

## **Mandalay Resort Group Corporate Governance Guidelines**

Mandalay Resort Group (the “Company”) has adopted the following guidelines which, along with the Company’s articles of incorporation and bylaws and the charters of the committees of the Company’s Board of Directors, provide the governance framework in which the Company’s Board of Directors carries out its fiduciary duties. When these guidelines refer to the “Board” they are referring to the Company’s Board of Directors. The term “Directors” refers to the individuals who serve on the Board and the term “Committees” refers to the Committees of the Board.

1. **The Board and Management.** The Company’s business is conducted by its executive officers, under the direction of the Chief Executive Officer (CEO) and the oversight of the Board. The Board stands in a fiduciary relation to the Company, and in discharging these fiduciary duties, Directors shall act in a manner that they reasonably believe to be in the best interests of the Company and, in particular, the interests of the Company’s stockholders. The Board, in considering the best interests of the Company, may take into account the interests of the Company’s employees, suppliers, creditors and customers, the economy of Nevada and the nation, the interests of the communities in which the Company’s operations are conducted and of society, and the long-term as well as short-term interests of the Company and its stockholders.

2. **Functions of the Board.** The Board shall meet not less than five (5) times a year to review and discuss reports by management on the performance of the Company, its plans and strategies, as well as immediate issues facing the Company. Directors are expected to attend all scheduled meetings of the Board and the Committees on which they serve. In addition to its general oversight of the Company’s management and of the conduct of the Company’s business, the Board or its Committees shall also perform the following specific functions:

(a) considering and approving fundamental financial and business strategies and major corporate actions;

(b) selecting, evaluating and determining the compensation of the CEO and overseeing the compensation of the Company’s other executive officers;

(c) planning for succession with respect to the position of CEO;

(d) assessing major risks facing the Company and reviewing options for their mitigation and/or elimination; and

(e) working with the Company’s senior management to ensure that standards and procedures are in place for maintaining the integrity of the Company, the accuracy of the Company’s financial statements, the Company’s compliance with applicable laws and adherence to the Company’s Code of Business Conduct and Ethics (the “Code”).

The Board has delegated to the CEO, working with the other executive officers of the Company, the authority for managing the business consistent with applicable policies, including the Company's Code of Business Conduct and Ethics, and any specific directives from the Board.

3. **Director's Qualifications.** Directors shall possess the highest personal and professional ethics and integrity. Directors shall be selected on the basis of experience and personal capabilities, including suitability to serve on the Board under applicable criteria of the state and local gaming authorities that exercise regulatory authority over the Company; educational and professional experience; industry, managerial or leadership experience; business acumen or particular expertise; strategic capability; independence of judgment; familiarity with corporate governance and the responsibilities of directors of public companies; standing and reputation as a person of integrity; and ability to work constructively with the CEO and the Board. The Board evaluates (and the Nominating/Corporate Governance Committee should take into account in evaluating candidates for membership to the Board) each candidate for membership on the Board in the context of the Board as a whole, with the objective of achieving a Board that can best perpetuate the success of the Company through the exercise of sound judgment utilizing a diversity of experience. Directors are expected to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serving on the Board for an extended period of time. Directors are expected to inform the Chairman of the Board if there is any significant change in their personal circumstances which could impact the performance of their duties as Directors, including a change in their principal job responsibilities. Directors are expected to attend meetings of the Board and Committees on which they serve, except for good reason. Directors are expected to review the material provided to them in advance of meetings and to be prepared.

The Board does not believe that arbitrary term limits on Directors' service are appropriate, nor does it believe that Directors should expect to be re-nominated annually. The Board's self-evaluation process noted below will be an important determinant for Board tenure.

4. **Independence of Directors.** The Company's Board shall include a majority of members who are affirmatively determined by the Board to have no material relationship with the Company, either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company (each individual so determined to have no such relationship being hereinafter referred to as an "Independent Director"). The Board's determination as to the independence of each Director shall be consistent with the guideline set forth below.

The Board has established the following guidelines which should be adhered to in determining whether an individual is an Independent Director:

(a) A Director will not be independent if, within the preceding three years: (i) the Director was employed by the Company; (ii) an immediate family member of the Director was employed by the Company as an executive officer; (iii) the Director was employed by, or affiliated with, Company's present or former internal or external auditor; (iv) an immediate

family member of the Director was employed in a professional capacity by, or affiliated with, Company's present or former internal or external auditor; (v) the Director, or an immediate family member of the Director, is employed as an executive officer of a company where a Company executive officer serves on that company's compensation committee.

(b) A Director will not be independent if, within the preceding three years: (i) the Director is an executive officer or employee of, or an immediate family member of the Director is an executive officer of, another company that made payments to, or received payments from, the Company for property and services in any year in an amount which exceeds the greater of \$1,000,000 or two percent (2%) of the consolidated gross revenues of the other company; or (ii) a Director, or an immediate family member of the Director, receives compensation from Mandalay in excess of \$100,000 (other than compensation to the Director for services on the Board and Committees of the Board and compensation to an immediate family member as a non-executive employee). A charitable organization shall not be considered "company" for purposes of clause (b)(i); provided, however, that the Company discloses in its annual proxy statement any charitable contribution made by the Company to any charitable organization in which a Director serves as an executive officer if, within the preceding three (3) years, contributions in any single fiscal year exceed the greater of \$1,000,000 or two percent (2%) of such charitable organization's consolidated gross revenue.

