreement with a group of financial institutions to lease equipment at Mandalay Bay. In December 2001, the Company entered into a series of sale and leaseback agreements covering equipment located at several Nevada properties. These agreements, again made with a group of financial institutions, totaled $130.5 million. The sale of the equipment resulted in the recognition of a net deferred gain of $28.3 million, of which $26.8 million was subsequently reversed when the Company exercised its purchase option on the equipment (see below). The proceeds from these leases were used to reduce borrowings outstanding under the Company's revolving credit facility.

On July 31, 2002, the Company exercised its purchase option under a $12.5 million aircraft lease agreement (part of the $130.5 million lease agreements entered into in December 2001) and on September 30, 2002, the Company exercised its purchase option under a $5.5 million aircraft lease agreement (also part of the $130.5 million lease agreements entered into in December 2001). On June 30, 2003, the Company exercised its purchase options under its remaining operating leases and purchased the equipment for a total purchase price of $198.3 million, representing the equipment's fair market value based upon independent appraisals. The purchase price was financed utilizing the $145 million the Company received under its new capital lease agreement, with the balance being borrowed under the revolving credit facility. On March 4, 2005, the Company terminated this capital lease facility and paid off the remaining balance of $128.6 million utilizing borrowings under our revolving credit facility.

The Company also leases various storage facilities and has various air space under operating leases expiring individually through 2032. A portion of the Circus Circus facility in Reno is built on leased land with various operating leases expiring through 2033. The following is a schedule of future minimum rental payments required as of January 31, 2005 under operating leases that have lease terms in excess of one year (excluding the aforementioned capital lease, which was terminated on March 4, 2005):

Year ending January 31,	(in thousands)
2006	$ 1,103
2007	1,021
2008	689
2009	342
2010	291
Thereafter	5,163
	$ 8,609

Rent expense for all leases accounted for as operating leases was as follows:

	Year ended January 31,		
	2005	2004	2003
	(in thousands)		
Operating rent expense	$ 1,407	$ 21,637	$ 51,125

Note 13. Income Taxes

The Company accounts for income taxes according to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires the recognition of deferred tax assets, net of applicable reserves, related to net operating loss carryforwards and certain temporary differences. The standard requires recognition of a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied. At January 31, 2005, the Company believes that its deferred tax assets are fully realizable because of the future reversal of existing taxable temporary differences and projected taxable income in the future. Accordingly, there is no valuation allowance at January 31, 2005.

The components of the provision for income taxes were as follows:

	Year ended January 31,		
	2005	2004	2003
	(in thousands)		
Current			
Federal	$ 125,607	$ 50,896	$ 46,446
State	2,521	821	1,504
	128,128	51,717	47,950
Deferred (see below)			
Federal	2,326	30,754	29,919
	$ 130,454	$ 82,471	$ 77,869

The Company recognized a tax benefit of $12.5 million, $44.9 million and $15.0 million related to the exercise of stock options for the fiscal years ended January 31, 2005, 2004 and 2003, respectively. Such amounts reduced current taxes payable and increased additional paid-in capital. The Company

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also recognized a tax benefit of $8.3 million and $7.1 million related to the tax deductibility of interest expense attributable to the convertible debt issue for the fiscal years ended January 31, 2005 and 2004.

The components of deferred income tax expense were as follows:

	Year ended January 31,		
	2005	2004	2003
	(in thousands)		
Additional depreciation resulting from the use of accelerated methods for tax purposes	$ 6,048	$ 22,249	$ 15,077
Restricted stock expense not currently deductible for tax purposes	(5,666)		
Effect of expensing preopening costs for financial statement purposes versus amortizing over five years for tax purposes	515	3,658	3,830
Pension plan expense not deductible for tax purposes and market value adjustment	(3,325)	(1,313)	(3,969)
Book reserve for bad debts not deductible for tax purposes until written off	1,206	4,717	2,884
Difference between book and tax basis of investments in unconsolidated affiliates	5,244	4,215	1,797
Prepaid gaming taxes	219	(687)	1,289
Entertainment production costs		204	1,314
Property tax	750	(783)	1,382
Worker's compensation	(1,555)	(624)	395
Other, net	(1,110)	(882)	5,920
	$ 2,326	$ 30,754	$ 29,919

The reconciliation of the difference between the federal statutory tax rate and the Company's effective tax rate was as follows:

	Year ended January 31,		
	2005	2004	2003
	(in thousands)		
Federal statutory tax rate	35.0%	35.0%	35.0%
Nondeductible goodwill impairment			1.3
Nondeductible merger costs	1.1		
Other, net	0.2	0.5	3.9
Effective tax rate	36.3%	35.5%	40.2%

The income tax effects of temporary differences between financial and income tax reporting that gave rise to deferred income tax assets and liabilities at January 31, 2005 and 2004, were as follows:

	January 31,	
	2005	2004
	(in thousands)	
Deferred tax liabilities		
Property and equipment	$ 236,211	$ 232,366
Investments in unconsolidated affiliates	19,022	12,860
Other	24,500	15,358
Gross deferred tax liabilities	279,733	260,584
Deferred tax assets		
Accrued vacation benefits	8,576	9,425
Bad debt reserve	3,326	4,533
Preopening expenses	824	1,335
Pension plan	52,040	24,660
Other	14,121	7,069
Gross deferred tax assets	78,887	47,022
Net deferred tax liabilities	$ 200,846	$ 213,562

Note 14. Employee Retirement Plans

Approximately 39% of the Company's employees (excluding unconsolidated affiliates) are covered by union-sponsored, collectively bargained, multi-employer defined benefit pension plans. The Company contributed $15.0 million, $13.7 million and $11.0 million during the years ended January 31, 2005, 2004 and 2003, respectively, for such plans. These contributions are determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of hours worked.

The Company also has a profit sharing and investment plan covering primarily nonunion employees who are at least 21 years of age and have at least one year of service. The plan is a voluntary defined contribution plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974. The plan allows for investments in the Company's common stock as one of the investment alternatives. The Company's contributions to this plan include "automatic" contributions based on employees' years of service, and "matching" contributions based on employees' contributions. Employees vest in Company contributions over a period of six years. MotorCity Casino also has a profit sharing and investment plan covering primarily union employees. Contributions to both plans are funded with cash and totaled approximately $9.7 million, $7.6 million and $7.2 million in the years ended January 31, 2005, 2004 and 2003.

On June 18, 1998, the Company adopted a Supplemental Executive Retirement Plan ("SERP"). The SERP is a defined benefit plan pursuant to which the Company pays supplemental pension benefits to certain key employees upon retirement based upon the employees' years of service, compensation and SERP tier. The Company uses a measurement date of January 31 for its SERP.

The change in benefit obligation for the SERP was as follows:

	2005	2004
	(in thousands)	
Benefit obligation at beginning of year	$ 106,775	$ 74,105
Service cost	5,739	4,640
Interest cost	6,451	4,894
Additional liability (1)	1,800	
Actuarial loss	52,655	24,121
Benefits paid	(1,026)	(985)
Benefit obligation at end of year	$ 172,394	$ 106,775

The fair value of plan assets for the SERP was as follows:

	2005	2004
	(in thousands)	
Fair value of plan assets at end of year (2)		

Amounts recognized in the consolidated balance sheets related to the SERP were as follows:

	2005	2004
	(in thousands)	
Funded status	$ (172,394)	$ (106,775)
Unrecognized actuarial loss	101,464	51,742
Unrecognized prior service cost	20,801	20,417
Net liability recognized	$ (50,129)	$ (34,616)

	2005	2004
	(in thousands)	
Accrued benefit cost	$ (169,974)	$ (90,869)
Intangible asset	20,801	20,417
Accumulated other comprehensive loss (3)	99,044	35,836
Net liability recognized	$ (50,129)	$ (34,616)

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2005	2004
	(in thousands)	
Projected benefit obligation	$ 172,394	$ 106,775
Accumulated benefit obligation	169,974	90,869
Fair value of plan assets		

The weighted-average assumptions used to determine benefit obligations at January 31 were as follows:

	2005	2004

Discount rate	5.2%	6.1%
Rate of compensation increase tier I	4.0%	4.0%
Rate of compensation increase tiers II and III	2.5%	2.5%

The components of net periodic pension cost were as follows:

	Year ended January 31,		
	2005	2004	2003
	(in thousands)		
Service cost	$ 5,739	$ 4,640	$ 3,490
Interest cost	6,451	4,894	3,979
Amortization of prior service cost	1,416	1,416	1,402
Recognized net actuarial loss	2,933	1,444	761
Net periodic pension cost (4)	$ 16,539	$ 12,394	$ 9,632

The weighted-average assumptions used to determine net periodic benefit costs were as follows:

	Year ended January 31,		
	2005	2004	2003
Discount rate	6.1%	6.7%	7.3%
Expected long-term return on plan assets (5)	N/A	N/A	N/A
Rate of compensation increase tier I	4.0%	3.0%	3.0%
Rate of compensation increase tiers II and III	2.5%	3.0%	3.0%

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid over the next ten years:

Plan year ending January 31,	(in thousands)
2006	$ 5,170
2007	6,201
2008	7,991
2009	8,212
2010	8,597
2011 2015	61,930

(1) Consists of liability for prior service cost for new participants, plus certain prior year adjustments relating to years of credited service and compensation.

(2) This plan is a non-qualified retirement plan and contains no plan assets. While the SERP is an unfunded plan, the Company is informally funding the plan through life insurance contracts on the participants. The life insurance contracts had cash surrender values of $69.9 million, $53.7 million and $35.2 million at January 31, 2005, 2004 and 2003, respectively. The life insurance contracts had a face value of $174.5 million at January 31, 2005. The cash surrender value is included in other investments. See Note 6.

(3) Amount recorded in the Consolidated Statement of Stockholders' Equity is net of income tax of $34.7 million, $12.5 million and $6.1 million in the years ended January 31, 2005, 2004 and 2003, respectively.

(4) The periodic pension expense is included in departmental expenses.

(5) Since the plan is an unfunded non-qualified pension plan, the expected long-term rate of return on assets is not applicable.

Note 15. Stock Options and Restricted Stock

The Company has various stock incentive plans for executive, managerial and supervisory personnel, as well as the Company's outside directors and consultants. All of the plans permit grants of options, and two of the plans also permit the grant of performance shares and restricted stock awards relating to the Company's common stock. As of January 31, 2005, the awards granted pursuant to these plans were stock options, which are generally exercisable in one or more installments beginning not less than six months after the grant date, and restricted stock, which generally vests ratably over three or five years. As of January 31, 2005, the total remaining shares available for grant under these plans (as options, performance shares, or restricted stock) was 2,056,249.

Summarized information for stock options was as follows:

	Year ended January 31,					
	2005		2004		2003	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	1,744,302	$ 21.19	7,805,569	$ 17.39	9,897,371	$ 16.24
Granted			70,000	29.31	185,000	27.22
Exercised	(989,668)	20.15	(6,086,467)	16.39	(2,232,668)	13.12
Canceled	(2,500)	23.88	(44,800)	23.92	(44,134)	16.88
Outstanding at end of year	752,134	22.55	1,744,302	21.19	7,805,569	17.39
Options exercisable at end of year	223,934	22.79	216,868	20.01	5,098,535	15.79
Options available for grant at end of year	2,056,249		3,196,474		3,257,324	

The following table summarizes information about stock options outstanding and exercisable at January 31, 2005.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (yrs)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$11.25 to $24.00	480,934	5.86	$ 19.84	135,734	$ 19.75
24.38 to 33.54	261,200	7.26	26.97	86,200	27.23
37.64 to 37.64	10,000	8.55	37.64	2,000	37.64
	752,134		22.55	223,934	22.79

Summarized information for unvested restricted stock was as follows:

	Year ended January 31,		
	2005	2004	2003
Unvested at beginning of year	20,250		
Granted	1,145,425	24,300	
Vested	(6,750)		
Canceled	(700)	(4,050)	
Unvested at end of year	1,158,225	20,250	

The effect of restricted stock grants is to increase the issued and outstanding shares of the Company's common stock and decrease the number of shares available for grant in the plan. Deferred compensation is recorded for the restricted stock grants equal to the market value of the Company's common stock on the date of the grant. The deferred compensation is amortized over the period the restricted stock vests and is recorded as compensation expense in the accompanying Consolidated Statements of Income. The Company recorded compensation expense of $16.5 million in fiscal 2005 and $156,000 in fiscal 2004.

