

MANDALAY RESORT GROUP
Form 10-K/A
July 27, 2004

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-K/A
Amendment No. 2**

(Mark One)

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

For the fiscal year ended January 31, 2004

OR

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

State (or other jurisdiction of incorporation or organization)

88-0121916

(I.R.S. Employer Identification No.)

3950 Las Vegas Boulevard South, Las Vegas, Nevada

(Address of principal executive offices)

89119

(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 No

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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 if 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 No

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 31, 2003 (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 \$1,946,637,793.

The number of shares of registrant's Common Stock, \$0.1-²/₃ par value, outstanding at March 31, 2004: 66,579,970.

DOCUMENTS INCORPORATED BY REFERENCE

PART III Portions of the Registrant's definitive proxy statement filed with the Securities and Exchange Commission on May 26, 2004, are incorporated by reference into Items 10, 11, 13 and 14.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Item 8 is amended herein solely for the purpose of including the audit report of Arthur Andersen LLP on the financial statements of Victoria Partners as of December 31, 2001 and for the years ended December 31, 2001 and 2000.

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MANDALAY RESORT GROUP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 31,	
	2004	2003
	(in thousands, except share data)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 153,490	\$ 148,442
Accounts receivable, net of allowance	72,590	55,303
Income tax receivable	14,522	13,107
Inventories	35,166	30,625
Prepaid expenses	57,337	47,404
Deferred income tax	16,762	16,523
	<u>349,867</u>	<u>311,404</u>
Property, equipment and leasehold interests, at cost, net	3,590,699	3,201,635
	<u>3,590,699</u>	<u>3,201,635</u>
Other assets		
Excess of purchase price over fair value of net assets acquired	37,965	38,330
Investments in unconsolidated affiliates	573,306	573,345
Other investments	60,886	43,625
Intangible development costs	93,360	93,360
Deferred charges and other assets	76,413	92,965
	<u>841,930</u>	<u>841,625</u>
	<u>841,930</u>	<u>841,625</u>
Total assets	\$ 4,782,496	\$ 4,354,664
	<u>\$ 4,782,496</u>	<u>\$ 4,354,664</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 16,681	\$ 20,284
Accounts and contracts payable		
Trade	39,016	36,952
Construction	10,122	10,031
Accrued liabilities		
Salaries, wages, vacations and bonuses	65,357	56,427
Progressive jackpots	12,977	13,267
Advance room deposits	21,674	14,384
Interest	62,556	67,731
Other	102,568	98,301
	<u>330,951</u>	<u>317,377</u>
Total current liabilities	330,951	317,377

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	January 31,	
	<u> </u>	<u> </u>
Long-term debt, net of current portion	3,001,975	2,763,593
Other liabilities		
Deferred income tax	230,324	227,652
Accrued intangible development costs	49,360	55,027
Deferred gain		10,339
Other long-term liabilities	96,393	79,160
	<u> </u>	<u> </u>
Total other liabilities	376,077	372,178
	<u> </u>	<u> </u>
Total liabilities	3,709,003	3,453,148
	<u> </u>	<u> </u>
Commitments and contingent liabilities		
Minority interest	43,223	18,587
	<u> </u>	<u> </u>
Stockholders' equity		
Common stock \$.01 ² / ₃ par value		
Authorized 450,000,000 shares		
Issued 113,654,263 and 113,634,013 shares	1,894	1,894
Preferred stock \$.01 par value		
Authorized 75,000,000 shares		
Additional paid-in capital	549,022	581,166
Retained earnings	1,592,199	1,489,979
Deferred compensation	(540)	
Accumulated other comprehensive loss	(23,293)	(16,920)
Treasury stock (48,242,286 and 51,061,847 shares), at cost	(1,089,012)	(1,173,190)
	<u> </u>	<u> </u>
Total stockholders' equity	1,030,270	882,929
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 4,782,496	\$ 4,354,664
	<u> </u>	<u> </u>

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,		
	2004	2003	2002
	(in thousands, except share data)		
Revenues			
Casino	\$ 1,225,249	\$ 1,205,163	\$ 1,201,707
Hotel	652,287	570,236	581,551
Food and beverage	454,602	414,051	410,276
Other	334,645	333,979	332,253
	2,666,783	2,523,429	2,525,787
Less-complimentary allowances	(175,684)	(169,311)	(177,275)
	2,491,099	2,354,118	2,348,512
Costs and expenses			
Casino	652,870	647,195	669,719
Hotel	231,093	201,630	197,300
Food and beverage	317,406	285,153	283,864
Other operating expenses	204,765	212,075	219,358
General and administrative	438,918	409,166	417,149
Corporate general and administrative	32,856	27,439	20,981
Depreciation and amortization	175,531	144,995	216,001
Operating lease rent	20,172	49,073	32,185
Preopening expenses	8,230	4,614	2,155
Impairment loss		5,422	52,027
Write-off of intangible asset		13,000	
	2,081,841	1,999,762	2,110,739
Equity in earnings of unconsolidated affiliates	81,183	97,950	113,287
Income from operations	490,441	452,306	351,060
Other income (expense)			
Interest, dividends and other income	6,882	(2,229)	(2,113)
Guarantee fees from unconsolidated affiliate		193	2,264
Interest expense	(193,236)	(207,114)	(221,352)
Loss on early extinguishment of debt, net of related gain on swap terminations	(6,327)		
Net interest from unconsolidated affiliates	(8,089)	(7,172)	(7,501)
	(200,770)	(216,322)	(228,702)

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	Year ended January 31,		
Minority interest	(57,353)	(40,650)	(29,352)
Income before provision for income taxes	232,318	195,334	93,006
Provision for income taxes	(82,471)	(77,869)	(39,962)
Income before cumulative effect of a change in accounting principle	149,847	117,465	53,044
Cumulative effect of a change in accounting for goodwill		(1,862)	
Net income	\$ 149,847	\$ 115,603	\$ 53,044
Basic earnings per share:			
Income before cumulative effect of a change in accounting principle	\$ 2.40	\$ 1.74	\$.73
Cumulative effect of a change in accounting principle		(.03)	
Net income	\$ 2.40	\$ 1.71	\$.73
Diluted earnings per share:			
Income before cumulative effect of a change in accounting principle	\$ 2.31	\$ 1.68	\$.71
Cumulative effect of a change in accounting principle		(.03)	
Net income	\$ 2.31	\$ 1.65	\$.71
Average shares outstanding (basic)	62,316,945	67,555,934	72,798,916
Average shares outstanding (diluted)	64,881,844	70,158,204	74,459,831

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,		
	2004	2003	2002
	(in thousands)		
Cash flows from operating activities			
Net income	\$ 149,847	\$ 115,603	\$ 53,044
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	175,531	144,995	216,001
Provision for bad debts	2,105	7,165	20,381
Increase (decrease) in deferred income tax	6,185	26,744	(16,420)
Tax benefit from stock option exercises	44,937	14,983	1,271
(Decrease) increase in interest payable	(5,175)	9,139	5,470
Increase in accrued pension cost	11,088	8,420	7,536
Loss on disposition of fixed assets	1,621	1,747	1,973
Impairment loss		5,422	52,027
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	(376)	23,827	(2,783)
Minority interest in earnings, net of distributions	24,636	22,226	15,036
Changes in assets and liabilities:			
Other current assets	(35,281)	(10,298)	(13,164)
Other current liabilities	36,845	(2,616)	5,743
Other noncurrent assets	14,201	(20,294)	13,404
Other	(7,664)	2,981	
Total adjustments	268,653	249,303	306,475
Net cash provided by operating activities	418,500	364,906	359,519
Cash flows from investing activities			
Capital expenditures	(545,130)	(300,532)	(156,742)
Increase in construction payable	91	1,747	4,364
Increase in other investments	(9,597)	(10,793)	(10,802)
Increase in investments in unconsolidated affiliates		(43,500)	
Development agreement costs	(20,250)	(19,500)	
Other	1,038	2,295	3,275
Net cash used in investing activities	(573,848)	(370,283)	(159,905)
Cash flows from financing activities			
Proceeds from issuance of senior notes and convertible senior debentures	898,053		297,836
Proceeds from sale-leaseback transactions			130,500
Proceeds from equipment financing	145,000		

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Year ended January 31,

	Year ended January 31,		
Net effect on cash of issuances and payments of debt with initial maturities of three months or less	(210,000)	280,000	(380,000)
Principal payments of debt with initial maturities in excess of three months	(591,077)	(44,478)	(62,498)
Debt premium on reverse interest swap termination		28,892	
Debt issuance costs	(20,000)	(1,574)	(16,233)
Exercise of stock options	99,755	29,303	3,783
Purchases of treasury stock		(220,866)	(125,910)
Settlements and interest under equity forward agreements, net of tax benefit	(93,354)	(1,656)	(45,517)
Reversal of deferred gain	(10,339)	(16,414)	
Payment of cash dividend	(47,627)		
Other	(10,015)	(5,293)	(1,611)
Net cash provided by (used in) financing activities	160,396	47,914	(199,650)
Net increase (decrease) in cash and cash equivalents	5,048	42,537	(36)
Cash and cash equivalents at beginning of year	148,442	105,905	105,941
Cash and cash equivalents at end of year	\$ 153,490	\$ 148,442	\$ 105,905
Supplemental cash flow disclosures			
Cash paid for interest (net of amounts capitalized of \$7,624, \$13,203 and \$1,039)	\$ 192,494	\$ 190,395	\$ 209,418
Cash paid for income taxes	\$ 22,461	\$ 33,265	\$ 58,132
Noncash items			
(Increase) decrease in market value of investment in insurance contracts	\$ (7,664)	\$ 2,919	\$ 2,073
(Increase) decrease in market value of interest rate swaps	\$ (8,939)	\$ (16,494)	\$ 24,119
Minimum pension liability adjustment	\$ 16,927	\$ 7,412	\$ 8,735
Accrual of development agreement costs	\$	\$ 73,860	\$
Application of deposit for purchase of equipment	\$ 22,500	\$	\$