(c) The Board shall annually review the classification of each non-employee Director and make an affirmative determination whether such Director is an Independent Director. To facilitate this review, each non-employee Director shall annually provide information regarding the Director's business and other relationships with the Company, its affiliates and senior management to enable the Board to evaluate whether he or she is an Independent Director. The Board's determination with respect to the independence of the Company's Directors will be disclosed in the proxy statement for the Company's annual meeting of stockholders in accordance with applicable requirements, including those of each stock exchange on which any of the Company's securities are listed and the Securities and Exchange Commission.

(d) For any relationship not covered by the guidelines in subsections (a) and (b) above, an affirmative determination by a majority of the non-employee Directors who are not parties to such relationship that the relationship precludes the Director in question from being an Independent Director shall preclude a finding by the Board that such Director is an Independent Director during the period the relationship in question continues.

(e) Notwithstanding any provision to the contrary, for purposes of determining whether Directors are Independent Directors during the period prior to November 4, 2004, the guidelines in paragraph (a) and (b) shall be applied as though each reference to "the preceding three years" reads "the preceding year."

**5. Size of the Board and Selection Process.** The Board has not less than six (6) and not more than eleven (11) members, as determined from time to time by the Board. The Board is divided into three classes, which are as equal in size as possible. One class of Directors is

elected each year by the stockholders at the annual meeting of stockholders. Each member of the Board is elected for a term of three years. This staggered election of Directors helps maintain continuity and provides stability to the work of the Board. A classified Board contributes to the objective that at least a majority of Directors at all times have an in-depth knowledge of the Company. Directors are subject to investigation and licensure by various gaming authorities in those jurisdictions where the Company conducts its business. Because the licensing procedure is rigorous and time consuming to both the licensee and the governmental authority, the Company believes the lower turnover in Board membership associated with a classified Board is beneficial to the Company. The Board also believes that the classified Board format assists its role in strategic planning and in obtaining and retaining qualified directors. The Board proposes a slate of nominees to the stockholders for election to the Board. Stockholders may propose nominees for consideration by the Nominating/Corporate Governance Committee by submitting the names and supporting information to: Secretary, Mandalay Resort Group, 3950 Las Vegas Boulevard South, Las Vegas, Nevada 89119, in accordance with the deadlines set forth in the Company's proxy statement for its most recent annual meeting of stockholders. Between annual meetings of the Company's stockholders, the Board may fill any vacancy on the Board, including any vacancy created by an increase in the size of the Board, and any individual who is so elected may be so elected to serve for the balance of the term of the Class of Directors to which the individual is elected or until the next annual meeting of stockholders, as specified by the Board in its resolutions relating to the election of such individual.

6. **Board Meeting Agendas.** The Chairman establishes the agenda for each Board meeting, and any Director may request items to be included on the agenda. Ample time is scheduled at each Board meeting to assure full discussion of important matters, whether included in the agenda or not. Agendas for the Board's regular meetings include Committee reports and financial and operating reports in addition to other reports, such as business unit and subject matter presentations, that could enhance a Director's perspective and knowledge on various matters. Agenda and meeting materials are generally distributed in advance of Board and Committee meetings, and each Director has a duty to review the materials prior to the meeting.

7. **Board Committees.** The Board has established the following Committees to assist the Board in discharging its responsibilities: (i) Audit; (ii) Compensation; (iii) Nominating/Corporate Governance; and (iv) Diversity. All members of the Committees serve at the pleasure of the Board and may be removed at any time. The current charters of the Audit, Compensation and Nominating/Corporate Governance Committees, which describe the respective responsibilities of those Committees, are published on the Company's website and will be mailed to stockholders upon written request. Each Committee Chair reports to the Board the highlights of any meetings of the Committee held since the last meeting of the Board at which a report of the Committee's meeting was given. Each Committee conducts an annual evaluation of its performance and reports to the full Board the conclusions of the Committee resulting from such review.

8. **Independence of Committee Members.** Each of the Directors currently serving on the Audit and Compensation Committees satisfies the independence requirements discussed in Section 4 above. Members of the Audit Committee are also required to satisfy additional

independence requirements under applicable rules of the New York Stock Exchange. Specifically, a member of the Audit Committee (i) may not be an affiliated person of the Company or any subsidiary of the Company within the meaning of Rule 10A-3 under the Securities Exchange Act of 1934, and (ii) other than in his or her capacity as a member of the Board and/or one or more Committees, may not accept (and may not be employed by, or an officer or director of, a firm that accepts) directly or indirectly, any compensation from the Company or any of the Company's subsidiaries, including, without limitation, compensation for services as a consultant or a legal or financial advisor.