Note 16. Stock Related Matters

On July 14, 1994, the Company declared a dividend of one common stock purchase right (the "Rights") for each share of common stock outstanding at the close of business on August 15, 1994. Each Right entitles the holder to purchase from the Company one share of common stock at an exercise price of $125, subject to certain antidilution adjustments. The Rights become exercisable ten days after the earlier of an announcement that an individual or group has acquired 15% or more of the Company's outstanding common stock or the announcement of commencement of a tender offer for 15% or more of the Company's common stock.

On June 16, 2004, Mandalay and MGM MIRAGE jointly announced that they had entered into a definitive merger agreement pursuant to which MGM MIRAGE will acquire Mandalay for $71.00 in cash for each outstanding share of common stock of Mandalay. The transaction is structured as a merger of a wholly owned subsidiary of MGM MIRAGE with and into Mandalay. The transaction, which was approved by Mandalay's stockholders on December 10, 2004, is subject to the satisfaction of customary closing conditions contained in the definitive merger agreement, including the receipt of all necessary regulatory and governmental approvals. Accordingly, there can be no assurance as to when, or if, the transaction will be consummated. (See Note 1 Summary of Significant Accounting Policies.)

On June 15, 2004, Mandalay amended its rights agreement to provide, among other things, that neither MGM MIRAGE, nor MGM MIRAGE Acquisition #61 or any affiliate or associate of either shall be deemed to be an acquiring person either individually or collectively, by virtue of (i) the announcement of the merger, (ii) the acquisition of common stock of Mandalay pursuant to that merger, (iii) the execution of the related merger agreement, or (iv) the consummation of the merger or the other transactions contemplated by the merger agreement. On August 2, 2004 the rights agreement was further amended to extend from August 15, 2004 to August 15, 2014 the date the rights issued under the rights agreement will expire, subject to Mandalay's right to extend that date, unless the rights are earlier redeemed or exchanged by Mandalay or terminated.

In the event the Rights become exercisable, each Right (except the Rights beneficially owned by the acquiring individual or group, which become void) would entitle the holder to purchase, for the exercise price, a number of shares of the Company's common stock having an aggregate current market value equal to two times the exercise price. The Rights expire August 15, 2014, and may be redeemed by the Company at a price of $.01 per Right any time prior to their expiration or the acquisition of

15% or more of the Company's common stock. The Rights should not interfere with any merger or other business combination approved by the Company's Board of Directors and are intended to cause substantial dilution to a person or group that attempts to acquire control of the Company on terms not approved by the Board of Directors.

The Company is authorized to issue up to 75 million shares of $.01 par value preferred stock in one or more series having such respective terms, rights and preferences as are designated by the Board of Directors. No preferred stock has yet been issued.

In June 2001, the Board of Directors authorized the purchase of up to 15% of Mandalay's common stock which remained outstanding after a prior share purchase authorization was fully utilized. In March 2003, the Board authorized the purchase of up to an additional 10 million shares of Mandalay's common stock that remain outstanding after the Board of Directors' prior authorization is fully utilized. On March 31, 2003, the Company purchased the remaining 3.3 million shares under its equity forward agreements for $100 million (discussed more fully in Note 17). As of January 31, 2005, the number of additional shares the Company was authorized to purchase was approximately 10.3 million. Any share purchases the Company may make in the future pursuant to this authorization will be dependent upon market conditions, and are expected to be made in accordance with the volume and other limitations of Rule 10b-18 under the Securities Exchange Act of 1934.

During the years ended January 31, 2005 and 2004, other than as described above, the Company did not purchase any shares of its common stock. In fiscal 2003, the Company purchased 7.5 million shares of its common stock at a cost of $220.9 million. These amounts do not include interim settlements or the final settlement under the Company's equity forward agreements, as discussed in Note 17.

Note 17. Equity Forward Agreements

To facilitate its purchase of shares of its common stock, the Company entered into equity forward agreements with Bank of America ("B of A" or "the Bank") providing for the Bank's purchase of up to an agreed amount of the outstanding common stock. Bank of America acquired a total of 6.9 million shares at a total cost of $138.7 million under these agreements. Pursuant to the interim settlement provisions and an amendment to the agreements, the Company had received a net of 3.6 million shares and reduced the notional amount of the agreements by $38.7 million as of January 31, 2003. On March 31, 2003, the Company purchased the remaining 3.3 million shares from B of A for the notional amount of $100 million. The settlement was funded under the Company's revolving credit facility.

The Company incurred quarterly interest charges on the notional amount at a rate equal to LIBOR plus 1.95%. Total interest charges incurred from inception through March 31, 2003 amounted to $12.3 million. The Company also incurred structuring fees and commissions totaling $3.7 million. These interest charges and other fees are included in the cost of treasury stock, net of the related tax benefit.

Note 18. Commitments and Contingent Liabilities

Detroit

The Company participates with the Detroit-based Atwater Casino Group in a joint venture that owns and operates a casino in Detroit, Michigan. This joint venture is one of three groups which negotiated casino development agreements with the City of Detroit. The Company has a 53.5% ownership interest in the joint venture.

On August 2, 2002, the Detroit City Council approved a revised development agreement between the joint venture and the City of Detroit (the "Revised Development Agreement"). Under the Revised Development Agreement, MotorCity Casino is to be expanded into a permanent facility at its current

location. The permanent facility is currently expected to include 100,000 square feet of casino space, a 400-room hotel, a 1,200-seat theater, convention space, and additional restaurants, retail space and parking. Depending upon market conditions, the availability of additional land and the joint venture's ability to obtain reasonable financing, the joint venture could be required to construct an additional 400 rooms. Under the terms of this agreement, the joint venture had paid the City a total of $44.0 million as of January 31, 2005. Also, beginning January 1, 2006, the joint venture is to pay the City 1% of its adjusted casino revenues. If its casino revenues top $400 million in any given calendar year, the payment will be increased to 2% for that calendar year.

Originally, the joint venture's permanent facility was to have been located on land along the Detroit River. The City's Economic Development Corporation issued bonds to finance the City's acquisition of that land, and Bank of America issued letters of credit totaling $49.4 million to secure (and ultimately make) the payments of principal and interest on those bonds. Mandalay then issued letters of credit totaling $49.4 million to back Bank of America's letters of credit. The Company will continue to provide such letters of credit. As part of the Revised Development Agreement, the joint venture will forego the right to receive any of the riverfront land acquired by the City, and will transfer to the City its interest in certain real property previously purchased by the joint venture and the other casino developers. Both the joint venture and Mandalay are subject to a radius restriction prohibiting them from operating additional casinos within approximately 150 miles of Detroit, so long as the laws of the state are not amended to permit more than three casinos within the radius. Additionally, the joint venture is required to indemnify the City for up to $20 million in claims against the City in connection with the acquisition of the riverfront land and in connection with the *Lac Vieux* litigation described below.

The Company has committed to contribute 20% of the costs of the permanent facility in the form of an investment in the joint venture. The joint venture will seek to borrow any additional funds (above Mandalay's equity contribution) which may be necessary to complete the expanded permanent facility. Under the operating agreement, the project costs are to be reviewed every six months. As of January 31, 2005, the Company had contributed 20% of the project costs as most recently determined. The cost of the additional facilities (excluding land, capitalized interest and preopening expenses) is currently estimated to be $275 million. Under the Revised Development Agreement, the Company guaranteed completion of the expanded facility and entered into a keep-well agreement with the City that could require it to contribute additional funds to continue operation of the expanded facility until two years following the execution of the completion guarantee and keep-well agreement. There is no contractual limitation on the amount that the Company may be required to contribute under the completion guarantee or the keep-well agreement. However, based on the performance of the casino to date, the Company does not expect that these obligations will require the outlay of additional capital.

The joint venture's $150 million credit facility matured June 30, 2003. The Company had guaranteed this credit facility.

Under the terms of the joint venture's operating agreement, Mandalay is to receive a management fee for a period of ten years equal to 1.5% of the cost of the permanent casino facility. The management committee of the joint venture initially determined that Mandalay was entitled to the management fee commencing on the date the Revised Development Agreement was signed, since that agreement provided for the existing facility to become the permanent facility. The management committee ultimately determined that the management fee should not be paid until the permanent casino expansion is completed. As a result, the Company reversed previously accrued management fee income of $1.8 million in the second quarter ended July 31, 2003.

Various lawsuits have been filed in the state and federal courts challenging the constitutionality of the Casino Development Competitive Selection Process Ordinance and the Michigan Gaming Control and Revenue Act, and seeking to appeal the issuance of a certificate of suitability and casino license to

MotorCity Casino. A decision by the Sixth Circuit Court of Appeals in *Lac Vieux Desert Band of Lake Superior Chippewa Indians v. The Michigan Gaming Control Board et al*. held that the ordinance in its current form was unconstitutional and remanded the case to the District Court. The Michigan Gaming Control Board ("MGCB") took the ruling of the Sixth Circuit Court of Appeals under advisement without comment. The District Court declared that the ordinance in its current form is unconstitutional and awarded the Lac Vieux Band attorneys' fees and costs totaling $545,094, but rejected the Lac Vieux Band's request to require a rebidding of the three casino licenses, and in addition, rejected the Lac Vieux Band's request to enjoin the City of Detroit from entering into revised development agreements with the three casino developers, including MotorCity Casino. The Lac Vieux Band has appealed the District Court's decision to the Sixth Circuit Court of Appeals. The Sixth Circuit Court of Appeals issued an opinion granting the Lac Vieux Band's motion for an injunction pending appeal, that temporarily enjoins the City of Detroit from issuing building permits for the permanent casino facilities and temporarily enjoins the casino developers from commencing construction of the permanent casino facilities.

The Lac Vieux Band filed a separate action in the Gogebic County, Michigan, Circuit Court entitled *Lac Vieux Desert Band of Lake Superior Chippewa Indians v. Michigan Gaming Control Board,* in which the Lac Vieux Band requested the Circuit Court to enter an order requiring the MGCB to revoke the casino licenses issued to the three Detroit casinos, including MotorCity Casino. As a result of the settlement agreement discussed below, this action has been dismissed.

On November 26, 2003, we announced that MotorCity Casino had signed a settlement agreement with the Lac Vieux Desert Band of Lake Superior Chippewa Indians. On April 9, 2004, the District Court approved the settlement. On April 23, 2004, MotorCity paid to the Lac Vieux Tribe $1.5 million plus $500,000 in attorney's fees. MGM MIRAGE has appealed the approval of the settlement and the injunction remains in place. Because approval of the settlement agreement was subsequently appealed, all further settlement payments were suspended pending resolution of the appeal. These payments include $1.5 million due 30 days after the first payment, $5.75 million due on the first and second anniversaries of the first payment and $1 million due annually for 25 years, beginning on the third anniversary of the first payment. If the Sixth Circuit Court of Appeals ultimately affirms the approval of the settlement agreement, then, absent filing of another adverse claim, the payment schedule will be reinstated and MotorCity Casino will have to immediately pay all amounts that otherwise would have been due during the period of suspension (plus interest). The occurrence of certain events would suspend, lower and/or terminate the payments. There can be no assurance as to when final resolution will occur with respect to this matter, or what action the courts might take. These payments would satisfy the joint venture's obligations under an indemnity agreement with respect to the Lac Vieux litigation claims. However, the joint venture would still be liable under the indemnity agreement for claims related to the acquisition of the riverfront land, which potentially are capped at $4 million.

Any future adverse ruling by the courts in the above lawsuits or in other lawsuits, or any adverse ruling by the MGCB, could affect the joint venture's operation of its current facility, as well as its ability to retain its certificate of suitability and casino license for its expanded permanent facility. No assurance can be given regarding the timing or outcome of any of these proceedings.

The joint venture's operation of MotorCity Casino is subject to ongoing regulatory oversight, and its ability to proceed with an expanded hotel/casino project is contingent upon the receipt of all necessary governmental approvals, successful resolution of pending litigation and satisfaction of other conditions.

For information concerning an agreement to sell the Company's 53.5% interest in this property if Mandalay's proposed merger with a wholly owned subsidiary of MGM MIRAGE is consummated, see "Pending Merger Pursuant to which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in Note 1.