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

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, 2001	113,634	\$ 1,894	\$ 572,207	\$ 1,321,332		\$ (6,804)	\$ (819,689)	\$ 1,068,940
Net income				53,044				53,044
Minimum pension liability adjustment						1,005		1,005
Interest rate swap market adjustment						(16,103)		(16,103)
Total comprehensive income								37,946
Exercise of stock options, net of tax benefit			689				4,365	5,054
Treasury stock acquired (5,186 shares), at cost							(125,910)	(125,910)
Interim settlements and interest under equity forward agreements, net of tax benefit							(45,517)	(45,517)
Other			96					96
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						(5,571)		(5,571)
Interest rate swap market adjustment						10,553		10,553
Total comprehensive income								120,585
Exercise of stock options, net of 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						(11,923)		(11,923)
Interest rate swap market adjustment						5,550		5,550
Total comprehensive income								143,474
Exercise of stock options, net of tax benefit			(32,840)				177,532	144,692

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Common Stock

Issued

Final settlement and interest under equity forward agreements, net of tax benefit							(93,354)	(93,354)
Restricted stock			696		(540)			156
Dividend					(47,627)			(47,627)
Balance, January 31, 2004	113,654	\$ 1,894	\$ 549,022	\$ 1,592,199	\$ (540)	\$ (23,293)	\$ (1,089,012)	\$ 1,030,270

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.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which addresses consolidation by business enterprises where equity investors do not bear the residual economic risks and rewards. These entities are commonly referred to as "special-purpose entities." The provisions of FIN 46 were required to be applied prospectively for all variable-interest entities created after January 31, 2003. In December 2003, the FASB issued a revision to FIN 46 to clarify some of the provisions of the original interpretation and to exempt certain entities from its requirements. The additional guidance explains how to identify variable-interest entities and how an enterprise should assess its interest in an entity to decide whether to consolidate that entity. Application of revised FIN 46 is required for public companies with interests in "special-purpose entities" for periods ending after December 15, 2003. Application for all other types of variable-interest entities is required in financial statement periods ending after March 15, 2004. The Company does not expect FIN 46 to have a significant impact on its results of operations or financial position.

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, 2004 and 2003, 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, 2004, 2003 and 2002, were \$7.6 million, \$13.2 million and \$1.0 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.

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144, which was adopted by the Company in fiscal 2003, supercedes Statement of Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), and portions of other accounting statements. The provisions applicable to the Company under SFAS 144 are substantially the same as those under SFAS 121.

Pursuant to SFAS 121, the Company determined that the carrying values of its two Jean properties, Gold Strike and Nevada Landing, exceeded their fair values and, accordingly, recognized an impairment loss of \$52.0 million in fiscal 2002. The properties' fair values were determined based upon several valuation approaches, including discounted future cash flows and cash flow multiples. The write-down was attributable to a downturn in operating results at these properties over the past few years due to the continued expansion of Native American casinos in California. Of the \$52.0 million write-down, \$17.9 million represented goodwill.

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 claims experience and are included in accrued liabilities on the consolidated balance sheets. The self-insurance reserves at January 31, 2004 and 2003 were \$10.5 million and \$8.0 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 are 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,		
	2004	2003	2002
	(in thousands)		
Rooms	\$ 18,847	\$ 17,368	\$ 19,341
Food and beverage	90,107	89,218	93,405
Other	11,890	10,972	13,405
	<u>\$ 120,844</u>	<u>\$ 117,558</u>	<u>\$ 126,151</u>

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 is accrued (reflected as a reduction of casino revenues) as the points are earned based upon their historical redemption rate multiplied by the cash value or the cost of providing the applicable complimentary services. The amount by which casino revenues were reduced was \$29.7 million, \$30.0 million and \$28.3 million in the years ended January 31, 2004, 2003 and 2002, respectively.

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.

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For the year ended January 31, 2004, preopening expenses of \$8.2 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. For the year ended January 31, 2002, preopening expenses of \$2.2 million also related primarily to the new convention center.

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.

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

	Year ended January 31,		
	2004	2003	2002
	(in thousands, except per share data)		
Net income	\$ 149,847	\$ 115,603	\$ 53,044
Weighted-average shares outstanding (basic)	62,317	67,556	72,799
Dilutive effect of stock options	2,565	2,524	1,661
Equity forward contract		78	
Weighted-average shares outstanding (diluted)	64,882	70,158	74,460
Basic earnings per share	\$ 2.40	\$ 1.71	\$.73
Diluted earnings per share	\$ 2.31	\$ 1.65	\$.71

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

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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,		
	2004	2003	2002
	(in thousands, except share data)		
Net income as reported	\$ 149,847	\$ 115,603	\$ 53,044
Less total stock-based employee compensation expense determined under the fair value method, net of tax	(2,834)	(8,224)	(10,415)
Pro forma net income	\$ 147,013	\$ 107,379	\$ 42,629
Net income per share (basic)			
As reported	\$ 2.40	\$ 1.71	\$.73
Pro forma	2.36	1.59	.59
Net income per share (diluted)			
As reported	\$ 2.31	\$ 1.65	\$.71
Pro forma	2.27	1.53	.57

The fair value of each option grant 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,		
	2004	2003	2002
Expected stock price volatility	36.0%	40.7%	41.9%
Risk-free interest rate	2.0%	2.3%	4.2%
Expected option lives (years)	4.4	4.1	2.9
Dividend yield	2.5%	0.0%	0.0%
Estimated fair value of options granted (per share)	\$ 7.40	\$ 9.58	\$ 6.10

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,		
	2004	2003	2002
Compensation expense	\$ 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 of the following:

	January 31,	
	2004	2003
	(in thousands)	
Minimum pension liability adjustment	\$ 23,293	\$ 11,370
Adjustment to interest rate swaps		5,550
Accumulated other comprehensive loss	\$ 23,293	\$ 16,920

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 has issued certain pronouncements on accounting policies that the Company has adopted as prescribed. 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, 2004, 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 \$2.1 million, \$7.2 million and \$20.4 million for the years ended January 31, 2004, 2003 and 2002, respectively.

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Accounts receivable consisted of the following:

	January 31,	
	2004	2003
	(in thousands)	
Casino	\$ 44,139	\$ 47,307
Hotel	31,724	28,129
Other	10,726	7,137
	86,589	82,573
Less allowance for doubtful accounts	(13,999)	(27,270)
	\$ 72,590	\$ 55,303

The above allowance for doubtful accounts includes \$12.3 million and \$25.7 million related to casino receivables at January 31, 2004 and 2003, respectively.

Note 3. Property, Equipment and Leasehold Interests

Property, equipment and leasehold interests consisted of the following:

	January 31,	
	2004	2003
	(in thousands)	
Land and land leases	\$ 401,171	\$ 396,794
Buildings and improvements	3,610,601	3,263,074
Equipment, furniture and fixtures	1,128,406	737,566
Leasehold interests and improvements	3,525	8,646
	5,143,703	4,406,080
Less accumulated depreciation and amortization	(1,596,022)	(1,266,465)
	3,547,681	3,139,615
Construction in progress	43,018	62,020
	\$ 3,590,699	\$ 3,201,635

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.

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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 review of impairment for fiscal 2004 and no additional impairments were noted.