9. **Executive Sessions of Directors.** Members of the Board who are not Company officers (as that term is defined in Rule 16a-1(f) under the Securities Exchange Act of 1934) (Non-management directors), including any such Directors who are not Independent Directors, shall meet in regularly scheduled executive sessions. At least annually, an executive session shall be held which includes only non-management directors who are Independent Directors. The Director who will preside at each such meeting shall be determined alphabetically on a rotating basis, and be designated at the time the meeting is scheduled.

10. **Stockholder Access to Non-Management Directors.** Stockholders may communicate with the non-management Directors as a group by addressing correspondence to "Non-Management Directors," c/o the General Counsel, Mandalay Resort Group, 3950 Las Vegas Blvd. South, Las Vegas, NV 89119. If a communication is intended to be directed to a particular Director, the correspondence should be addressed as described in the preceding sentence, followed by Attention: and the name of the intended addressee. Communications to the Company's non-management Directors will be reviewed, sorted and summarized by the Company's General Counsel, and as requested by any of the non-management Directors, forwarded to them.

11. **Board and Committee Evaluations.** The Board and each of the Committees shall perform annual self-evaluations. The Nominating/Corporate Governance Committee shall develop and conduct the Board evaluation and shall ensure that each Committee of the Board conducts its own self-evaluation in accordance with its charter.

12. **Ethics and Conflicts of Interest.** The Board expects the Company's Directors, as well as officers and other employees, to act ethically at all times and to acknowledge their adherence to the policies on the Company's Code of Business Conduct and Ethics, including, without limitation, a prohibition of trading securities while in possession of inside information. The Board must approve any waiver of the code for senior executives or Directors, and any such waiver must be promptly disclosed to stockholders in accordance with relevant laws and regulations and applicable rules of each securities exchange on which any securities of the Company are listed. If an actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Chairman of the Board who shall bring the matter to the attention of the full Board. If a significant conflict exists and cannot be resolved, the Director is expected to resign. Each Director shall recuse himself or herself from any discussion or decision affecting his or her personal, business or professional interests. The Board shall resolve any

ethical or conflict of interest issue involving the CEO, and the CEO shall resolve any ethical or conflict of interest issue involving any other officer of the Company and inform the Board of his action.

13. **Compensation of Board.** The Nominating/Corporate Governance Committee has the responsibility for recommending to the Board compensation and benefits for non-employee Directors. In discharging this duty, the Committee shall be guided by three goals: (i) compensation should fairly pay Directors for work required in a company of the Company's character, size and scope; (ii) compensation should align Directors' interests with the long-term interests of stockholders; and (iii) the structure of the compensation should be simple, transparent and easy for stockholders to understand. Each Director who is also an employee of the Company or a subsidiary of the Company shall receive no separate compensation for his or her services as a Director.

14. **Director Stock Ownership.** The Board believes that, in order to align the interests of the Directors and stockholders, Directors should have a significant financial stake in the Company. Therefore, compensation for Directors may include compensation in the form of stock options, restricted stock or similar awards pursuant to plans approved by stockholders.

15. **Board Interaction with Institutional Investors, Analysts, Press and Customers.** The Board believes that management should speak for the Company. Accordingly, each Director shall refer all inquiries from institutional investors, analysts, the press or customers to the CEO or the Company's Chief Financial Officer (CFO) or Chief Accounting Officer (CAO).

16. **Succession Plan.** The Board shall plan for the succession of the CEO. The CEO shall assist the Board in developing policies and principles for CEO selection and shall advise the Board of his recommendations and evaluations of potential successors.

17. **Annual Compensation Review of Senior Management.** The Compensation Committee shall review and approve annual compensation for the CEO, and make recommendations to the Board of Directors with respect to compensation for the Company's Board of Directors and non-CEO executive directors of the Company in accordance with the Compensation Committee Charter.

18. **Access to Senior Management.** The Board believes that the primary and most constructive interaction with management is through the normal process of scheduled Board and Committee meetings, whether they be on regular business or special matters, at which any discussions can best be informed by the collective and varied knowledge and experience of Directors and management. The Board also recognizes, however, that matters of integrity and corporate conduct, were they to arise, may call for direct access to senior management. As is judicious under these circumstances, non-management Directors are free to contact executive officers and other senior employees of the Company without senior corporate management present.

19. **Access to Independent Advisors.** The Board shall have the authority at any time to retain and terminate independent outside financial, legal or other advisors to advise the Board, including the sole authority to approve the fees and other retention terms applicable to such advisors. Each Committee shall have such authority to retain advisors as is specified in the charter of such Committee.

20. **Director Orientation.** The Company's General Counsel is responsible for providing an orientation for new Directors, and for periodically providing materials or briefing sessions for all Directors on subjects that would assist them in discharging their duties. Each Director shall be reimbursed for their expenses to attend seminars reasonably related to their service as Directors.

21. **Website.** These guidelines shall be posted on the Company's website, and the Company's annual report on Form 10-K shall state that copies of these guidelines and the aforementioned charters are available on the Company's website or in writing and that copies of the same are available to any stockholder who requests them.