Shareholder Litigation

The Company and its directors were named defendants in *Stephen Ham, Trustee for the J.C. Ham Residuary Trust v. Mandalay Resort Group, et al.*, Case No. A487100, which was filed on June 11, 2004 in the 8th Judicial District Court for Clark County, Nevada, and *Robert Lowinger v. Mandalay Resort Group, et al*., Case No. A486782, which was filed on June 7, 2004 also in the 8th Judicial District Court for Clark County, Nevada. Both of these actions make claims concerning the announced merger between the Company and MGM MIRAGE, including claims of breach of fiduciary duty against the Company's directors, and seek injunctive relief and unspecified monetary damages. The plaintiffs in both actions agreed that the Company and the directors did not need to respond to the pending complaints, as they intended to file a joint amended complaint and consolidate both actions. On December 3, 2004, the plaintiff in *Ham* filed a motion for temporary restraining order and motion for preliminary injunction enjoining the Mandalay shareholder vote on the proposed merger and for an order shortening time to allow plaintiff to conduct expedited discovery. The Company moved to dismiss the amended complaint on April 4, 2005. The court has not yet ruled on that motion.

Slot Machine Litigation

On April 26, 1994, William H. Poulos brought a class action in the U.S. District Court for the Middle District of Florida, Orlando Division captioned *William H. Poulos, et al. v. Caesars World, Inc. et al.*, against 41 manufacturers, distributors and casino operators of video poker and electronic slot machines, including Mandalay. On May 10, 1994, another plaintiff filed a class action complaint in the United States District Court for the Middle District of Florida in *William Ahearn, et al. v. Caesars World, Inc. et al.* alleging substantially the same allegations against 48 defendants, including Mandalay. On September 26, 1995, a third action was filed against 45 defendants, including Mandalay, in the U.S. District Court for the District of Nevada in *Larry Schreier, et al. v. Caesars World, Inc. et al*. The court consolidated the three cases in the U.S. District Court for the District of Nevada under the case captioned *William H. Poulos, et al. v. Caesars World, Inc. et al.*

The consolidated complaints allege that the defendants are involved in a scheme to induce people to play electronic video poker and slot machines based on false beliefs regarding how such machines operate and the extent to which a player is likely to win on any given play. The actions included claims under the Federal Racketeering Influenced and Corrupt Organizations Act, as well as claims of common law fraud, unjust enrichment and negligent misrepresentation, and seek unspecified compensatory and punitive damages. A motion for class certification was filed in March 1998. On June 26, 2002, the Motion for Class Certification was denied. Subsequently, the Plaintiffs sought permission from the Ninth Circuit Court of Appeals to appeal the issue of class certification and the Court of Appeals granted the Plaintiffs' motion. The appeal was heard and the Court of Appeals upheld the denial of class certification. Thus, the named Plaintiffs now can only proceed individually. Discovery is currently underway and the trial date has been set for September 12, 2005. Currently pending before the Court is Defendants' Motion for Partial Summary Judgment.

Other

The Company is a defendant in various pending litigation. In management's opinion, the ultimate outcome of such litigation will not have a material effect on the results of operations or the financial position of the Company.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Mandalay Resort Group
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Mandalay Resort Group and subsidiaries (the "Company") as of January 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2005. Our audits also included the financial statement schedule of Valuation and Qualifying Accounts included in Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We did not audit the 2002 financial statements of Elgin Riverboat Resort-Riverboat Casino, owner of Grand Victoria Casino, the Company's investment in which is accounted for by use of the equity method. Grand Victoria Casino's net income for the 2002 year of $48,998,000 is included in the accompanying financial statements. The 2002 financial statements of Grand Victoria Casino were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such entity for 2002, is based solely on the report of such other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of Mandalay Resort Group and subsidiaries as of January 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As described in Note 4, to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", as of February 1, 2002.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of January 31, 2005, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 18, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Las Vegas, Nevada
April 18, 2005

Management's Report on Financial Statements

The Company is responsible for preparing the consolidated financial statements and related information appearing in this report. Management believes that the financial statements present fairly the Company's financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States. In preparing its financial statements, the Company is required to include amounts based on estimates and judgments which management believes are reasonable under the circumstances.

The Company maintains accounting and other control systems designed to provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. Compliance with these systems and controls is reviewed through a program of audits by an internal audit staff.

The Board of Directors fulfills its responsibility for the Company's financial statements through its audit committee, which is composed solely of directors who are not Company officers or employees. The audit committee meets from time to time with the independent public accountants, management and the internal auditors. The independent public accountants have direct access to the audit committee, with or without the presence of management representatives.

SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Fiscal year ended January 31, 2005				
(in thousands, except per share amounts)	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**Total**
Net revenues	$ 729,368	$ 713,840	$ 720,323	$ 645,612	$ 2,809,143
Income from operations	199,686	155,546	167,034	91,166	613,432
Income before provision for income taxes	134,538	92,134	102,836	30,008	359,516
Net income	87,328	58,214	67,107	16,413	229,062
Basic earnings per share (1)	$ 1.32	$ 0.86	$ 0.99	$ 0.24	$ 3.41
Diluted earnings per share (1)	$ 1.30	$ 0.85	$ 0.99	$ 0.23	$ 3.31

	Fiscal year ended January 31, 2004				
(in thousands, except per share amounts)	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**Total**
Net revenues	$ 616,510	$ 644,835	$ 625,620	$ 604,134	$ 2,491,099
Income from operations	137,047	135,804	124,009	93,581	490,441
Income before provision for income taxes	68,823	65,487	62,359	35,649	232,318
Net income	44,046	42,336	40,642	22,823	149,847
Basic earnings per share (1)	$ 0.72	$ 0.71	$ 0.65	$ 0.35	$ 2.40
Diluted earnings per share (1)	$ 0.69	$ 0.67	$ 0.63	$ 0.35	$ 2.31

(1) Because earnings per share amounts are calculated using the weighted-average number of common and dilutive common equivalent shares outstanding during each quarter, the sum of the per share amounts for the four quarters may not equal the total earnings per share amounts for the year.

ELGIN RIVERBOAT RESORT RIVERBOAT CASINO

BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

	2004	2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 37,266,131	$ 40,965,837
Accounts receivable net of allowance for doubtful accounts of $17,600 and $21,000, respectively	329,814	445,460
Inventories	469,219	583,565
Prepaid expenses	840,573	743,269
Total current assets	38,905,737	42,738,131
Property and equipment net	60,646,713	66,151,753
Other assets	93,900	68,900
Total assets	$ 99,646,350	$ 108,958,784
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,176,978	$ 562,272
Accrued liabilities	32,112,144	35,011,742
Total current liabilities	33,289,122	35,574,014
Total liabilities	33,289,122	35,574,014
Commitments and Contingencies		
Partners' equity	66,357,228	73,384,770
Total liabilities and partners' equity	$ 99,646,350	$ 108,958,784

See notes to financial statements.

ELGIN RIVERBOAT RESORT RIVERBOAT CASINO

STATEMENTS OF INCOME

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2004

	2004	2003	2002
Revenues:			
Casino	$ 386,213,307	$ 370,145,041	$ 392,973,373
Food and beverage	21,624,097	22,297,214	28,093,250
Admissions and other	17,707,292	15,311,528	12,052,427
	425,544,696	407,753,783	433,119,050
Less: promotional allowances	(29,614,733)	(28,596,456)	(30,250,504)
	$ 395,929,963	$ 379,157,327	$ 402,868,546
Operating Expenses:			
Casino	$ 281,191,444	$ 249,910,875	$ 228,234,291
Food and beverage	7,847,729	6,890,486	6,513,115
General and administrative	26,801,153	32,137,450	44,947,987
Depreciation and amortization	9,851,056	9,765,740	8,422,486
Other operating expenses	17,969,864	14,149,922	12,684,712
	343,661,246	312,854,473	300,802,591
Operating income	52,268,717	66,302,854	102,065,955
Other income:			
Interest income	203,741	241,614	617,223
	203,741	241,614	617,223
Net income	$ 52,472,458	$ 66,544,468	$ 102,683,178

See notes to financial statements.

ELGIN RIVERBOAT RESORT RIVERBOAT CASINO

STATEMENTS OF PARTNERS' EQUITY

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2004

	Nevada Landing Partnership	RBG, L.P.	Total
BALANCE, December 31, 2001	$ 42,578,562	$ 42,578,562	$ 85,157,124
Net income	51,341,589	51,341,589	102,683,178
Distributions to partners	(50,750,000)	(50,750,000)	(101,500,000)
BALANCE, December 31, 2002	43,170,151	43,170,151	86,340,302
Net income	33,272,234	33,272,234	66,544,468
Distributions to partners	(39,750,000)	(39,750,000)	(79,500,000)
BALANCE, December 31, 2003	36,692,385	36,692,385	73,384,770
Net income	26,236,229	26,236,229	52,472,458
Distributions to partners	(29,750,000)	(29,750,000)	(59,500,000)
BALANCE, December 31, 2004	$ 33,178,614	$ 33,178,614	$ 66,357,228

See notes to financial statements.

ELGIN RIVERBOAT RESORT RIVERBOAT CASINO

STATEMENTS OF CASH FLOWS

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2004

	2004	2003	2002
Cash Flows From Operating Activities:			
Net income	$ 52,472,458	$ 66,544,468	$ 102,683,178
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,851,056	9,765,740	8,422,486
Changes in assets and liabilities:			
Accounts receivable	115,646	221,083	134,807
Inventories	114,346	(13,014)	(151,524)
Prepaid expenses	(97,304)	928,708	(328,552)
Other assets	(25,000)		(12,500)
Accounts payable	614,706	(243,389)	398,793
Accrued liabilities	(2,899,598)	(12,504,027)	(4,673,702)
Net cash provided by operating activities	60,146,310	64,699,569	106,472,986
Cash Flows From Investing Activities:			
Capital expenditures	(4,346,016)	(6,404,431)	(6,426,667)
Net cash used in investing activities	(4,346,016)	(6,404,431)	(6,426,667)
Cash Flows From Financing Activities:			
Distributions to partners	(59,500,000)	(79,500,000)	(101,500,000)
Net cash used in financing activities	(59,500,000)	(79,500,000)	(101,500,000)
Net decrease in cash and cash equivalents	(3,699,706)	(21,204,862)	(1,453,681)
Cash and Cash Equivalents:			
Beginning of year	40,965,837	62,170,699	63,624,380
End of year	$ 37,266,131	$ 40,965,837	$ 62,170,699

See notes to financial statements.

ELGIN RIVERBOAT RESORT RIVERBOAT CASINO
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004 AND 2003 AND
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2004

1. BUSINESS

Elgin Riverboat Resort Riverboat Casino (the "Joint Venture"), doing business as the Grand Victoria Casino, was formed in December 1992, as a partnership, under the Joint Venture Agreement between Nevada Landing Partnership and RBG, L.P., in which each partner owns a 50%.

The Joint Venture is licensed by the Illinois Gaming Board (the "IGB") to own and operate a riverboat casino on the Fox River in Elgin, Illinois. The original license, issued on October 6, 1994, was valid for 3 years. On October 17, 2000, the IGB approved the renewal of the license for a term of 4 years. The Joint Venture filed an application for renewal in a timely and sufficient manner, but the Illinois Gaming Board has not taken action to approve the application. Accordingly, the Joint Venture's license to operate continues to be in effect with all privileges and responsibilities until such action is taken.

On January 21, 2003, the Joint Venture and the IGB settled a complaint for alleged violations of the Illinois Riverboat Gambling Act and the IGB's Adopted Rules after the Joint Venture agreed to pay a fine of $3,200,000. The amount was charged to general and administrative expenses in 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Casino Revenues In accordance with industry practice, the Joint Venture recognizes as casino revenues the net win from gaming activities, which is the difference between gaming wins and losses.

Promotional Allowances The retail value of admissions, food and beverage, and other complimentary items furnished to customers without charge is included in gross revenue and then deducted as promotional allowances. The estimated costs of providing such promotional allowances have been included in casino expenses as follows:

	2004	2003	2002
Admissions and other	$ 15,994,894	$ 13,277,760	$ 9,639,112
Food and beverage	11,959,889	12,883,072	16,677,766
	$ 27,954,783	$ 26,160,832	$ 26,316,878

Cash and Cash Equivalents The Joint Venture considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Joint Venture maintains cash balances at a financial institution in excess of federally insured limits.

Inventories Inventories, consisting of food, beverage, and gift shop items, are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Advertising Expense Advertising expenses are expensed as incurred. Advertising expense for the years ended December 31, 2004, 2003, and 2002 was $8,496,782, $5,007,946, and $3,334,814, respectively.