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The Company recorded goodwill amortization of \$11.8 million in the year ended January 31, 2002. Had SFAS 142 been in effect for this prior period, the Company would have reported the following:

	Year ended January 31, 2002
	(in thousands)
Net income as reported	\$ 53,044
Goodwill amortization	11,801
Adjusted net income	\$ 64,845
Adjusted net income per share basic	\$.89
Adjusted net income per share diluted	\$.87

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. Investments in unconsolidated affiliates consisted of the following:

	January 31,	
	2004	2003
	(in thousands)	
Circus and Eldorado Joint Venture (50%) (Silver Legacy, Reno, Nevada)	\$ 60,032	\$ 57,615
Elgin Riverboat Resort (50%) (Grand Victoria, Elgin, Illinois)	246,637	249,040
Victoria Partners (50%) (Monte Carlo, Las Vegas, Nevada)	266,637	266,690
	\$ 573,306	\$ 573,345

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, 2003 and 2002 is as follows:

2003	2002
(in thousands)	

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	<u>2003</u>	<u>2002</u>
Current assets	\$ 103,968	\$ 118,791
Property and other assets, net	632,876	643,854
Current liabilities	78,875	86,876
Long-term debt and other liabilities	162,046	170,285
Equity	495,923	505,484

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Selected results of operations for each of the unconsolidated affiliates for the years ended December 31, 2003, 2002 and 2001 are as follows:

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
Operating income	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
Operating income	30,308	102,066	66,049	198,423
Net income	16,766	102,683	64,979	184,428
December 31, 2001	Silver Legacy	Grand Victoria	Monte Carlo	Total
(in thousands)				
Revenues	\$ 164,677	\$ 410,248	\$ 256,586	\$ 831,511
Expenses	130,595	284,101	189,737	604,433
Operating income	34,082	126,147	66,849	227,078
Net income	21,120	127,594	62,575	211,289

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 \$53.7 million and \$35.2 million at January 31, 2004 and 2003, 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 \$39.8 million as of January 31, 2004, and is obligated to pay an additional \$4.2 million by May 2004. 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. The Company recorded an intangible asset of \$93.4 million, representing the total of the above obligations. As of January 31, 2004, the remaining unpaid obligation is \$53.6 million (\$4.2 million current portion). These intangible development costs have an indefinite life. Based on the Company's annual assessment of intangible development costs for fiscal 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,	
	2004	2003
	(in thousands)	
Debt issuance costs, net	\$ 39,673	\$ 31,877
Intangible asset related to SERP	20,417	21,833
Other	16,323	39,255
	<u>\$ 76,413</u>	<u>\$ 92,965</u>

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 \$9.6 million, \$7.6 million and \$6.5 million for the years ended January 31, 2004, 2003 and 2002, 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,	
	2004	2003
(in thousands)		
Amounts due under bank credit agreements at floating interest rates, weighted average of 2.9% and 3.2%	\$ 450,000	\$ 660,000
Amounts due under majority-owned joint venture revolving credit facility at floating interest rates, weighted average of 2.8%		20,000
6 ³ / ₄ % Senior Subordinated Notes due 2003 (net of unamortized discount of \$7)		149,993
9 ¹ / ₄ % Senior Subordinated Notes due 2005		275,000
6.45% Senior Notes due 2006 (net of unamortized discount of \$88 and \$132)	199,912	199,868
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	
9 ³ / ₈ % Senior Subordinated Notes due 2010 (net of unamortized discount of \$1,612 and \$1,877)	298,388	298,123
6 ³ / ₈ % Senior Notes due 2011 (net of unamortized discount of \$1,907)	248,093	
7 ³ / 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 1.9%	400,000	
7.0% Debentures due 2036 (net of unamortized discount of \$65 and \$79)	149,935	149,921
6.70% Debentures due 2096 (net of unamortized discount of \$0 and \$40)	4,415	149,960
Obligation under capital lease	145,000	
Other notes	3,888	4,381
	<u>2,999,631</u>	<u>2,757,246</u>
Current portion of long-term debt	(16,681)	(20,284)
Debt premium from termination of reverse interest rate swaps (see Note 10)	17,711	26,631
Market value of reverse interest rate swaps	1,314	
	<u>\$ 3,001,975</u>	<u>\$ 2,763,593</u>

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, \$450 million of which was outstanding at January 31, 2004. 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 modify 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 ending January 31, 2004. At January 31, 2004, 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 \$212 million.

On November 25, 2003, the Company issued \$250 million principal amount of 6³/₈% Senior Notes due December 2011 (the "6³/₈% Notes"), with interest payable each June and December. The 6³/₈% Notes are redeemable prior to maturity at the option of the Company, in whole, at 100% principal amount plus a make-whole premium. The 6³/₈% 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, 2004, the estimated fair value of the 6³/₈% Notes was \$257.5 million based on their trading price.

On July 31, 2003, the Company issued \$250 million principal amount of 6¹/₂% Senior Notes due 2009 (the "6¹/₂% Notes"), with interest payable each January and July. The 6¹/₂% Notes are redeemable prior to maturity at the option of the Company, in whole, at 100% principal amount plus a make-whole premium. The 6¹/₂% 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, 2004, the estimated fair value of the 6¹/₂% Notes was \$261.3 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 were 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.

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) if a credit rating assigned to the convertible

debentures falls below a specified level; (iii) if the Company takes certain corporate actions; or (iv) if the Company calls the convertible debentures for redemption. If the convertible debentures are converted, holders will receive 17.452 shares per convertible debenture, or an aggregate of 7.0 million shares of Mandalay common stock, subject to adjustment of the conversion rate for any stock dividend; any subdivision or combination, or certain reclassifications, of the shares of Mandalay common stock; any distribution to all holders of shares of Mandalay common stock of certain rights to purchase shares of Mandalay common stock for a period expiring within 60 days at less than the sale price per share of Mandalay common stock at the time; any distribution to all holders of shares of Mandalay common stock of Mandalay assets (including shares of capital stock of a subsidiary), debt securities or certain rights to purchase Mandalay 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 Mandalay 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 receive up to an additional 14.2789 shares of Mandalay's common stock per convertible debenture, as determined pursuant to a specified formula, or up to an additional 5.7 million shares in the aggregate.

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.

On December 20, 2001, the Company issued \$300 million principal amount of 9³/₈% Senior Subordinated Notes due February 2010 (the "9³/₈% Notes"), with interest payable each February and August. The 9³/₈% 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 9³/₈% 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, 2004, the estimated fair value of the 9³/₈% Notes was \$351.0 million, based on their trading price.

On August 16, 2000, the Company issued \$200 million principal amount of 9¹/₂% Senior Notes due August 2008 (the "9¹/₂% Notes"), with interest payable each February and August. The 9¹/₂% 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 9¹/₂% 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, 2004, the estimated fair value of the 9¹/₂% Notes was \$234.0 million, based on their trading price.

On July 24, 2000, the Company issued \$500 million principal amount of 10¹/₄% Senior Subordinated Notes due August 2007 (the "10¹/₄% Notes"), with interest payable each February and August. The 10¹/₄% 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 10¹/₄% 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, 2004, the estimated fair value of the 10¹/₄% Notes was \$576.3 million, based on their trading price.

In November 1998, the Company issued \$275 million principal amount of 9¹/₄% Senior Subordinated Notes due December 2005 (the "9¹/₄% Notes"), with interest payable each June and December. On July 15, 2003, the Company redeemed the 9¹/₄% 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, 2004, the estimated fair value of the 7.0% Debentures was \$160.1 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, 2004, the estimated fair value of the 6.45% Notes was \$208.0 million, based on their trading price.

In July 1993, the Company issued \$150 million principal amount of 6³/₄% Senior Subordinated Notes (the "6³/₄% Notes") due July 2003 and \$150 million principal amount of 7⁵/₈% Senior Subordinated Debentures (the "7⁵/₈% Debentures") due July 2013, with interest payable each July and January. The 6³/₄% Notes, which were discounted to \$149.8 million, were repaid in July 2003. The 7⁵/₈% Debentures are not redeemable prior to maturity and are not subject to any sinking fund requirements. As of January 31, 2004, the estimated fair value of the 7⁵/₈% Debentures was \$159.4 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 is considered a capital lease for financial reporting purposes, and the Company has 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 contains financial covenants regarding total debt and interest coverage that are similar to those under the Company's revolving credit facility. The agreement also contains covenants regarding equipment maintenance, insurance requirements and prohibitions on liens.

Required annual principal payments as of January 31, 2004 are as follows:

Year ending January 31,	(in thousands)
2005	\$ 16,681
2006	16,681
2007	666,593
2008	510,252
2009	286,176
Thereafter	1,503,248
	<u>\$ 2,999,631</u>

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.

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, using an effective interest rate method, over the remaining life of the related debt instrument, which was approximately 2¹/₂ years at the time the swap was terminated.

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 receives a fixed interest rate of 6.5% and pays a variable interest rate (based on LIBOR plus 2.39%, or 3.6% at January 31, 2004) on \$200 million notional amount. Under the other, the Company receives a fixed rate of 6.5% and pays a variable interest rate (based on LIBOR plus 2.42%, or 3.6% at January 31, 2004) on \$50 million notional amount. These swaps are being used to hedge the Company's \$250 million 6¹/₂% Senior Notes due 2009.

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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 3.0% at January 31, 2004) 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 2.9% at January 31, 2004) on \$125 million notional amount. These swaps are being used to hedge the Company's \$250 million 6³/₈% Senior Notes due 2011.

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 the above swaps resulted in a reduction of interest expense of \$7.3 million for the year ended January 31, 2004.

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, 2004, the Company would have received a net amount of \$1.3 million based on quoted market values from the various financial institutions holding the swaps.

The above 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 Company reports its swap related assets and liabilities on a net basis in "Other Long-term Liabilities". 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.

The fair market value of the swaps designated as fair value hedges increased \$1.3 million during the year ended January 31, 2004, which decreased the net liability with a corresponding increase in long-term debt.

Note 11. Other Long-term Liabilities

Other long-term liabilities consisted of the following:

	January 31,	
	2004	2003
	(in thousands)	
Accrued SERP liability	\$ 34,616	\$ 23,528
SERP additional minimum liability	56,253	39,326
Other	5,524	16,306
	\$ 96,393	\$ 79,160

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.