Property and Equipment Property, improvements, and equipment are stated at cost. The Joint Venture computes depreciation and amortization using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	39 years
Riverboat	20 years
Leasehold improvements	15 years
Furniture, fixtures, and equipment, and gaming equipment	2-7 years

Long-Lived Assets Long-lived assets are comprised of property and equipment. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Reserve for Slot Club Redemption The Company's player club allows customers to earn "points" based on the volume of their gaming activity. These points are redeemable for certain cash back incentives. The Joint Venture has accrued for the total liability of all points earned, but not redeemed by slot club members, less inactive players. Expenses incurred from actual point redemptions and the change in reserve for slot club redemption are presented as a reduction in casino revenues on the statements of income.

Income Taxes The financial statements of the Joint Venture do not reflect a provision for income taxes because the partners recognize their proportionate share of the Joint Venture's income in their individual tax returns.

Use of Estimates in the Preparation of Financial Statements The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Gaming and Admission Taxes The gaming tax payable to the IGB is based on annual graduated rates ranging from 15% to 70% of adjusted gross receipts (as defined). The maximum gaming tax rate increased from 35% to 50% in July 2002 and again from 50% to 70% in July 2003. The current rates for each range of adjusted gross receipts (in millions) are as follows:

Adjusted Gross Receipts	**Rate**
$0 $25	15.0%
$25 $37.5	27.5%
$37.5 $50	32.5%
$50 $75	37.5%
$75 $100	45.0%
$100 $250	50.0%
Over $250	70.0%

The Joint Venture also pays an admission tax to the IGB of $5 per person admitted.

3. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2004 and 2003 is as follows:

	2004	2003
Buildings	$ 29,170,069	$ 29,170,069
Riverboat	52,699,655	52,699,655
Leasehold improvements	5,517,891	5,517,891
Furniture, fixtures, and equipment, and gaming equipment	31,897,574	26,853,723
Construction in progress		697,835
Total property and equipment	119,285,189	114,939,173
Less accumulated depreciation and amortization	58,638,476	48,787,420
Property and equipment net	$ 60,646,713	$ 66,151,753

4. ACCRUED LIABILITIES

A summary of accrued liabilities at December 31, 2004 and 2003 is as follows:

	2004	2003
Accrued commitment to Grand Victoria Foundation and County of Kane	$ 14,319,915	$ 17,614,856
Reserve for progressive jackpots	5,430,039	4,738,946
Accrued payroll, vacation, benefits, and related taxes	3,433,854	4,002,070
Reserve for slot club redemptions	1,934,583	2,711,991
Accrued gaming, sales, and state withholding taxes	1,196,768	1,025,967
Unredeemed chip/token liability	1,056,835	943,709
Accrued property taxes	858,453	838,648
Accrued ground lease	649,172	575,252
Accrued promotions and advertising	585,000	453,130
Other	568,128	388,319
Unclaimed property liability	533,845	432,391
Accrued insurance liability	466,957	338,007
Accrued employees' tips	215,378	417,898
Accrued employee expenses payable to Mandalay Resort Group	210,945	247,458
Accrued audit and legal	200,000	158,100
Kane County Forest Preserve trust agreement	125,000	125,000
Unredeemed ticket vouchers	122,722	
Accrued penalties and fines	204,550	
Total accrued liabilities	$ 32,112,144	$ 35,011,742

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the short maturity of these instruments.

6. LEASES

In accordance with the Ground Lease and Development Agreement, as amended, (the "Agreement"), the Joint Venture leases land for a term of 10 years commencing with the initial

issuance of the IGB license, with the right to renew the Agreement for successive 5 year terms, not to exceed a total lease term of 30 years. The Agreement requires annual lease payments equal to the greater of (i) $107,195 or (ii) 3% of the Joint Venture's annual net operating income, as defined. The initial lease term expired in October 2004 and was renewed until October 31, 2009.

The future minimum lease commitments under the ground lease as of December 31, 2004 are as follows:

2005	$ 107,195
2006	107,195
2007	107,195
2008	107,195
2009	89,280

Rent expense for the years ended December 31, 2004, 2003, and 2002 was $2,370,415, $2,904,899, and $4,239,215, respectively.

7. COMMITMENTS AND CONTINGENCIES

Pursuant to the Fox River Trust Agreement, entered into on July 20, 1993, the Joint Venture has agreed to make certain payments to a trust fund for the benefit of the Fox River. Annual contributions of $500,000 commenced on October 6, 1995, the initial anniversary date of the issuance of the IGB license, and will continue for 12 successive years.

The Joint Venture has agreed to contribute to both the County of Kane and a foundation that has been established for the benefit of educational, environmental and economic development programs in the region. The total commitment is equal to 20% of adjusted net operating income, as defined. This commitment must be paid within 120 days of the end of the fiscal year for which it has been calculated. Donation expense for the years ended December 31, 2004, 2003, and 2002, was $14,319,915, $17,614,856, and $25,962,289, respectively.

The Joint Venture is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Joint Venture's financial position or results of operations.

8. RELATED-PARTY TRANSACTIONS

Employment expenses, including salaries, benefits, and incentives, for certain key Joint Venture employees, are paid by one of the Joint Venture Partners and then reimbursed by the Joint Venture.

9. 401(k) PLAN

The Joint Venture contributes to a defined contribution plan which provides for contributions in accordance with the plan document. The plan covers all eligible employees that have not opted out. The Joint Venture contributes a set dollar amount to all eligible employees as well as a matching contribution of 25% of employee contributions limited to a specified dollar amount as stated in the plan document. Contribution expense for the years ended December 31, 2004, 2003, and 2002 was $839,990, $760,174, and $704,673, respectively.

10. LETTER OF CREDIT

The Joint Venture has an irrevocable and unconditional letter of credit in the amount of $940,000 for the benefit of Zurich American Insurance Company and American Zurich Insurance Company (collectively "Zurich"). The letter of credit is being maintained as security for the reimbursement of deductibles or retention payments made on the Joint Venture's behalf by Zurich. The Joint Venture has provided cash deposits in the amount of $940,000 as collateral. The letter of credit expires on September 30, 2005 and is deemed automatically extended for one year, unless prior written notice is provided to Zurich.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Partners of the Elgin Riverboat Resort-Riverboat Casino

We have audited the accompanying balance sheets of Elgin Riverboat Resort-Riverboat Casino (the "Joint Venture") as of December 31, 2004 and 2003, and the related statements of income, partners' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Joint Venture's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Joint Venture is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Joint Venture's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Joint Venture as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Memphis, Tennessee
March 4, 2005

Report of Independent Accountants

To the Partners of the Elgin Riverboat Resort Riverboat Casino:

In our opinion, the accompanying balance sheets and the related statements of operations, partners' equity and cash flows present fairly, in all material respects, the financial position of Elgin Riverboat Resort Riverboat Casino ("Joint Venture") at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Joint Venture's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

January 21, 2003

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES.

(a)

Evaluation of Disclosure Controls and Procedures.

Our disclosure controls and procedures are controls and other procedures designed with the objective of ensuring that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 ("Exchange Act"), such as this report, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC"). Our disclosure controls and procedures are also designed with the objective of ensuring that the information required to be disclosed in our Exchange Act reports is accumulated and communicated to our management, including the chief executive officer ("CEO") and the chief financial officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, rather than absolute, assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

An evaluation was performed by management, with the participation of our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the CEO and CFO have concluded that, as of January 31, 2005, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b)

Management's Annual Report on Internal Control Over Financial Reporting.

Management's Responsibilities

Management is responsible for establishing and maintaining adequate internal control over financial reporting for Mandalay Resort Group (Mandalay) and its subsidiaries (collectively with Mandalay, the "Company"). As we use the term, "internal control over financial reporting" means a process designed by, or under the supervision of, Mandalay's principal executive and principal financial officers, and effected by Mandalay's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Mandalay's management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Objective of Internal Control Over Financial Reporting

In establishing adequate internal control over financial reporting, management has developed and maintained a system of internal control, policies and procedures designed to provide reasonable assurance that information contained in the accompanying consolidated financial statements and other information presented in this annual report is reliable, does not contain any untrue statement of a material fact or omit to state a material fact, and fairly presents in all material respects the financial condition, results of operations and cash flows of the Company as of and for the periods presented in this annual report. Significant elements of the Company's internal control over financial reporting include, for example:

Hiring skilled accounting personnel and training them appropriately;

Written accounting policies;

Written documentation of accounting systems and procedures;

Segregation of incompatible duties;

Internal audit function to monitor the effectiveness of the system of internal control; and

Oversight by an independent Audit Committee of the Board of Directors.

Management's Evaluation

Management has evaluated the Company's internal control over financial reporting using the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. During this evaluation, no material weakness in the Company's internal control over financial reporting was identified by management. Based on their evaluation as of January 31, 2005, management believes that the Company's internal control over financial reporting is effective in achieving the objectives described above.

Report of Independent Registered Public Accounting Firm

Deloitte & Touche LLP, which audited the Company's consolidated financial statements as of and for the period ended January 31, 2005 and issued their report thereon, has also issued an attestation report on management's assessment and on the effectiveness of the Company's internal control over financial reporting, which is set forth below.

(c)
Attestation report of the registered public accounting firm.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Mandalay Resort Group
Las Vegas, Nevada

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that Mandalay Resort Group and subsidiaries (the "Company") maintained effective internal control over financial reporting as of January 31, 2005, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control

over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of January 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2005, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended January 31, 2005 of the Company and our report dated April 18, 2005, expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
April 18, 2005

(d)

Changes in internal controls over financial reporting.

No changes in the Company's internal control over financial reporting occurred during the Company's fourth quarter of fiscal 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

During the fourth quarter of fiscal 2005, any information required to be reported on Form 8-K was properly reported.

On February 18, 2005, the Compensation Committee (the "Committee") of Mandalay's Board of Directors took the following actions:

(i) evaluated the performances of Michael S. Ensign, Mandalay's Chairman of the Board, Chief Executive Officer and Chief Operating Officer, William A. Richardson, Mandalay's Vice Chairman of the Board, and Glenn W. Schaeffer, Mandalay's President, Chief Financial Officer and a member of Mandalay's Board of Directors (the "Participants") for fiscal 2005, as measured by pre-established performance goals under Mandalay's 2000 Executive Officers' Bonus Plan (the "Plan"), and, in accordance with the pre-established performance goals, awarded to each Participant (a) a performance-based bonus equal to 65% of his base salary for achievement of the performance goal based on a net revenue performance target, plus (b) 55% of his base salary based on a performance goal relating to the comparison of Mandalay's cash flow margin to the cash flow margins of a pre-determined group of competitors;

(ii) awarded discretionary bonuses of $625,000 to Mr. Ensign, $550,000, to Mr. Richardson and $425,000 to Mr. Schaeffer, in each case representing 50% of the Participant's base salary for fiscal 2005;

(iii) established fiscal 2006 base salaries of $1,400,000 for Mr. Ensign, $1,200,000 for Mr. Richardson and $875,000 for Mr. Schaeffer;

(iv) established performance goals for determining the fiscal 2006 bonuses of the Participants under the Plan using the same pre-established performance goals utilized for fiscal 2005, which bonuses are contingent on a further approval of the Plan by shareholders prior to the end of fiscal 2006; and

(v) awarded special bonuses (which, if earned, would be in lieu of the bonuses referred to in clause (iv)) that are payable only if the merger with MGM MIRAGE closes before April 15, 2005, as follows: to Mr. Ensign a bonus equal to 154% of his fiscal 2006 base salary through the closing of the merger with MGM MIRAGE, to Mr. Richardson a bonus equal to 153% of his fiscal 2006 base salary through the closing of the merger with MGM MIRAGE and to Mr. Schaeffer a bonus of 143% of his fiscal 2006 base salary through the closing of the merger with MGM MIRAGE. Each special bonus represents a percentage of base salary equal to the average total percentage bonus paid to the Participant since the implementation of the Plan, including, in the case of fiscal 2002, the bonus as calculated before reflection of the Participant's voluntary reduction of that year's bonus due to the events of September 11, 2001.

On April 15, 2005, the Committee extended to April 30, 2005 the date by which the merger must close in order to receive the special bonuses described in (v), above.

The Committee's members are William E. Bannen, Jeffrey D. Benjamin and Rose McKinney-James.

On March 2, 2005, Mandalay's Board of Directors awarded "stay bonuses" of $800,000 to Yvette Landau, Mandalay's Vice President, General Counsel and Secretary and $742,000 to Les Martin, Mandalay's Vice President, Chief Accounting Officer and Treasurer. Payment of each bonus is conditioned upon the recipient continuing in his or her current capacity until the closing of the merger with MGM MIRAGE.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Incorporated herein by this reference is (i) the information beginning immediately following the question "What is the background of this year's nominees?" under the caption "Item 1 Election of Directors and Nominee Biographies" to, but not including, the caption "Compensation of Directors" in the proxy statement to be filed by Mandalay Resort Group with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended January 31, 2005 and forwarded to stockholders prior to the 2005 Annual Meeting of Stockholders (the "2005 Proxy Statement"), (ii) the information in the 2005 Proxy Statement beginning immediately following the caption "Board Committees and Meeting Attendance" to, but not including, the caption "Item 2 Ratification of Selection of Independent Auditors," and (iii) the information in the 2005 Proxy Statement beginning immediately following the caption "Section 16(a) Beneficial Ownership Reporting Compliance" to, but not including, the caption "General."

ITEM 11. EXECUTIVE COMPENSATION.

Incorporated herein by this reference is (i) the information in the 2005 Proxy Statement beginning immediately following the caption "Compensation of Directors" to, but not including, the caption "Board Committees and Meeting Attendance," (ii) the information in the 2005 Proxy Statement beginning immediately following the caption "Executive Compensation" to, but not including, the caption "Certain Transactions," and (iii) the information in the 2005 Proxy Statement beginning immediately following the caption "Compensation Committee Interlocks and Insider Participation" to, but not including, the caption "Report of the Audit Committee."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Incorporated herein by this reference is the information in the 2005 Proxy Statement beginning immediately following the caption "Stock Ownership of Certain Beneficial Owners and Management" to, but not including, the caption "Section 16(a) Beneficial Ownership Reporting Compliance."

Equity Compensation Plan Information. The following table gives information about our common stock that may be issued under our existing equity compensation plans as of January 31, 2005. Other than stock options, we did not have any warrants or other rights to acquire our common stock outstanding under our plans as of January 31, 2005.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	584,783	$ 22.69	2,036,349(2)
Equity compensation plan not approved by security holders (1)	167,351	$ 22.06	19,900
Total	752,134	$ 22.55	2,056,249

(1) Our 1998 Stock Option Plan, which is described below.

(2)

These shares are available for issuance upon the exercise of stock options and may also be issued as restricted stock or performance share awards under our 2002 Stock Incentive Plan.

On April 23, 1998 our Board of Directors adopted the 1998 Stock Option Plan (the "1998 Plan"), which provides for the issuance of options to purchase shares of Mandalay common stock to full-time salaried employees of Mandalay and its subsidiaries (other than excluded individuals) who have managerial, professional or supervisory responsibilities and consultants and advisors (other than excluded individuals) who render bona fide services to Mandalay and its subsidiaries, in each case, where the committee administering the plan determines that the individual has the capacity to make a substantial contribution to the success of Mandalay. Individuals who serve as executive officers of Mandalay (including its Chairman of the Board, Vice Chairman, President and Vice-Presidents) and directors of Mandalay are not permitted to receive options under the 1998 Plan. Any material revision of the plan that expands the scope of the plan, such as a material increase in the number of shares available under the plan (other than solely to reflect a reorganization, stock split, merger, spinoff or similar transaction) will require the approval of our stockholders under applicable requirements of the New York Stock Exchange where our common stock is listed. Otherwise, the 1998 Plan may be amended by the Board of Directors without the consent of stockholders, but no amendment may, without the consent of the holder of any options granted pursuant thereto, affect the holder's rights under those options. The number of individuals who are currently eligible to receive options under the 1998 Plan is approximately 2,800. The 1998 Plan, which originally provided for the issuance of options to purchase up to 3,000,000 shares, is administered by the Compensation Committee of Mandalay's Board of Directors which has the authority, subject to the limits imposed by the terms of the plan, to determine the persons to whom options are granted and the terms of those options.

No awards other than stock options may be granted under the 1998 Plan. The options granted under the 1998 Plan are not intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended. Each option granted under the plan must be granted at an exercise price which is not less than the fair market value of Mandalay's common stock on the grant date. The purchase price and the number and kind of shares that may be purchased upon the exercise of options granted pursuant to the plan, and the number of shares which may be issued pursuant to the plan, are subject to adjustment in certain events, including any stock split, recapitalization or reorganization. Each option granted under the plan may be for a term of not more than ten years and, by its terms, will not be transferable except by will or the laws of descent and distribution and may be exercised during the optionee's lifetime only by the optionee or the optionee's guardian or legal representative. If a stock option granted under the plan expires or is terminated, canceled or surrendered for any reason without being exercised in full, the shares of common stock which were subject to the unexercised portion of the stock option will again become available for issuance under that plan. Generally, each option granted under the plan, except as otherwise provided by the terms of the specific grant, will continue to be exercisable in the event of a termination of the optionee's employment or other relationship with Mandalay (but only to the extent exercisable at the time of such termination) for a period of three months or until such earlier date as the option expires by its terms. In the event of the optionee's total disability, an option becomes immediately exercisable in full for a period of six months or until the earlier date the option expires by its terms. Each option granted under the plan becomes immediately exercisable in full for a period of 12 months in the event of the optionee's death or until the earlier date the option expires by its terms. Specified acts of misconduct, such as dishonesty, disclosure of confidential information or the inability of the optionee to continue the optionee's relationship with Mandalay under any law or governmental regulation, including any gaming law or regulation, will result in the immediate termination of any options held by the optionee under the plan. The plan will remain in effect for a period of ten years following its adoption by our Board of Directors or until earlier terminated by our Board of Directors.

Upon consummation of the merger discussed under "Pending Merger Pursuant to Which Mandalay is to Become a Wholly Owned Subsidiary of MGM MIRAGE" in Item 1 of this report, (i) each outstanding unexercised option granted pursuant to the 1998 Plan, whether or not then vested or exercisable in accordance with its terms, will become exercisable in full immediately prior to, and

shall expire at, the merger's "Effective Time," and (ii) at the merger's "Effective Time," the option will be canceled and converted into the right to receive from MGM MIRAGE a lump sum cash payment equal to the product of the total number of shares of common stock subject to the option immediately prior to the Effective Time and the excess of $71.00 over the per share exercise price, less withholding taxes.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Incorporated herein by this reference is (i) the information in the 2005 Proxy Statement beginning immediately following the caption "Certain Transactions" to, but not including, the caption "Report of the Board of Directors and the Compensation Committee on Executive Compensation" and (ii) the information immediately following the caption "Compensation Committee Interlocks and Insider Participation" to, but not including, the caption "Report of the Audit Committee."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Incorporated herein by this reference is the information in the 2005 Proxy Statement beginning immediately following the caption "Fees to Independent Auditors" to, but not including, the caption "Executive Compensation."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Consolidated Financial Statements:

(a)(2) Supplemental Financial Statement Schedules:

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

	Balance at beginning of year	Charged to costs and expenses	Deductions	Balance at end of year
Year ended January 31, 2005				
2005 Allowance for doubtful accounts	$ 13,999	$ 879	$ 4,535	$ 10,343
2004 Allowance for doubtful accounts	27,270	2,105	15,376	13,999
2003 Allowance for doubtful accounts	35,404	7,165	15,299	27,270

(a)(3) Exhibits:

The following exhibits are filed as a part of this report or incorporated herein by reference:

3.1.1.	Restated Articles of Incorporation of the Registrant as of July 15, 1998 and Certificate of Amendment thereto, dated June 29, 1989. (Incorporated by reference to Exhibit 3(a) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1991 Commission File No. 1-8570.)
3.1.2.	Certificate of Division of Shares into Smaller Denominations, dated June 20, 1991. (Incorporated by reference to Exhibit 3(b) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1992 Commission File No. 1-8570.)
3.1.3.	Certificate of Division of Shares into Smaller Denominations, dated June 22, 1993. (Incorporated by reference to Exhibit 3(i) to the Registrant's Current Report on Form 8-K dated July 21, 1993 Commission File No. 1-8570.)
3.1.4.	Certificate of Amendment of Restated Articles of Incorporation of the Registrant, filed with the Office of the Secretary of State of Nevada on June 18, 1999. (Incorporated by reference to Exhibit 3(i) to the Registrant's Current Report on Form 8-K dated June 18, 1999 Commission File No. 1-8570.)
3.2.	Restated Bylaws of the Registrant dated April 30, 1999. (Incorporated by reference to Exhibit 3(ii) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1999 Commission File No. 1-8570.)
3.3.	Restated Bylaws of the Registrant dated June 26, 2003. (Incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2003 Commission File No. 1-8570.)
4.1.	Rights Agreement dated as of July 14, 1994, between the Registrant and First Chicago Trust Company of New York. (Incorporated by reference to Exhibit 4 to the Registrant's Current Report on Form 8-K dated August 15, 1994 Commission File No. 1-8570.)
4.2.	Amendment to Rights Agreement effective as of April 16, 1996, between the Registrant and First Chicago Trust Company of New York. (Incorporated by reference to Exhibit 4(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1996 Commission File No. 1-8570.)
4.3.	Amendment No. 2 to Rights Agreement, dated as of June 15, 2004, among the Registrant and Wells Fargo Bank Minnesota, N.A., as Rights Agent. (Incorporated by reference to Exhibit 2 to the Registrant's Form 8-A/A dated August 2, 2004.)
4.4.	Amendment No. 3 to the Rights Agreement, dated as of August 2, 2004, among Mandalay Resort Group and Wells Fargo Bank Minnesota, N.A., as Rights Agent. (Incorporated by reference to Exhibit 1 to the Registrant's Form 8-A/A dated August 2, 2004.)
4.5.	Revolving Loan Agreement, dated as of August 22, 2001, by and among the Registrant, the banks named therein, Bank of America, N.A., as administration agent, and Citicorp USA, Inc, and Bankers Trust Company, as syndication agents for the Banks, and the related Subsidiary Guarantee, dated August 22, 2001, of the Registrant's subsidiaries named therein. (Incorporated by reference to Exhibit 4(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2001 Commission File No. 1-8570.)

4.6. Term Loan Agreement, dated as of August 22, 2001, by and among the Registrant, the banks named therein, Bank of America, N.A., as administration agent, and Citicorp USA, Inc, and Bankers Trust Company, as syndication agents for the Banks, and the related Subsidiary Guarantee, dated August 22, 2001, of the Registrant's subsidiaries named therein. (Incorporated by reference to Exhibit 4(b) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2001 Commission File No. 1-8570.)

4.7. First Amendment Agreement, dated December 19, 2001, to the Revolving Loan Agreement and Term Loan Agreement, both dated August 22, 2001, by and among the Registrant, the banks named therein, Bank of America, N.A., as administration agent, and Citicorp USA, Inc, and Bankers Trust Company, as syndication agents for the Banks, and the related Subsidiary Guarantee, dated August 22, 2001, of the Registrant's subsidiaries named therein. (Incorporated by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)

4.8. Second Amendment Agreement, dated February 5, 2003, to the Revolving Loan Agreement and Term Loan Agreement, both dated August 22, 2001, by and among Mandalay Resort Group, the banks named therein and Bank of America, N.A. as administrative agent. (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated February 5, 2003 Commission File No. 1-8570.)

4.9. Grid Promissory Note, dated October 17, 1997, between the Registrant and Lyon Short Term Funding Corp. (Incorporated by reference to Exhibit 4(g) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1997 Commission File No. 1-8570.)

4.10. Commercial Paper Dealer Agreement, dated October 9, 1997, between the Registrant and Merrill Lynch Money Markets Inc. (Incorporated by reference to Exhibit 4(b) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1997 Commission File No. 1-8570.)

4.11. Commercial Paper Dealer Agreement, dated October 9, 1997, between the Registrant and BancAmerica Robertson Stephens. (Incorporated by reference to Exhibit 4(c) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1997 Commission File No. 1-8570.)

4.12. Commercial Paper Dealer Agreement, dated October 9, 1997, between the Registrant and Credit Suisse First Boston Corporation. (Incorporated by reference to Exhibit 4(d) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1997 Commission File No. 1-8570.)

4.13. Issuing and Paying Agency Agreement, dated October 9, 1997, between the Registrant and The Chase Manhattan Bank. (Incorporated by reference to Exhibit 4(e) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1997 Commission File No. 1-8570.)