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, 2004 under operating leases that have lease terms in excess of one year:

Year ending January 31,	(in thousands)
2005	\$ 1,203
2006	1,099
2007	919
2008	666
2009	351
Thereafter	5,402
	<u>\$ 9,640</u>

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

	Year ended January 31,		
	2004	2003	2002
	(in thousands)		
Operating rent expense	\$ 21,637	\$ 51,125	\$ 34,071

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, 2004, 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, 2004.

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

	Year ended January 31,		
	2004	2003	2002
	(in thousands)		
Current			
Federal	\$ 50,896	\$ 46,446	\$ 39,147
State	821	1,504	1,438
	51,717	47,950	40,585
Deferred (see below)			
Federal	30,754	29,919	(623)
	\$ 82,471	\$ 77,869	\$ 39,962

The Company recognized a tax benefit of \$44.9 million, \$15.0 million and \$1.3 million related to the exercise of stock options for the fiscal years ended January 31, 2004, 2003 and 2002, respectively. Such amounts reduced current taxes payable and increased additional paid-in capital.

The components of deferred income tax expense were as follows:

	Year ended January 31,		
	2004	2003	2002
	(in thousands)		
Additional depreciation resulting from the use of accelerated methods for tax purposes	\$ 22,249	\$ 15,077	\$ 10,064
Nondeductible loss resulting from asset impairment			(11,935)
Effect of expensing preopening costs for financial statement purposes versus amortizing over five years for tax purposes	3,658	3,830	3,832
Pension plan expense not deductible for tax purposes and market value adjustment	(1,313)	(3,969)	(5,594)
Book reserve for bad debts not deductible for tax purposes until written off	4,717	2,884	6,344
Difference between book and tax basis of investments in unconsolidated affiliates	4,215	1,797	(2,553)
Prepaid gaming taxes	(687)	1,289	49
Entertainment production costs	204	1,314	(1,127)
Property tax	(783)	1,382	94
Other, net	(1,506)	6,315	203
	\$ 30,754	\$ 29,919	\$ (623)

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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,		
	2004	2003	2002
	(in thousands)		
Federal statutory tax rate	35.0%	35.0%	35.0%
Nondeductible goodwill impairment		1.3	6.7
Nondeductible goodwill amortization			3.8
Other, net	0.5	3.9	(2.5)
	35.5%	40.2%	43.0%

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, 2004 and 2003, were as follows:

	January 31,	
	2004	2003
	(in thousands)	
Deferred tax liabilities		
Property and equipment	\$ 232,366	\$ 221,662
Investments in unconsolidated affiliates	12,860	14,205
Other	2,816	12,982
	248,042	248,849
Deferred tax assets		
Accrued vacation benefits	9,425	8,137
Bad debt reserve	4,533	9,159
Preopening expenses	1,335	4,875
Pension plan	12,118	8,122
Other	7,069	7,427
	34,480	37,720
Net deferred tax liabilities	\$ 213,562	\$ 211,129

Note 14. Employee Retirement Plans

Approximately 37% of the Company's employees (excluding unconsolidated affiliates) are covered by union-sponsored, collectively bargained, multi-employer defined benefit pension plans. The Company contributed \$13.7 million, \$11.0 million and \$9.2 million during the years ended January 31, 2004, 2003 and 2002, 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

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both plans are funded with cash and totaled approximately \$7.6 million, \$7.2 million and \$6.3 million in the years ended January 31, 2004, 2003 and 2002.

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:

	<u>2004</u>	<u>2003</u>
	(in thousands)	
Benefit obligation at beginning of year	\$ 74,105	\$ 55,498
Service cost	4,640	3,490
Interest cost	4,894	3,979
Additional liability(1)		244
Actuarial loss	24,121	12,106
Benefits paid	(985)	(1,212)
	<u> </u>	<u> </u>
Benefit obligation at end of year	\$ 106,775	\$ 74,105

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

	<u>2004</u>	<u>2003</u>
	(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:

	<u>2004</u>	<u>2003</u>
	(in thousands)	
Funded status	\$ (106,775)	\$ (74,105)
Unrecognized actuarial loss	51,742	29,065
Unrecognized prior service cost	20,417	21,833
	<u> </u>	<u> </u>
Net liability recognized	\$ (34,616)	\$ (23,207)
	<u> </u>	<u> </u>
	<u>2004</u>	<u>2003</u>
	(in thousands)	
Accrued benefit cost	\$ (90,869)	\$ (62,533)
Intangible asset	20,417	21,833
Accumulated other comprehensive loss(3)	35,836	17,493
	<u> </u>	<u> </u>
Net liability recognized	\$ (34,616)	\$ (23,207)

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

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	<u>2004</u>	<u>2003</u>
	(in thousands)	
Projected benefit obligation	\$ 106,775	\$ 74,105
Accumulated benefit obligation	90,869	62,533
Fair value of plan assets		

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

	2004	2003
Discount rate	6.1%	6.7%
Rate of compensation increase tier I	4.0%	3.0%
Rate of compensation increase tiers II and III	2.5%	3.0%

The components of net periodic pension cost were as follows:

	Year ended January 31,		
	2004	2003	2002
	(in thousands)		
Service cost	\$ 4,640	\$ 3,490	\$ 3,089
Interest cost	4,894	3,979	3,329
Amortization of prior service cost	1,416	1,402	1,342
Recognized net actuarial loss	1,444	761	496
Net periodic pension cost(4)	\$ 12,394	\$ 9,632	\$ 8,256

The weighted-average assumptions used to determine net periodic benefit costs were as follows:

	Year ended January 31,		
	2004	2003	2002
Discount rate	6.7%	7.3%	8.0%
Expected long-term return on plan assets(5)	NA	NA	NA
Rate of compensation increase	3.0%	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,	(in thousands)
2005	\$ 1,021
2006	3,849
2007	3,918
2008	4,016
2009	4,580
2010 - 2014	39,767

- (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 \$53.7 million, \$35.2 million and \$28.6 million at January 31, 2004, 2003 and 2002, respectively. The life insurance contracts had a face value of \$175.1 million at January 31, 2004. 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 \$12.5 million, \$6.1 million and \$3.1 million in the years ended January 31, 2004, 2003 and 2002, 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, 2004, 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.

Summarized information for stock options and restricted stock was as follows:

	Year ended January 31,					
	2004		2003		2002	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	7,805,569	\$ 17.39	9,897,371	\$ 16.24	5,615,940	\$ 13.46
Granted	94,300	21.76	185,000	27.22	4,631,500	19.33
Exercised	(6,086,467)	16.39	(2,232,668)	13.12	(308,269)	12.27
Canceled	(46,850)	21.86	(44,134)	16.88	(41,800)	14.92
Outstanding at end of year	1,766,552	20.95	7,805,569	17.39	9,897,371	16.24
Options exercisable at end of year	216,868	20.01	5,098,535	15.79	3,484,629	13.01
Options available for grant at end of year	3,196,474		3,257,324		6,790	

The following table summarizes information about stock options and restricted stock outstanding and exercisable at January 31, 2004:

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (yrs)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.00 to \$20.00	193,351	5.34	\$ 14.14	84,901	\$ 14.65
20.20 to 20.20	1,156,668	7.08	20.20	40,000	20.20
20.75 to 37.64	416,533	7.63	26.18	91,967	24.86
	1,766,552	7.02	20.95	216,868	20.01

Restricted stock grants of 20,250 shares were issued under the plans during the year ended January 31, 2004. The effect of these 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 operations. The Company recorded compensation expense of \$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.

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, 2004, 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). The Company made no additional share purchases during fiscal 2004, and as of January 31, 2004, the number of additional shares the Company is 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 year ended January 31, 2004, the Company did not purchase any shares of its common stock. In fiscal 2003 and 2002, the Company purchased 7.5 million shares of its common stock at a cost of \$220.9 million and 5.2 million shares of its common stock at a cost of \$125.9 million, respectively. 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 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, of which \$0.7 million was incurred during fiscal 2004. The Company also incurred structuring fees and commissions totaling \$3.7 million, none of which were incurred in fiscal 2004. 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

THEhotel

THEhotel, the new 1,117-all-suites tower at Mandalay Bay, opened in December 2003. The new 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 will open later this summer. The total cost of the new tower is estimated to be \$260 million, excluding land, capitalized interest and preopening expenses. As of January 31, 2004, the Company had incurred costs of \$244.1 million related to this project.

Mandalay Place

In October 2003, the Company opened Mandalay Place, a retail center located between Mandalay Bay and Luxor. The center will eventually include 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 cost is estimated to be approximately \$60 million, excluding land, capitalized interest and preopening expenses. As of January 31, 2004, the Company had incurred costs of \$47.9 million related to this project.

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 by December 31, 2005. 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 \$39.8 million as of January 31, 2004 and is obligated to pay an additional \$4.2 million by May 2004. 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, 2004, the Company had contributed 20% of the project costs as most recently determined. The cost of the additional facilities (excluding land, capitalized interest and reopening 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 August 2, 2004. There is no contractual limitation on the amount that the Company may be required to contribute under the completion guarantee or to keep the project operating until August 2, 2004. 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 has 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 has requested the Circuit Court to enter an order requiring the MGCGB to revoke the casino licenses issued to the three Detroit casinos, including MotorCity Casino. The action has been stayed pending resolution by the Sixth Circuit Court of Appeals of the Lac Vieux Band's appeal of the District Court decision referenced above.