4.14. Indenture by and between the Registrant and First Interstate Bank of Nevada, N.A., as Trustee with respect to the Registrant's $6^{3}/_{4}$% Senior Subordinated Notes due 2003 and its $7^{5}/_{8}$% Senior Subordinated Debentures due 2013. (Incorporated by reference to Exhibit 4(a) to the Registrant's Current Report on Form 8-K dated July 21, 1993 Commission File No. 1-8570.)

4.15. Indenture, dated February 1, 1996, by and between the Registrant and First Interstate Bank of Nevada, N.A., as Trustee. (Incorporated by reference to Exhibit 4(b) to the Registrant's Current Report on Form 8-K dated January 29, 1996 Commission File No. 1-8570.)

4.16.	Supplemental Indenture, dated February 1, 1996, by and between the Registrant and First Interstate Bank of Nevada, N.A., as Trustee, with respect to the Registrant's 6.45% Senior Notes due February 1, 2006. (Incorporated by reference to Exhibit 4(c) to the Registrant's Current Report on Form 8-K dated January 29, 1996 Commission File No. 1-8570.)
4.17.	6.45% Senior Notes due February 1, 2006 in the principal amount of $200,000,000. (Incorporated by reference to Exhibit 4(d) to the Registrant's Current Report on Form 8-K dated January 29, 1996 Commission File No. 1-8570.)
4.18.	Supplemental Indenture, dated as of November 15, 1996, to an indenture dated February 1, 1996, by and between the Registrant and Wells Fargo Bank (Colorado), N.A., as Trustee, with respect to the Registrant's 6.70% Senior Notes due November 15, 2096. (Incorporated by reference to Exhibit 4(c) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1996 Commission File No. 1-8570.)
4.19.	6.70% Senior Notes due February 15, 2096 in the principal amount of $150,000,000. (Incorporated by reference to Exhibit 4(d) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1996 Commission File No. 1-8570.)
4.20	Indenture, dated November 15, 1996, by and between the Registrant and Wells Fargo Bank (Colorado), N.A., as Trustee. (Incorporated by reference to Exhibit 4(e) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1996 Commission File No. 1-8570.)
4.21.	Supplemental Indenture, dated as of November 15, 1996, to an indenture dated November 15, 1996, by and between the Registrant and Wells Fargo Bank (Colorado), N.A., as Trustee, with respect to the Registrant's 7.0% Senior Notes due November 15, 2036. (Incorporated by reference to Exhibit 4(f) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1996 Commission File No. 1-8570.)
4.22.	7.0% Senior Notes due February 15, 2036, in the principal amount of $150,000,000. (Incorporated by reference to Exhibit 4(g) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1996 Commission File No. 1-8570.)
4.23.	Indenture dated November 20, 1998, by and between the Registrant and The Bank of New York, as Trustee. (Incorporated by reference to Exhibit 4(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1998 Commission File No. 1-8570.)
4.24.	Supplemental Indenture, dated November 20, 1998, by and between the Registrant and The Bank of New York, as Trustee, with respect to the Registrant's 9 1/4% Senior Subordinated Notes due December 1, 2005. (Incorporated by reference to Exhibit 4(b) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1998 Commission File No. 1-8570.)
4.25.	9 1/4% Senior Subordinated Notes due December 1, 2005 in the principal amount of $275,000,000. (Incorporated by reference to Exhibit 4(c) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1998 Commission File No. 1-8570.)
4.26.	Indenture dated as of July 24, 2000 by and between the Registrant and The Bank of New York with respect to $500 million aggregate principal amount of 10 1/4% Senior Subordinated Notes due 2007. (Incorporated by reference to Exhibit 4.1 to the Registrant's Form S-4 Registration Statement No. 333-44216.)

4.27.	Indenture dated as of August 16, 2000 by and between the Registrant and The Bank of New York, with respect to $200 million aggregate principal amount of 9 1/2% Senior Notes due 2008. (Incorporated by reference to Exhibit 4.1 to the Registrant's Form S-4 Registration Statement No. 333-44838.)
4.28.	Indenture dated as of December 20, 2001 by and among the Registrant and The Bank of New York, with respect to $300 million aggregate principal amount of 9 3/8% Senior Subordinated Notes due 2010. (Incorporated by reference to Exhibit 4.1 to the Registrant's Form S-4 Registration Statement No. 333-82936.)
4.29.	Registration Rights Agreement dated as of December 20, 2001 by and among the Registrant and Banc of America Securities LLC, Deutsche Bank Alex Brown, Inc., Salomon Smith Barney Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Lyonnais Securities (USA) Inc., Credit Suisse First Boston Corporation, Dresdner Kleinwort Wasserstein Grantchester Inc., Scotia Capital (USA) Inc., SG Cowen Securities Corporation, UBS Warburg LLC, and Wells Fargo Brokerage Services LLC. (Incorporated by reference to Exhibit 4.2 to the Registrant's Form S-4 Registration Statement No. 333-82936.)
4.30.	Indenture dated as of March 21, 2003 by and among the Registrant and The Bank of New York with respect to $400 million aggregate principal amount of Floating Rate Convertible Senior Debentures due 2033. (Incorporated by reference to Exhibit 4.44 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2003 Commission File No. 1-8570.)
4.31.	First Supplemental Indenture dated as of July 26, 2004, relating to Mandalay's Floating Rate Senior Convertible Debentures due 2033. (Incorporated by reference to Exhibit 4 to the Registrant's Current Report on Form 8-K dated July 26, 2004 Commission File No. 1-8570.)
4.32.	Registration Rights Agreement dated as of March 21, 2003 by and between the Registrant and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Banc of America Securities LLC. (Incorporated by reference to Exhibit 4.45 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2003 Commission File No. 1-8570.)
4.33.	Indenture, dated as of July 31, 2003, by and between the Registrant and The Bank of New York with respect to $250 million aggregate principal amount of 6 1/2% Senior Notes due 2009. (Incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2003 Commission File No. 1-8570.)
4.34.	Registration Rights Agreement, dated as of July 31, 2003, by and among the Registrant and Banc of America Securities LLC, Deutsche Bank Securities Inc., Citigroup Global Markets Inc., Credit Suisse First Boston LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, SG Cowen Securities Corporation, Credit Lyonnais Securities (USA) Inc., Scotia Capital (USA) Inc., BNY Capital Markets, Inc. and Mizuho International plc. (Incorporated by reference to Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2003 Commission File No. 1-8570.)
4.35.	Indenture, dated as of November 25, 2003, by and between the Registrant and The Bank of New York with respect to $250 million aggregate principal amount of 6 3/8% Senior Notes due 2011. (Incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2003 Commission File No. 1-8570.)

4.36.	Registration Rights Agreement, dated as of November 25, 2003, by and among the Registrant and Banc of America Securities LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Credit Suisse First Boston LLC, J.P. Morgan Securities Inc., SG Cowen Securities Corporation, Credit Lyonnais Securities (USA) Inc., Scotia Capital (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho International plc. and Wells Fargo Securities, LLC. (Incorporated by reference to Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2003 Commission File No. 1-8570.)
10.1.	Agreement and Plan of Merger dated as of June 15, 2004, among MGM MIRAGE, Mandalay Resort Group and MGM MIRAGE Acquisition Co. #61, a wholly owned subsidiary of MGM MIRAGE. (Incorporated by reference to the Registrant's Current Report on Form 8-K dated June 15, 2004 Commission File No. 1-8570.)
10.2.	Notice of Extension of Outside Date dated as of March 22, 2005 and issued pursuant to the Agreement and Plan of Merger dated as of June 15, 2004 among MGM MIRAGE, Mandalay Resort Group and MGM MIRAGE Acquisition Co. #61. (Incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated March 22, 2005 Commission File No. 1-8570.)
10.3.	Agreement and Plan of Merger dated as of March 22, 2005 among Mandalay Resort Group, MGM MIRAGE, Circus Circus Michigan, Inc., CCM Merger Inc., and CCM Merger Sub., Inc. (Incorporated by reference to Exhibit 2.01 to the Registrant's Current Report on Form 8-K dated March 22, 2005 Commission File No. 1-8570.)
10.4.*	Amended and Restated 1991 Stock Incentive Plan of the Registrant. (Incorporated by reference to Exhibit 10 to the Post Effective Amendment No. 3 to the Registrant's Registration Statement (No. 33-56420) on Form S-8.)
10.5.*	Amended and Restated 1993 Stock Option Plan of the Registrant. (Incorporated by reference to Exhibit 10 to the Post Effective Amendment No. 2 to the Registrant's Registration Statement (No. 33-53303) on Form S-8.)
10.6.*	1998 Stock Option Plan. (Incorporated by reference to Exhibit 4(g) to the Registrant's Registration Statement (No. 333-51073) on Form S-8.)
10.7.	2000 Stock Incentive Plan. (Incorporated by reference to Appendix B to the Registrant's definitive proxy statement dated April 28, 2000 relating to the 2000 Annual Meeting of Registrant's Stockholders.)
10.8.*	2002 Stock Incentive Plan. (Incorporated by reference to Appendix B to the Registrant's definitive proxy statement dated May 14, 2002 relating to the 2002 Annual Meeting of Registrant's Stockholders.)
10.9.*	Stock Incentive and Stock Option Plan Amendments.
10.10.*	Executive Compensation Insurance Plan. (Incorporated by reference to Exhibit 10(i) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1992 Commission File No. 1-8570.)
10.11.	Eighteenth Amendment and Restatement, dated October 10, 2003, of the Registrant's Employees' Profit Sharing and Investment Plan. (Incorporated by reference to Exhibit 4(d) to Post Effective Amendment No. 13 to the Registrant's Registration Statement (No. 33-18278) on Form S-8.)

10.12. Nineteenth Amendment, dated December 17, 2003, of the Registrant's Employees' Profit Sharing and Investment Plan. (Incorporated by reference to Exhibit 4(e) to Post Effective Amendment No. 14 to the Registrant's Registration Statement (No. 33-18278) on Form S-8.)

10.13. Twentieth Amendment, dated September 1, 2004, of the Registrant's Employees' Profit Sharing and Investment Plan. (Incorporated by reference to Exhibit 4(h) to Post Effective Amendment No. 15 to the Registrant's Registration Statement (No. 33-18278) on Form S-8.)

10.14. Eleventh Amendment and Restatement of the Registrant's Employees' Profit Sharing and Investment Trust. (Incorporated by reference to Exhibit 4(e) to Post Effective Amendment No. 13 to the Registrant's Registration Statement (No. 33-18278) on Form S-8.)

10.15. Group Annuity Contract No. GA70867 between Philadelphia Life (formerly Bankers Life Company) and Trustees of the Registrant's Employees' Profit Sharing and Investment Plan. (Incorporated by reference to Exhibit 4(c) to the Registrant's Registration Statement (No. 33-1459) on Form S-8.)

10.16. Lease, dated August 3, 1977, by and between B&D Properties, Inc., as lessor, and the Registrant, as lessee; Amendment of Lease, dated May 6, 1983. (Incorporated by reference to Exhibit 10(h) to the Registrant's Registration Statement (No. 2-85794) on Form S-1.)

10.17. Lease by and between Robert Lewis Uccelli, guardian, as lessor, and Nevada Greens, a limited partnership, William N. Pennington, as trustee, and William G. Bennett, as trustee, and related Assignment of Lease. (Incorporated by reference to Exhibit 10(p) to the Registrant's Registration Statement (No. 33-4475) on Form S-1.)

10.18. Agreement of Purchase, dated March 15, 1985, by and between Denio Brothers Trucking Company, as seller, and the Registrant, as buyer, and related lease by and between Denio Brothers Trucking Co., as lessor, and Nevada Greens, a limited partnership, William N. Pennington, as trustee, and William G. Bennett, as trustee, and related Assignment of Lease. (Incorporated by reference to Exhibit 10(q) to the Registrant's Registration Statement (No. 33-4475) on Form S-1.)

10.19. Amended and Restated Agreement of Joint Venture of Circus and Eldorado Joint Venture by and between Eldorado Limited Liability Company and Galleon, Inc. (Incorporated by reference to Exhibit 3.3 to the Form S-4 Registration Statement of Circus and Eldorado Joint Venture and Silver Legacy Capital Corp. Commission File No. 333-87202.)