On November 26, 2003, the Company 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. The appeal period has not yet expired and the injunction remains in place. Upon entry of a final order in that case and in the related litigation, MotorCity will pay to the Lac Vieux Tribe \$1.5 million, plus attorney's fees. MotorCity will pay an additional \$1.5 million approximately 30 days after the first payment. Under the terms of the settlement agreement, MotorCity will pay an additional \$5.75 million on the first and second anniversaries of the first payment and \$1 million annually for 25 years, beginning on the third anniversary. 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 the indemnity agreement described above with respect to Lac Vieux litigation claims. However, the joint venture would still be liable for claims related to the acquisition of the riverfront land, which potentially are capped at \$4 million.

In a separate action, on February 13, 2002, John Ren filed suit in the Circuit Court of Wayne County, Michigan, against the Detroit joint venture and the other two casino operators in Detroit. The plaintiff purports to represent himself and a class consisting of all persons who lost money and/or incurred debts that remain unpaid at any of the three Detroit casinos. Relying on the Sixth Circuit Court of Appeals' *Lac Vieux* decision, the plaintiff alleges that the three casinos have been operating illegally and continue to do so. The relief sought by the plaintiff includes an injunction to restrain the three casinos from remaining open until properly licensed; compensatory damages; and disgorgement of all profits "unjustly obtained." The court dismissed this action on the basis that the plaintiff should first seek relief from the MGCGB. The plaintiff filed a claim with the MGCGB, but has not pursued the claim. The joint venture continues to operate MotorCity Casino.

Any future adverse ruling by the courts in the above lawsuits or in other lawsuits, or any adverse ruling by the MGCGB, 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

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:

We have audited the accompanying consolidated balance sheets of Mandalay Resort Group and subsidiaries (the "Company") as of January 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2004. Our audits also included the consolidated financial statement schedule listed in the index at 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 and 2001 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. The Company's equity of \$249,040,000 in the Grand Victoria Casino's net assets as of January 31, 2003 and of \$48,998,000 and \$63,564,000 in that entity's net income for each of the two years in the period ended January 31, 2003 are included in the accompanying financial statements. The 2002 and 2001 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 and 2001, is based solely on the report of such other auditors.

We conducted our audits in accordance with 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 and the report of the other auditors 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, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2004 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As described in Note 10 and Note 4, respectively, to the consolidated financial statements, the Company adopted Statements of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", and No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133", as of February 1, 2001, and adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", as of February 1, 2002.

DELOITTE & TOUCHE LLP

Las Vegas, Nevada
April 13, 2004

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, 2004

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
(in thousands, except per share amounts)					
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(3)	\$ 0.72	\$ 0.71	\$ 0.65	\$ 0.35	\$ 2.40
Diluted earnings per share(3)	\$ 0.69	\$ 0.67	\$ 0.63	\$ 0.35	\$ 2.31

Fiscal year ended January 31, 2003

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
(in thousands, except per share amounts)					
Net revenues(1)	\$ 610,597	\$ 603,659	\$ 595,635	\$ 544,227	\$ 2,354,118
Income from operations	146,594	108,538	116,383	80,791	452,306
Income before provision for income taxes	79,442	47,217	52,575	16,100	195,334
Net income(2)	48,858	29,334	33,220	4,191	115,603
Basic earnings per share(3)	\$ 0.71	\$ 0.43	\$ 0.49	\$ 0.06	\$ 1.71
Diluted earnings per share(3)	\$ 0.68	\$ 0.41	\$ 0.47	\$ 0.06	\$ 1.65

- (1) During fiscal 2003, we reclassified equity in earnings of unconsolidated affiliates from revenues to a separate component within income from operations. Quarterly results in 2003 have been reclassified to conform to the new presentation. This reclassification had no impact on previously reported quarterly income from operations or net income.
- (2) Net income includes a charge 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.
- (3) 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, 2003 AND 2002

	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 40,965,837	\$ 62,170,699
Accounts receivable, net of allowance for doubtful accounts of \$21,000 and \$91,500, respectively	445,460	666,543
Inventories	583,565	570,551
Prepaid expenses	743,269	1,671,977
Total current assets	42,738,131	65,079,770
Property and equipment, net	66,151,753	69,513,062
Other assets	68,900	68,900
Total assets	\$ 108,958,784	\$ 134,661,732
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 562,272	\$ 805,661
Accrued liabilities	35,011,742	47,515,769
Total current liabilities	35,574,014	48,321,430
Total liabilities	35,574,014	48,321,430
Commitments and contingencies (Note 7)		
Partners' equity	73,384,770	86,340,302
Total liabilities and partners' equity	\$ 108,958,784	\$ 134,661,732

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, 2003

	2003	2002	2001
Revenues:			
Casino	\$ 370,145,041	\$ 392,973,373	\$ 399,574,280
Food and beverage	22,297,214	28,093,250	29,542,892
Admissions and other	15,311,528	12,052,427	11,375,386
	<u>407,753,783</u>	<u>433,119,050</u>	<u>440,492,558</u>
Less: promotional allowances	(28,596,456)	(30,250,504)	(30,244,503)
	<u>\$ 379,157,327</u>	<u>\$ 402,868,546</u>	<u>\$ 410,248,055</u>
Operating expenses:			
Casino	\$ 249,910,875	\$ 228,234,291	\$ 202,885,894
Food and beverage	6,890,486	6,513,115	6,823,873
General and administrative	32,137,450	44,947,987	50,563,689
Depreciation and amortization	9,765,740	8,422,486	8,671,916
Other operating expenses	14,149,922	12,684,712	15,155,268
	<u>312,854,473</u>	<u>300,802,591</u>	<u>284,100,640</u>
Operating income	<u>66,302,854</u>	<u>102,065,955</u>	<u>126,147,415</u>
Other income:			
Interest income	241,614	617,223	1,446,685
	<u>241,614</u>	<u>617,223</u>	<u>1,446,685</u>
Net income	<u>\$ 66,544,468</u>	<u>\$ 102,683,178</u>	<u>\$ 127,594,100</u>

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, 2003

	Nevada Landing Partnership	RBG, L.P.	Total
	<u> </u>	<u> </u>	<u> </u>
BALANCE, December 31, 2000	\$ 38,781,512	\$ 38,781,512	\$ 77,563,024
Net income	63,797,050	63,797,050	127,594,100
Distributions to partners	(60,000,000)	(60,000,000)	(120,000,000)
	<u> </u>	<u> </u>	<u> </u>
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)
	<u> </u>	<u> </u>	<u> </u>
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)
	<u> </u>	<u> </u>	<u> </u>
BALANCE, December 31, 2003	\$ 36,692,385	\$ 36,692,385	\$ 73,384,770
	<u> </u>	<u> </u>	<u> </u>

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, 2003

	2003	2002	2001
Cash Flows From Operating Activities:			
Net income	\$ 66,544,468	\$ 102,683,178	\$ 127,594,100
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,765,740	8,422,486	8,671,916
Changes in assets and liabilities:			
Accounts receivable	221,083	134,807	(457,634)
Inventories	(13,014)	(151,524)	53,143
Prepaid expenses	928,708	(328,552)	(196,756)
Other assets		(12,500)	
Accounts payable	(243,389)	398,793	13,740
Accrued liabilities	(12,504,027)	(4,673,702)	4,020,104
Net cash provided by operating activities	64,699,569	106,472,986	139,698,613
Cash Flows From Investing Activities:			
Capital expenditures	(6,404,431)	(6,426,667)	(7,608,733)
Net cash used in investing activities	(6,404,431)	(6,426,667)	(7,608,733)
Cash Flows From Financing Activities:			
Distributions to partners	(79,500,000)	(101,500,000)	(120,000,000)
Net cash used in financing activities	(79,500,000)	(101,500,000)	(120,000,000)
Net (decrease) increase in cash and cash equivalents	(21,204,862)	(1,453,681)	12,089,880
Cash and Cash Equivalents:			
Beginning of year	62,170,699	63,624,380	51,534,500
End of year	\$ 40,965,837	\$ 62,170,699	\$ 63,624,380

See notes to financial statements.

ELGIN RIVERBOAT RESORT RIVERBOAT CASINO

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2003 AND 2002 AND
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2003

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 a Joint Venture Agreement between Nevada Landing Partnership and RBG, L.P., in which each partner owns a fifty percent interest.

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 three years. On October 17, 2000, the IGB approved the renewal of the license for a term of four years.

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:

	2003	2002	2001
Admissions and other	\$ 13,277,760	\$ 9,639,112	\$ 9,164,805
Food and beverage	12,883,072	16,677,766	16,666,842
	<u>\$ 26,160,832</u>	<u>\$ 26,316,878</u>	<u>\$ 25,831,647</u>

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 and 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, 2003, 2002, and 2001 was \$5,007,946, \$3,334,814 and 5,682,903, respectively.

Property and Equipment Property, equipment and improvements 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
Land improvements	15 years
Furniture, fixtures, and equipment, gaming and computer equipment	2-7 years

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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 percent to 70 percent of adjusted gross receipts (as defined). The maximum gaming tax rate increased from 35 percent to 50 percent in July 2002 and again from 50 percent to 70 percent 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 admission.

3. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment, net at December 31, 2003 and 2002 is as follows:

	2003	2002
	<u> </u>	<u> </u>
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, gaming and computer equipment	26,853,723	50,909,708
Construction in progress	697,835	144,193
	<u> </u>	<u> </u>
Total property and equipment	114,939,173	138,441,516
Less accumulated depreciation and amortization	48,787,420	68,928,454
	<u> </u>	<u> </u>
Property and equipment, net	\$ 66,151,753	\$ 69,513,062
	<u> </u>	<u> </u>

4. ACCRUED LIABILITIES

A summary of accrued liabilities at December 31, 2003 and 2002 is as follows:

	2003	2002
	<u> </u>	<u> </u>
Accrued commitment to Grand Victoria Foundation and County of Kane	\$ 17,614,856	\$ 25,962,289
Reserve for progressive jackpots	4,738,946	6,132,865
Accrued payroll, vacation, and related taxes	4,002,070	3,887,394
Reserve for slot club redemptions	2,711,991	2,435,091
Accrued gaming, sales and state withholding taxes	1,025,967	779,062
Unredeemed chip/token liability	943,709	827,000
Accrued property taxes	838,648	776,580
Accrued ground lease	575,252	883,711
Accrued promotions and advertising	453,130	228,215
Unclaimed property liability	432,391	351,410
Accrued employees' tips	417,898	396,430
Other	388,319	278,849
Accrued insurance liability	338,007	559,411
Accrued employee expenses payable to Mandalay Resort Group	247,458	229,762
Accrued audit and legal	158,100	462,700
Kane County Forest Preserve trust agreement	125,000	125,000
Accrued fines and expenses payable to IGB		3,200,000
	<u> </u>	<u> </u>
Total accrued liabilities	\$ 35,011,742	\$ 47,515,769
	<u> </u>	<u> </u>

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. This amount was included in accrued liabilities at December 31, 2002 and was charged to general and administrative expense.

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 ten years commencing with the initial issuance of the IGB license, with the right to renew the Agreement for successive five year terms, not to exceed a total lease term of thirty years. The Agreement requires annual lease payments equal to the greater of (i) \$107,195 or (ii) three percent of the Joint Venture's annual net operating income, as defined. The current lease term will expire on October 6, 2004.

The future minimum lease commitment under the ground lease as of December 31, 2003 is as follows:

2004	\$ 82,007
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Rent expense for the years ended December 31, 2003, 2002, and 2001 was \$2,904,899, \$4,239,215, and \$5,207,797, 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 twelve 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, 2003, 2002, and 2001 was \$17,614,856, \$25,962,289, and \$32,119,418, 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. PROFIT SHARING PLAN

The Joint Venture contributes to a defined contribution plan which provides for contributions in accordance with the plan document. The plan covers substantially all employees. 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, 2003, 2002, and 2001 was \$760,174, \$704,673, and \$613,944, respectively.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Partners of the Elgin Riverboat Resort Riverboat Casino

We have audited the accompanying balance sheet of Elgin Riverboat Resort Riverboat Casino (the "Joint Venture") as of December 31, 2003, and the related statements of income, partners' equity and cash flows for the year 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 audit.

We conducted our audit in accordance with 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Elgin Riverboat Resort Riverboat Casino as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

March 12, 2004

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

VICTORIA PARTNERS
(dba Monte Carlo Resort & Casino)

BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 16,801,166	\$ 15,106,522
Accounts receivable, net of allowance for doubtful accounts of \$3,995,677 and \$3,351,921, respectively	8,386,425	7,684,742
Inventories	3,689,236	3,323,940
Prepaid expenses	3,994,780	3,969,820
	<u>32,871,607</u>	<u>30,085,024</u>
PROPERTY AND EQUIPMENT Net	290,024,600	290,734,380
OTHER ASSETS Net	2,602,404	2,628,050
	<u>325,498,611</u>	<u>323,447,454</u>
LIABILITIES AND PARTNERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,806,755	\$ 2,848,802
Accrued liabilities:		
Jackpots and prizes	4,114,866	3,992,910
Salaries, wages and benefits	8,501,800	7,602,725
Gaming and other taxes	2,144,933	1,968,689
Advance room deposits	5,005,399	2,839,334
Other	2,899,427	2,117,280
	<u>25,473,180</u>	<u>21,369,740</u>
COMMITMENTS AND CONTINGENCIES		
PARTNERS' EQUITY	300,025,431	302,077,714
	<u>325,498,611</u>	<u>323,447,454</u>

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

VICTORIA PARTNERS
(dba Monte Carlo Resort & Casino)

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

	2003	2002	2001
OPERATING REVENUES:			
Casino	\$ 95,136,194	\$ 97,387,402	\$ 101,720,130
Rooms	105,531,806	97,590,237	99,792,667
Food and beverage	41,410,009	41,197,776	40,132,646
Other	31,773,263	28,937,874	30,881,760
	273,851,272	265,113,289	272,527,203
Less promotional allowances	(13,596,126)	(14,796,312)	(15,940,986)
Net operating revenues	260,255,146	250,316,977	256,586,217
OPERATING EXPENSES:			
Casino	51,784,532	53,850,831	56,145,225
Rooms	33,014,757	30,586,314	30,222,733
Food and beverage	30,834,188	29,752,220	29,706,136
Other operating expenses	16,260,781	16,256,836	17,454,511
General and administrative	41,573,527	40,800,689	39,534,090
Depreciation and amortization	12,945,409	13,020,719	16,674,921
Total operating expenses	186,413,194	184,267,609	189,737,616
OPERATING INCOME	73,841,952	66,049,368	66,848,601
OTHER INCOME (EXPENSE):			
Interest and other income	111,975	141,719	410,371
Interest expense	(6,210)	(1,212,564)	(4,684,293)
Total other income (expense)	105,765	(1,070,845)	(4,273,922)
NET INCOME	\$ 73,947,717	\$ 64,978,523	\$ 62,574,679

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

VICTORIA PARTNERS
(dba Monte Carlo Resort & Casino)

STATEMENTS OF CHANGES IN PARTNERS' EQUITY

YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

	Gold Strike L.V.	MRGS Corp.	Total
BALANCE December 31, 2000	\$ 125,001,796	\$ 108,522,716	\$ 233,524,512
Net income	31,287,340	31,287,339	62,574,679
Distributions to partners	(36,000,000)	(36,000,000)	(72,000,000)
BALANCE December 31, 2001	120,289,136	103,810,055	224,099,191
Net income	32,489,262	32,489,261	64,978,523
Partners' contributions	43,500,000	43,500,000	87,000,000
Distributions to partners	(37,000,000)	(37,000,000)	(74,000,000)
BALANCE December 31, 2002	159,278,398	142,799,316	302,077,714
Net income	36,973,859	36,973,858	73,947,717
Distributions to partners	(38,000,000)	(38,000,000)	(76,000,000)
BALANCE December 31, 2003	\$ 158,252,257	\$ 141,773,174	\$ 300,025,431

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

VICTORIA PARTNERS
(dba Monte Carlo Resort & Casino)

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 73,947,717	\$ 64,978,523	\$ 62,574,679
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,945,409	13,020,719	16,674,921
Gain on disposal of fixed assets	(20,340)	(15,959)	(16,874)
Increase in allowance for doubtful accounts	643,754	1,107,520	633,574
Changes in assets and liabilities:			
Accounts receivable	(1,345,437)	705,702	2,882,220
Prepaid expenses	(24,960)	(2,218,880)	750,060
Inventories	(365,296)	148,265	(143,695)
Other assets	(19,354)	1,345,518	(183,800)
Accounts payable	(42,047)	(195,546)	(1,448,987)
Interest payable		(200,628)	(379,801)
Accrued liabilities:			
Jackpots and prizes	121,956	677,825	(1,155,107)
Salaries, wages and benefits	899,075	(651,368)	583,465
Gaming and other taxes	176,244	232,897	(460,707)
Advance room deposits	2,166,065	1,640,300	(767,187)
Other	782,147	31,505	(684,719)
Net cash provided by operating activities	89,864,933	80,606,393	78,858,042
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(12,676,747)	(5,745,035)	(7,365,990)
Proceeds from sale of fixed assets	506,458	65,105	110,732
Net cash used in investing activities	(12,170,289)	(5,679,930)	(7,255,258)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Partners' contributions		87,000,000	
Distributions to partners	(76,000,000)	(74,000,000)	(72,000,000)
Payments on revolving credit facility		(87,000,000)	
Net cash used in financing activities	(76,000,000)	(74,000,000)	(72,000,000)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,694,644	\$ 926,463	\$ (397,216)
CASH AND CASH EQUIVALENTS Beginning of year	15,106,522	14,180,059	14,577,275
CASH AND CASH EQUIVALENTS End of year	\$ 16,801,166	\$ 15,106,522	\$ 14,180,059

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	<u>2003</u>	<u>2002</u>	<u>2001</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash paid during the year for interest	\$ 6,210	\$ 1,413,192	\$ 4,827,952

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

VICTORIA PARTNERS
(dba Monte Carlo Resort & Casino)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

1. ORGANIZATION AND OPERATIONS

Gold Strike L.V., a subsidiary of Mandalay Resort Group ("MRG"), and MRGS Corp. (a subsidiary of Mirage Resorts, Incorporated) formed a partnership, Victoria Partners (the "Partnership"), under a joint venture agreement. The purpose of the joint venture was to acquire certain unimproved property for the development and operation of a hotel-casino. The Partnership is doing business under the name Monte Carlo Resort & Casino. The joint venture agreement was signed on December 9, 1994 and provides for an even split of net income or losses from the Partnership, with MRG as managing partner. The casino opened for business on June 21, 1996.

During 1996, Gold Strike L.V. and MRGS Corp. made additional cash capital contributions to the Partnership of \$37,000,000 and \$21,500,000, respectively. Gold Strike L.V. also paid for certain fixed assets on behalf of the Partnership of \$13,600,000.

In 1997, Gold Strike L.V. made an additional capital contribution of \$2,100,000 to fund completion of the project.

In 2002, Gold Strike L.V. and MRGS Corp. made cash capital contributions of \$43,500,000 each in order to retire the reducing revolving loan facility (see Note 5).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates 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.

Cash and Cash Equivalents Cash and cash equivalents include all cash balances and highly liquid investments with maturities three months or less at the date of purchase.

Allowance for Doubtful Accounts The Partnership reserves an estimated amount for receivables that may not be collected. Methodologies for estimating bad debt reserves range from specific reserves to various percentages applied to aged receivables. Historical collection rates and customer relationships are considered in determining specific reserves. Bad debt expense was \$911,309, \$2,375,718 and \$1,934,365 for the years ended December 31, 2003, 2002 and 2001. Write-offs, net of recoveries, were \$267,553, \$1,268,198 and \$1,300,791 for the years ended December 31, 2003, 2002 and 2001, respectively.

Inventories Inventories are stated at the lower of cost, using a first-in, first-out basis or market.

Property and Equipment Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Long-Lived Assets In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Partnership evaluates the potential impairment of long-lived assets when events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. If it is determined that the carrying value of long-lived assets may not be recoverable based upon the relevant

facts and circumstances, the Partnership estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, the Partnership will recognize an impairment loss for the difference between the carrying value of the asset and its fair value.

Other Assets Other assets consist of county license deposits, Internet domain name rights, china, glass, silverware, linen and uniforms.

Income Taxes Income taxes are not recorded by the Partnership since any income or loss is allocated to the partners and included in their respective income tax returns. Accordingly, no provision for income taxes has been made and the Partnership has no liability for income taxes.

Deferred Finance Charges Fees paid by the Partnership in obtaining its long-term debt facility were included in other assets and were fully amortized as of December 31, 2001. These charges were amortized over the period of the loan. Amortization relating to these charges of \$236,142 was included in interest expense in the year ended December 31, 2001.

Jackpots and Prizes The Partnership accrues for all progressive slot machine jackpots and other fixed jackpots in excess of \$25,000. Fixed jackpot accruals are recorded as a reduction of gaming revenues ratably over the period of play expected to precede payout. Any portion of a jackpot not already accrued is charged to revenue at the time of payout.

Revenue Recognition Casino revenues are the net difference between the sums received as winnings and the sums paid as losses. Incentives, such as discounts to induce casino play, are deducted from gross revenues. Hotel, food and beverage and other revenues are generally recognized as services are provided to customers.

Complimentary Allowances Revenues include the retail value of rooms, food and beverage furnished gratuitously to customers. Such amounts are then deducted as complimentary allowances.

The estimated costs of providing such complimentary allowances, as they relate to the casino department, are included in casino expenses as follows for the years ended December 31:

	2003	2002	2001
Rooms	\$ 1,618,978	\$ 1,798,576	\$ 1,983,934
Food and beverage	3,881,786	4,139,629	4,398,029
Other	734,098	794,950	964,108
	\$ 6,234,862	\$ 6,733,155	\$ 7,346,071

Player Club Points The Partnership's casino player club allows customers to earn "points" based on the volume of their gaming activity. These points are redeemable for certain complimentary services, merchandise and/or cash rebates. In February 2001, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board ("FASB") reached a consensus in EITF Issue No. 00-22, *Accounting for "Points" and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future*. EITF Issue No. 00-22 requires that the redemption of points for cash be recognized as a reduction of revenue. The Partnership has complied with the requirements of EITF Issue No. 00-22 in the accompanying statements of income.

Advertising Advertising costs are expensed as incurred and amounted to \$2,991,413, \$4,030,752 and \$3,454,222 for the years ended December 31, 2003, 2002 and 2001, respectively.

Recently Issued Accounting Pronouncements During the period covered by these financial statements, the FASB has issued certain pronouncements on accounting policies that the Partnership

has adopted as prescribed. The adoption of these accounting policies did not have a material impact on the Partnership's financial position or results of operations.

3. RELATED PARTY TRANSACTIONS

MRG provides management information system services to the Partnership and directly charges or allocates a portion of its costs to the Partnership. The allocation to the partnership was \$991,704 for each of the years ended December 31, 2003, 2002 and 2001 and is included in general and administrative expenses. Additionally, certain management employees of MRG are assigned on a permanent basis to the Partnership. The cost of these employees' salaries paid by MRG is reimbursed by the Partnership.

The Partnership participates with the MRG properties in cross-property marketing efforts through a casino players' club. The players' club's costs to the Partnership are based on actual volume of activity at the Monte Carlo Resort & Casino.

During 2003, the Partnership sold fully depreciated, miscellaneous equipment to entities controlled by MRG for \$1,500 and to employees for \$1,602. During 2002, the Partnership sold fully depreciated, miscellaneous equipment to entities controlled by MRG for \$6,356.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2003	2002	Estimated Useful Life (Years)
Land	\$ 54,979,644	\$ 54,979,644	
Buildings	264,094,344	263,586,452	30-45
Leasehold improvements	6,100,923	6,100,923	2.5
Furniture, fixtures and equipment	86,611,613	81,712,258	3-15
Construction in progress	2,832,916	513,706	
	<u>414,619,440</u>	<u>406,892,983</u>	
Less accumulated depreciation and amortization	(124,594,840)	(116,158,603)	
Property and equipment net	<u>\$ 290,024,600</u>	<u>\$ 290,734,380</u>	

Included in leasehold improvements is the 1996 purchase of the interest in the lease between Fri-Admin ("Carrows") and La Quinta Development Partners ("La Quinta") for approximately \$6,000,000. The Partnership subleased the property to Carrows, the former lessee. During 1997, New York-New York Hotel & Casino, LLC ("New York-New York") purchased La Quinta and thereby became the lessor of the property. New York-New York is owned by MGM MIRAGE, the parent company of MRGS Corp. Under the agreement, the Partnership now pays all obligations to New York-New York and is paid a similar amount by Carrows. The lease specifies a term of 10 years through November 2008 at an annual base rent of \$73,142 and provides for certain additional rents based upon annual revenues. The lease also provides for an additional five-year renewal option, increasing the annual base rent to \$75,000 through November 2013.

5. REVOLVING CREDIT FACILITY

The Partnership had a revolving loan facility with a total commitment of \$200,000,000 and a maturity date of April 2, 2002. The interest rate fluctuated based on the Partnership's performance. At December 31, 2001, interest was payable at the London Interbank Offering Rate ("LIBOR") of

1.9375% plus a margin of .625%. The weighted-average interest rate as of December 31, 2001 was 2.75%. In 2002, the Partnership requested an extension of the maturity date. On July 5, 2002, the outstanding commitment was retired with funds contributed equally by each partner.

6. COMMITMENTS AND CONTINGENCIES

Litigation The Partnership is party to various litigation arising in the normal course of business. Management is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the Partnership's financial position or the results of operations.

Loss of Business Payment On April 11, 2003, the Partnership entered into an agreement with MRGS Corp. pursuant to which MRGS Corp. agreed to pay the Partnership an amount representing the estimated loss of profits resulting from the temporary closure of the tram connecting the Monte Carlo to the Bellagio (owned by MRGS Corp.). The agreement also provides for a payment to the Partnership if the rental income from leased outlets at Monte Carlo falls below a specified level during the period the tram is closed. The Partnership is recognizing these payments as other revenues ratably over the period the tram is expected to be closed. The Partnership recognized \$2,955,912 relating to these payments as other revenues in 2003.

Operating Leases The Partnership leases certain equipment under operating leases. Future minimum payments under noncancelable operating leases with initial terms of one year or more consist of the following at December 31, 2003:

2004	\$ 227,138
2005	227,138
2006	14,500
	<hr/>
	\$ 468,776
	<hr/>

Total rental expense under operating leases for the years ended December 31, 2003, 2002 and 2001 was \$865,295, \$946,610 and \$658,857, respectively.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Partners

Victoria Partners dba Monte Carlo Resort & Casino

We have audited the accompanying balance sheets of Victoria Partners dba Monte Carlo Resort & Casino (a Nevada Partnership, the "Partnership") as of December 31, 2003 and 2002, and the related statements of income, changes in partners' equity and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Partnership for the year ended December 31, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated February 26, 2002.

We conducted our audits in accordance with 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, such financial statements present fairly, in all material respects, the financial position of Victoria Partners dba Monte Carlo Resort & Casino as of December 31, 2003 and 2002, 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.