10.20. Amended and Restated Credit Agreement, dated November 24, 1997, by and among Circus and Eldorado Joint Venture, the Banks named therein and Bank of America National Trust and Savings Association as administrative agent, and the related Note, Amended and Restated Make-Well Agreement and Amended and Restated Deed of Trust. (Incorporated by reference to Exhibit 4(h) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1997 Commission File No. 1-8570.)

10.21. Amendment No. 1 to the Amended and Restated Credit Agreement, by and among Circus and Eldorado Joint Venture, the Banks named therein and Bank of America, N.A., as administrative agent. (Incorporated by reference to Exhibit 10(w) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2000 Commission File No. 1-8570.)

10.22. Second and Amended and Restated Credit Agreement, dated as of March 5, 2002, among Circus and Eldorado Joint Venture, the banks referred to therein and Bank of America, N.A., as administrative agent. (Incorporated by reference to Exhibit 10.9.2 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)

10.23. Guaranty, dated as of March 5, 2002, made by Silver Legacy Capital Corp., in favor of Bank of America, N.A., as administrative agent. (Incorporated by reference to Exhibit 10.9.3 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)

10.24. Second Amended and Restated Security Agreement, dated as of March 5, 2002, by and between Circus and Eldorado Joint Venture and Bank of America, N.A., as administrative agent. (Incorporated by reference to Exhibit 10.9.4 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)

10.25. Guarantor Security Agreement, dated as of March 5, 2002, by and between Silver Legacy Capital Corp. and Bank of America, N.A., as administrative agent. (Incorporated by reference to Exhibit 10.9.5 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)

10.26. Second Amended and Restated Deed of Trust, dated as of February 26, 2002, but effective March 5, 2002, by and among Circus and Eldorado Joint Venture and Bank of America, N.A., as administrative agent. (Incorporated by reference to Exhibit 10.9.6 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)

10.27. Second Amended and Restated Assignment of Rent and Revenues entered into as of February 26, 2002, but effective March 5, 2002, by and between Circus and Eldorado Joint Venture and Bank of America, N.A., as administrative agent. (Incorporated by reference to Exhibit 10.9.7 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)

10.28. Second Amended and Restated Collateral Account Agreement, dated March 5, 2002, by and between Circus and Eldorado Joint Venture and Bank of America, N.A., as administrative agent. (Incorporated by reference to Exhibit 10.9.8 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)

10.29. Intercreditor Agreement, dated as of March 5, 2002, by and among Bank of America, N.A., as administrative agent, The Bank of New York, as trustee, Circus and Eldorado Joint Venture and Silver Legacy Capital Corp. (Incorporated by reference to Exhibit 10.9.9 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)

10.30. Indenture, dated as of March 5, 2002, among Circus and Eldorado Joint Venture, Silver Legacy Capital Corp., and The Bank of New York, as trustee. (Incorporated by reference to Exhibit 10.10.1 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)

10.31. Deed of Trust, dated as of February 26, 2002, by Circus and Eldorado Joint Venture, to First American Title Company of Nevada for the benefit of The Bank of New York. (Incorporated by reference to Exhibit 10.10.2 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)

10.32.	Security Agreement, dated as of March 5, 2002, by and between Circus and Eldorado Joint Venture and Silver Legacy Corp. for the benefit of The Bank of New York, as trustee. (Incorporated by reference to Exhibit 10.10.3 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)
10.33.	Assignment of Rent and Revenues entered into as of February 26, 2002, by and between Circus and Eldorado Joint Venture and The Bank of New York, as trustee. (Incorporated by reference to Exhibit 10.10.4 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)
10.34.	Collateral Account Agreement, dated as of March 5, 2002, by and among Circus and Eldorado Joint Venture, Silver Legacy Capital Corp., and The Bank of New York, as trustee. (Incorporated by reference to Exhibit 10.10.5 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)
10.35.	Environment Indemnity Agreement entered into as of March 5, 2002, by Circus and Eldorado Joint Venture and Silver Legacy Capital Corp. (Incorporated by reference to Exhibit 10.10.6 to the Annual Report on Form 10-K for the year ended December 31, 2001 of Eldorado Resorts LLC and Eldorado Capital Corp. Commission File No. 333-11811.)
10.36.*	2000 Executive Officers' Bonus Plan. (Incorporated by reference to Appendix A to the Registrant's definitive proxy statement dated April 28, 2000 relating to its 2000 Annual Meeting of Stockholders.)
10.37.*	Compensation Arrangements.
10.38.	Amended and Restated Joint Venture Agreement, dated as of June 25, 2002, between Nevada Landing Partnership and RBG, L.P. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2004 Commission File No. 1-8570.)
10.39.	Reducing Revolving Loan Agreement, dated as of December 21, 1994, among Victoria Partners, each bank party thereto, The Long-Term Credit Bank of Japan, Ltd., Los Angeles Agency, and Societe Generale, as Co-agents, and Bank of America N.A., as administrative agent (without Schedules or Exhibits) (the "Victoria Partners Loan Agreement"). (Incorporated by reference to Exhibit 99.2 to Amendment No. 1 on Form 8-K/A to the Current Report on Form 8-K dated December 9, 1994 of Mirage Resorts, Incorporated. Commission File No. 1-6697.)
10.40.	Amendment No. 1 to the Victoria Partners Loan Agreement, dated as of January 31, 1995. (Incorporated by reference to Exhibit 10(uu) to the Annual Report on Form 10-K for the year ended December 31, 1994 of Mirage Resorts, Incorporated. Commission File No. 1-6697.)
10.41.	Amendment No. 2 to the Victoria Partners Loan Agreement, dated as of June 30, 1995. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995 of Mirage Resorts, Incorporated. Commission File No. 1-6697.)
10.42.	Amendment No. 3 to the Victoria Partners Loan Agreement, dated as of July 28, 1995. (Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995 of Mirage Resorts, Incorporated. Commission File No. 1-6697.)

10.43. Amendment No. 4 to the Victoria Partners Loan Agreement, dated as of October 16, 1995. (Incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1995 Commission File No. 1-8570.)

10.44. Amendment No. 5 to the Victoria Partners Loan Agreement dated as of August 1, 1996. (Incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1996 Commission File No. 1-8570.)

10.45. Amendment No. 6 to the Victoria Partners Loan Agreement, dated as of April 12, 1997. (Incorporated by reference to Exhibit 10(ccc) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1997 Commission File No. 1-8570.)

10.46. Amendment No. 7 to the Victoria Partners Loan Agreement, dated as of January 12, 1998. (Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 of Mirage Resorts, Incorporated. Commission File No. 1-6697.)

10.47. Amendment No. 8 to the Victoria Partners Loan Agreement, dated as of March 28, 2002. (Incorporated by reference to Exhibit 10.58 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)

10.48. Joint Venture Agreement, dated as of December 9, 1994, between MRGS Corp. and Gold Strike L.V. (without Exhibit) (the "Victoria Partners Venture Agreement"). (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K dated December 9, 1994 of Mirage Resorts, Incorporated. Commission File No. 1-6697.)

10.49. Amendment No. 1 to the Victoria Partners Venture Agreement dated as of April 17, 1995. (Incorporated by reference to Exhibit 10(c) to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1995 of Mirage Resorts, Incorporated. Commission File No. 1-6697.)

10.50. Amendment No. 2 to the Victoria Partners Venture Agreement dated as of September 25, 1995. (Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1995 of Mirage Resorts, Incorporated. Commission File No. 1-6697.)

10.51. Amendment No. 3 to the Victoria Partners Venture Agreement dated as of February 28, 1996. (Incorporated by reference to Exhibit 10(fff) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 Commission File No. 1-8570.)

10.52. Amendment No. 4 to the Victoria Partners Venture Agreement dated as of May 29, 1996. (Incorporated by reference to Exhibit 10(b) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 1996 Commission File No. 1-8570.)

10.53. Consulting Agreement, dated June 1, 1995, between Circus Circus Casinos, Inc. (a subsidiary of the Registrant) and Lakeview Company. (Incorporated by reference to Exhibit 10(ggg) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 Commission File No. 1-8570.)

10.54. Operating Agreement, dated October 7, 1997, by and between Circus Circus Michigan, Inc. and Atwater Casino Group, L.L.C. (Incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1997 Commission File No. 1-8570.)

10.55. First Amendment to Operating Agreement, dated October 7, 1997, by and between Circus Circus Michigan, Inc. and Atwater Casino Group, L.L.C. (Incorporated by reference to Exhibit 10(hhh) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2000 Commission File No. 1-8570.)

10.56. Amended First Amendment to Operating Agreement, dated October 7, 1997, by and between Circus Circus Michigan, Inc. and Atwater Casino Group, L.L.C. (Incorporated by reference to Exhibit 10(iii) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2000 Commission File No. 1-8570.)

10.57. Second Amendment to Operating Agreement, dated October 7, 1997, by and between Circus Circus Michigan, Inc. and Atwater Casino Group, L.L.C. (Incorporated by reference to Exhibit 10(jjj) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2000 Commission File No. 1-8570.)

10.58. Third Amendment, dated January 21, 2001, to Operating Agreement, dated October 7, 1997, by and between Circus Circus Michigan, Inc. and Atwater Casino Group, L.L.C. (Incorporated by reference to Exhibit 10(ddd) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2001 Commission File No. 1-8570.)

10.59. Fourth Amendment dated August 2, 2002, to Operating Agreement dated October 7, 1997, by and between Circus Circus Michigan, Inc. and Atwater Casino Group, L.L.C. (Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2003 Commission File No. 1-8570.)

10.60. Fifth Amendment dated October 31, 2003, to Operating Agreement dated October 7, 1997, by and between Circus Circus Michigan, Inc. and Atwater Casino Group, L.L.C. (Incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2003 Commission File No. 1-8570.)

10.61. Revised Development Agreement effective August 2, 2002, by and among the City of Detroit, The Economic Development Corporation of the City of Detroit and Detroit Entertainment, L.L.C.

10.62. Conveyance Agreement, dated April 29, 1999, by and among the City of Detroit, the Economic Development Corporation of the City of Detroit and Detroit Entertainment, L.L.C. (Incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 1999 Commission File No. 1-8570.)

10.63. Loan Agreement, dated as of June 30, 1999 among Detroit Entertainment, L.L.C., the Banks named therein and Bank of America National Trust and Savings Association, as administrative agent for the Banks. (Incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1999 Commission File No. 1-8570.)

10.64. Amendment No. 1 to the Loan Agreement, dated June 30, 1999 among Detroit Entertainment, L.L.C., the Banks named therein and Bank of America, N.A., as administrative agent for the Banks. (Incorporated by reference to Exhibit 10(d) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2000 Commission File No. 1-8570.)

10.65. Amendment No. 2, dated January 31, 2001, to the Loan Agreement, dated June 30, 1999, among Detroit Entertainment, L.L.C., the Banks named therein and Bank of America, N.A., as administrative agent for the Banks. (Incorporated by reference to Exhibit 10(lll) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2001 Commission File No. 1-8570.)

10.66. Subordination Agreement, dated January 31, 2001, by and between Circus Circus Michigan, Inc. and Detroit Entertainment, L.L.C., with respect to the Loan Agreement, dated June 30, 1999, in favor of Bank of America, N.A., as administrative agent for the lending banks. (Incorporated by reference to Exhibit 10(mmm) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2001 Commission File No. 1-8570.)

10.67. Hotel Management Agreement, dated as of March 10, 1998, by and among the Registrant, Mandalay Corp. and Four Seasons Hotel Limited. (Incorporated by reference to Exhibit 10(lll) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1998 Commission File No. 1-8570.)

10.68. Hotel License Agreement, dated as of March 10, 1998, by and among Mandalay Corp. and Four Seasons Hotel Limited. (Incorporated by reference to Exhibit 10(mmm) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1998 Commission File No. 1-8570.)

10.69. Lease Intended As Security, dated October 30, 1998, among Circus Circus Leasing, Inc., as lessee; the Registrant, as guarantor; First Security Bank, National Association, as Trustee, the Banks named therein and Bank of America, N.A., as administrative agent for the Banks. (Incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1998 Commission File No. 1-8570.)

10.70. Amendment No. 1, dated January 28, 1999, to Lease Intended As Security, dated October 30, 1998, among Circus Circus Leasing, Inc., as lessee; the Registrant, as guarantor; First Security Bank, National Association, as Trustee, the Banks named therein and Bank of America, N.A., as administrative agent for the Banks. (Incorporated by reference to Exhibit 10(rrr) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2001 Commission File No. 1-8570.)

10.71. Guaranty, dated October 30, 1998, by the Registrant in favor of First Security Bank, National Association, as Trustee, and the Banks named therein. (Incorporated by reference to Exhibit 10(b) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1998 Commission File No. 1-8570.)

10.72. Master Lease, dated December 21, 2001, among the Registrant, Mandalay Corp., Ramparts, Inc., New Castle Corp., and Circus Circus Casinos, Inc. as lessees and Wells Fargo Bank Northwest, N.A., as lessor. (Incorporated by reference to Exhibit 10.88 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)

10.73. Guaranty, dated December 21, 2001, by the Registrant and its subsidiaries named therein in favor of Wells Fargo Bank Northwest, N.A., and the other beneficiaries named therein. (Incorporated by reference to Exhibit 10.89 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)

10.74. Aircraft Lease Agreement between the Registrant and General Electric Capital Corporation. (Incorporated by reference to Exhibit 10.90 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)

10.75. Aircraft Lease Agreement, dated December 28, 2001, between the Registrant and General Electric Capital Corporation. (Incorporated by reference to Exhibit 10.91 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)

10.76.*	Supplemental Executive Retirement Plan. (Incorporated by reference to Exhibit 10(c) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1998 Commission File No. 1-8570.)
10.77.*	Amendment No. 1 to Supplemental Executive Retirement Plan. (Incorporated by reference to Exhibit 10(uuu) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2001 Commission File No. 1-8570.)
10.78.*	Amendment No. 2 to Supplemental Executive Retirement Plan. (Incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2001 Commission File No. 1-8570.)
10.79.*	Amendment No. 3 to Supplemental Executive Retirement Plan.
10.80.	Stock Purchase Agreement, dated as of September 8, 2000, among the Registrant, Bank of America, N.A. and MBG Trust. (Incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2000 Commission File No. 1-8570.)
10.81.	First Amendment, dated as of January 2, 2001, to Stock Purchase Agreement, dated as of September 8, 2000, among the Registrant, Bank of America, N.A., and MBG Trust. (Incorporated by reference to Exhibit 10(www) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2001 Commission File No. 1-8570.)
10.82.	Second Amendment, dated as of March 21, 2001, to Stock Purchase Agreement, dated as of September 8, 2000, among the Registrant, Bank of America, N.A., and MBG Trust. (Incorporated by reference to Exhibit 10(xxx) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2001 Commission File No. 1-8570.)
10.83.	Amendment, dated as of September 15, 2001, to Stock Purchase Agreement, dated as of September 8, 2000, among the Registrant, Bank of America, N.A., and MBG Trust, and to the Collateral Agreement, dated as of September 8, 2000, among the Registrant, Bank of America, N.A., MBG Trust and Banc of America Securities LLC. (Incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2001 Commission File No. 1-8570.)
10.84.	Amendment, dated as of February 6, 2002, to Stock Purchase Agreement, dated as of September 8, 2000, among the Registrant, Bank of America, N.A., and MBG Trust, and to the Collateral Agreement, dated as of September 8, 2000, among the Registrant, Bank of America, N.A., MBG Trust and Banc of America Securities LLC. (Incorporated by reference to Exhibit 10.99 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)
10.85.	Collateral Agreement dated as of September 8, 2000 among the Registrant, Bank of America, N.A., MBG Trust and Banc of America Securities LLC. (Incorporated by reference to Exhibit 10(b) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2000 Commission File No. 1-8570.)
10.86.	Amended and Restated Trust Agreement dated as of September 8, 2000 between NMS Services (Cayman), Inc. and Wilmington Trust Company. (Incorporated by reference to Exhibit 10(c) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2000 Commission File No. 1-8570.)

10.87. Amendment, dated as of September 15, 2001, to the Amended and Restated Trust Agreement, dated as of September 8, 2000, between NMS Services (Cayman) Inc. and Wilmington Trust Company. (Incorporated by reference to Exhibit 10(b) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2001 Commission File No. 1-8570.)

10.88. Master Lease, dated as of June 30, 2003, by and among the Registrant, Mandalay Corp., Ramparts, Inc., New Castle Corp. and Circus Circus Casinos, Inc., as lessees and Wells Fargo Bank Northwest, National Association, as lessor. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2003 Commission File No. 1-8570.)

10.89. Guaranty, dated as of June 30, 2003, by the Registrant and its subsidiaries named therein in favor of Wells Fargo Bank Northwest, National Association, and the other beneficiaries named therein. (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2003 Commission File No. 1-8570.)

10.90. Participation Agreement, dated as of June 30, 2003, by and among the Registrant, Mandalay Corp., Ramparts, Inc., New Castle Corp. and Circus Circus Casinos, Inc., as lessees, the Registrant and its subsidiaries named therein as guarantors, Wells Fargo Bank Northwest, National Association, as lessor and trustee, the persons named therein as lenders and Wells Fargo Bank Nevada, National Association, as collateral agent. (Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2003 Commission File No. 1-8570.)

10.91. Rate Swap Master Agreement, dated as of October 24, 1986, and Rate Swap Supplements One through Four, by and between the Registrant and Bank of America, N.A. (Incorporated by reference to Exhibit 4(j) to the Registrant's Current Report on Form 8-K dated December 29, 1986 Commission File No. 1-8570.)

10.92. Interest Rate Swap Agreement, dated as of September 27, 1999, by and between the Registrant and Bank of America, N.A. (Incorporated by reference to Exhibit 4(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1999 Commission File No. 1-8570.)

10.93. Interest Rate Swap Agreement, dated as of September 27, 1999, by and between the Registrant and Bank of America, N.A. (Incorporated by reference to Exhibit 4(b) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1999 Commission File No. 1-8570.)

10.94. Interest Rate Swap Agreement, dated as of June 3, 2002, by and between the Registrant and Citibank, N.A. (Incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2002 Commission File No. 1-8570.)

10.95. Interest Rate Swap Agreement, dated as of June 3, 2002, by and between the Registrant and Citibank, N.A. (Incorporated by reference to Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2002 Commission File No. 1-8570.)

10.96. Interest Rate Swap Agreement, dated as of August 7, 2002, by and between the Registrant and Citibank, N.A. (Incorporated by reference to Exhibit 4.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2002 Commission File No. 1-8570.)

10.97.	Interest Rate Swap Agreement, dated as of August 7, 2002, by and between the Registrant and Bank of America, N.A. (Incorporated by reference to Exhibit 4.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2002 Commission File No. 1-8570.)
10.98.	Interest Rate Swap Agreement, dated as of February 13, 2003, by and between the Registrant and Bank of America, N.A. (Incorporated by reference to Exhibit 4.16 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2003 Commission File No. 1-8570.)
10.99.	Interest Rate Swap Agreement, dated as of February 12, 2003, by and between the Registrant and The Bank of Nova Scotia. (Incorporated by reference to Exhibit 4.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2003 Commission File No. 1-8570.)
10.100.	Interest Rate Cap Agreement, dated October 20, 1997, between the Registrant and Morgan Guaranty Trust Company of New York. (Incorporated by reference to Exhibit 4(f) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1997 Commission File No. 1-8570.)
10.101.	Interest Rate Cap Agreement, dated January 13, 1998, between the Registrant and Morgan Guaranty Trust Company of New York. (Incorporated by reference to Exhibit 4(h) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1998 Commission File No. 1-8570.)
10.102.	Interest Rate Cap Agreement dated June 14, 2000, between the Registrant and Morgan Guaranty Trust Company of New York. (Incorporated by reference to Exhibit 4(e) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2000 Commission File No. 1-8570.)
10.103.	Interest Rate Cap Agreement dated June 29, 2000, between the Registrant and Morgan Guaranty Trust Company of New York. (Incorporated by reference to Exhibit 4(f) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2000 Commission File No. 1-8570.)
10.104.	Interest Rate Swap Agreement, dated as of July 31, 2003, by and between the Registrant and Bank of America, N.A. (Incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2003 Commission File No. 1-8570.)
10.105.	Interest Rate Swap Agreement, dated as of July 31, 2003, by and between the Registrant and Bank of America, N.A. (Incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2003 Commission File No. 1-8570.)
10.106.	Interest Rate Swap Agreement, dated as of December 2, 2003, by and between the Registrant and Bank of America, N.A. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2003 Commission File No. 1-8570.)
10.107.	Interest Rate Swap Agreement, dated as of December 1, 2003, by and between the Registrant and Deutsche Bank AG. (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2003 Commission File No. 1-8570.)

10.108.	Interest Rate Swap Agreement, dated as of April 6, 2004, by and between the Registrant and Bank of America, N.A. (Incorporated by reference to Exhibit 10.128 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2005 Commission File No. 1-8570.)
12.	Statement regarding Computation of Ratio of Earnings to Fixed Charges.
21.	Subsidiaries of the Registrant.
23.1.	Consent of Deloitte & Touche LLP related to the Registrant's Consolidated Financial Statements.
23.2	Consent of Deloitte & Touche LLP related to the financial statements of Elgin Riverboat Resort-Riverboat Casino.
23.3.	Consent of PricewaterhouseCoopers LLP related to the financial statements of Elgin Riverboat Resort-Riverboat Casino.
31.1.	Certification of Michael S. Ensign, Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2.	Certification of Glenn Schaeffer, Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1.	Certification of Michael S. Ensign Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2.	Certification of Glenn Schaeffer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* This exhibit is a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Report.

Certain instruments with respect to long-term debt have not been filed hereunder or incorporated by reference herein where the total amount of such debt thereunder does not exceed 10% of our consolidated total assets. Copies of such instruments will be furnished to the Securities and Exchange Commission upon request.

(b) The exhibits required by Item 601 of Regulation S-K, filed as part of this report or incorporated herein by reference, are listed in Item 15(a)(3) above, and the exhibits filed herewith are listed on the Index to Exhibits which accompanies this report.

(c) See Item 15(a)(2) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MANDALAY RESORT GROUP

Dated: April 15, 2005

By: /s/ MICHAEL S. ENSIGN

Michael S. Ensign
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ MICHAEL S. ENSIGN Michael S. Ensign	Chairman of the Board, Chief Executive Officer and Chief Operating Officer (Principal Executive Officer)	April 15, 2005
/s/ WILLIAM A. RICHARDSON William A. Richardson	Vice Chairman of the Board	April 15, 2005
/s/ GLENN SCHAEFFER Glenn Schaeffer	President, Chief Financial Officer and Director (Principal Financial Officer)	April 15, 2005
/s/ LES MARTIN Les Martin	Vice President, Chief Accounting Officer and Treasurer (Principal Accounting Officer)	April 15, 2005
/s/ WILLIAM E. BANNEN William E. Bannen	Director	April 15, 2005
/s/ JEFFREY D. BENJAMIN Jeffrey D. Benjamin	Director	April 15, 2005
/s/ ROSE MCKINNEY-JAMES Rose McKinney-James	Director	April 15, 2005
/s/ MICHAEL D. MCKEE Michael D. McKee	Director	April 15, 2005
/s/ DONNA B. MORE Donna B. More	Director	April 15, 2005
/s/ HAROLD J. PHILLIPS	Director	April 15, 2005

Signature	Title	Date
Harold J. Phillips		

INDEX TO EXHIBITS
FORM 10-K
Fiscal Year Ended
January 31, 2005

Exhibit Number	
10.9.	Stock Incentive and Stock Option Plan Amendments.
10.37.	Compensation Arrangements.
10.61.	Revised Development Agreement effective August 2, 2002, by and among the City of Detroit, The Economic Development Corporation of the City of Detroit and Detroit Entertainment, L.L.C.
10.79.	Amendment No. 3 to Supplemental Executive Retirement Plan.
12.	Statement regarding Computation of Ratio of Earnings to Fixed Charges.
21.	Subsidiaries of the Registrant.
23.1.	Consent of Deloitte & Touche LLP related to the Registrant's Consolidated Financial Statements.
23.2.	Consent of Deloitte & Touche LLP related to the financial statements of Elgin Riverboat Resort-Riverboat Casino.
23.3.	Consent of PricewaterhouseCoopers LLP related to the financial statements of Elgin Riverboat Resort-Riverboat Casino.
31.1.	Certification of Michael S. Ensign, Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2.	Certification of Glenn Schaeffer, Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1.	Certification of Michael S. Ensign Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2.	Certification of Glenn Schaeffer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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