DELOITTE & TOUCHE LLP

March 12, 2004
Las Vegas, Nevada

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This is a copy of the report previously issued by Arthur Andersen LLP. The report has not been reissued by Arthur Andersen LLP nor has Arthur Andersen LLP provided its consent to the inclusion of its report in this Amendment No. 2 on Form 10-K/A to the Annual Report on Form 10-K.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Partners of Victoria Partners
dba Monte Carlo Resort & Casino

We have audited the accompanying balance sheets of VICTORIA PARTNERS dba MONTE CARLO RESORT & CASINO (a Nevada Partnership, the "Partnership") as of December 31, 2001 and 2000, and the related statements of income, changes in partners' equity and cash flows for each of the three years in the period ended December 31, 2001 (see note 2 regarding change to previously issued financial statements). These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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, the financial statements referred to above present fairly, in all material respects, the financial position of Victoria Partners dba Monte Carlo Resort & Casino as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Las Vegas, Nevada
February 26, 2002

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

Item 15 is amended herein solely for the purpose of including in the listing in (a)(1) below, the report of independent public accountants included in Item 8 of this Form 10-K/A.

- (a)
(1) Consolidated Financial Statements:

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- (a)
(2) Supplemental Financial Statement Schedules:

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

<u>Year Ended January 31,</u>	<u>Balance at Beginning of year</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions</u>	<u>Balance at end of year</u>
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
2002 Allowance for doubtful accounts	33,321	20,381	18,298	35,404

(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. 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.)
- 4.4. 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.)

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- 4.5. 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.)
- 4.6. 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.)
- 4.7. Capital Markets 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(c) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2001 Commission File No. 1-8570.)
- 4.8. 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.)
- 4.9. 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.)
- 4.10. 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.)
- 4.11. 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.)
- 4.12. 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.)
- 4.13. Indenture by and between the Registrant and First Interstate Bank of Nevada, N.A., as Trustee with respect to the Registrant's 6³/₄% Senior Subordinated Notes due 2003 and its 7⁵/₈% 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.)
- 4.14. 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.)

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- 4.15. 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.)
- 4.16. 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.)
- 4.17. 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, 2006. (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.)
- 4.18. 6.70% Senior Notes due February 15, 2006 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.)
- 4.19. 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.)
- 4.20. 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.)
- 4.21. 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.)
- 4.22. Instrument of Joinder, dated May 31, 1998, by Mandalay Corp., pursuant to the Subsidiary Guaranty dated as of May 23, 1997, with respect to the Amended and Restated Loan Agreement, in favor of Bank of America, N.A., as administrative agent for the Banks. (Incorporated by reference to Exhibit 4(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1998 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 9¹/₄% 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. 9¹/₄% 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.)

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- 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 10¹/₄% 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 9¹/₂% 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 9³/₈% 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. 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.)
- 4.32. 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 6¹/₂% 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.)
- 4.33. 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.)
- 4.34. 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 6³/₈% 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.)

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- 4.35. 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.* Amended and Restated 1989 Stock Option Plan of the Registrant. (Incorporated by reference to Exhibit 10 to the Post Effective Amendment No. 4 to the Registrant's Registration Statement (No. 33-39215) on Form S-8.)
- 10.2.* 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.)
- 10.3.* 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.)
- 10.4.* 1998 Stock Option Plan. (Incorporated by reference to Exhibit 4(g) to the Registrant's Registration Statement (No. 333-51073) on Form S-8.)
- 10.5.* 1999 Non-Employee Directors Stock Option 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, 1999 Commission File No. 1-8570.)
- 10.6.* 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.)
- 10.7.* 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.)
- 10.8.* 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.)
- 10.9. Thirteenth Amendment and Restatement of the Registrant's Employees' Profit Sharing and Investment Plan. (Incorporated by reference to Exhibit 4(d) to Post Effective Amendment No. 11 to the Registrant's Registration Statement No. 33-18278 on Form S-8.)
- 10.10. Fourteenth Amendment, dated November 21, 2000, to the Registrant's Employees' Profit Sharing and Investment Plan. (Incorporated by reference to Exhibit 10(j) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2001 Commission File No. 1-8570.)
- 10.11. Fifteenth Amendment, dated November 29, 2001, to the Registrant's Employees' Profit Sharing and Investment Plan. (Incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)
- 10.12. Sixteenth Amendment, dated November 20, 2002, to the Registrant's Employees' Profit Sharing and Investment Plan. (Incorporated by reference to Exhibit 4(g) to Post Effective Amendment No. 12 to the Registrant's Registration Statement No. 33-18278 on Form S-8.)

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- 10.13. Seventeenth Amendment, dated December 31, 2002, to the Registrant's Employees' Profit Sharing and Investment Plan. (Incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2003 Commission File No. 1-8570.)
- 10.14. 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.)
- 10.15. 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.)
- 10.16. Ninth 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. 11 to the Registrant's Registration Statement (No. 33-18278) on Form S-8.)
- 10.17. Tenth Amendment and Restatement of the Registrant's Employees' Profit Sharing and Investment Trust. (Incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)
- 10.18. 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.)
- 10.19. 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.)
- 10.20. 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.)
- 10.21. 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.)
- 10.22. 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.)
- 10.23. 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.)

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- 10.24. 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.)
- 10.25. 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.)
- 10.26. 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.)
- 10.27. 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.)
- 10.28. 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.)
- 10.29. 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.)
- 10.30. 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.)
- 10.31. 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.)
- 10.32. 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.)

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- 10.33. 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.)
- 10.34. 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.)
- 10.35. 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.)
- 10.36. 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.)
- 10.37. 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.)
- 10.38. 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.)
- 10.39. 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.)
- 10.40. Agreement and Plan of Merger, dated March 19, 1995, by and among the Registrant and M.S.E. Investments, Incorporated, Last Chance Investments, Incorporated, Gold Strike Investments, Incorporated, Diamond Gold, Inc., Gold Strike Aviation, Incorporated, Gold Strike Finance Company, Inc., Oasis Development Company, Inc., Michael S. Ensign, William A. Richardson, David R. Belding, Peter A. Simon II and Robert J. Verchota. (Incorporated by reference to Exhibit 10(ee) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1995 Commission File No. 1-8570.)
- 10.41. First Amendment to Agreement and Plan of Merger, dated May 30, 1995, by and among the Registrant and M.S.E. Investments, Incorporated, Last Chance Investments, Incorporated, Goldstrike Investments, Incorporated, Diamond Gold, Inc., Gold Strike Aviation, Incorporated, Goldstrike Finance Company, Inc., Oasis Development Company, Inc., Michael S. Ensign, William A. Richardson, David R. Belding, Peter A. Simon II and Robert J. Verchota. (Incorporated by reference to Exhibit 99.2 of the Schedule 13D of Michael S. Ensign relating to the Registrant's Common Stock, filed on June 12, 1995.)

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- 10.42. Exchange Agreement, dated March 19, 1995, by and among the Registrant and New Way, Inc., a wholly owned subsidiary of the Registrant, Glenn W. Schaeffer, Gregg H. Solomon, Antonio C. Alamo, Anthony Korfman and William Ensign. (Incorporated by reference to Exhibit 10(ff) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1995 Commission File No. 1-8570.)
- 10.43. First Amendment to Exchange Agreement, dated May 30, 1995, by and among the Registrant and New Way, Inc., a wholly owned subsidiary of the Registrant, Glenn W. Schaeffer, Gregg H. Solomon, Antonio C. Alamo, Anthony Korfman and William Ensign. (Incorporated by reference to Exhibit 10(d) to the Registrant's Current Report on Form 8-K dated June 1, 1995 Commission File No. 1-8570.)
- 10.44. Registration Rights Agreement, dated as of June 1, 1995, by and among the Registrant and Michael S. Ensign, William A. Richardson, David R. Belding, Peter A. Simon II, Glenn W. Schaeffer, Gregg H. Solomon, Antonio C. Alamo, Anthony Korfman, William Ensign and Robert J. Verchota. (Incorporated by reference to Exhibit 99.5 of the Schedule 13D of Michael S. Ensign, relating to the Registrant's Common Stock, filed on June 12, 1995.)
- 10.45. Standstill Agreement, dated as of June 1, 1995, by and among the Registrant and Michael S. Ensign, William A. Richardson, David R. Belding, Peter A. Simon II and Glenn W. Schaeffer. (Incorporated by reference to Exhibit 99.4 of the Schedule 13D of Michael S. Ensign, relating to the Registrant's Common Stock, filed on June 12, 1995.)
- 10.46. Amendment No. 1 to Standstill Agreement, effective April 16, 1996, by and among the Registrant and Michael S. Ensign, William A. Richardson, David R. Belding, Peter A. Simon II and Glenn W. Schaeffer. (Incorporated by reference to Exhibit 99.7 of Amendment No. 2 to the Schedule 13D of Michael S. Ensign, relating to the Registrant's Common Stock, filed on September 5, 1996.)
- 10.47.* 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.)
- 10.48. Joint Venture Agreement, dated as of December 18, 1992, between Nevada Landing Partnership and RBG, L.P. (Incorporated by reference to Exhibit 10(g) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1995 Commission File No. 1-8570.)
- 10.49. Amendment dated July 15, 1993 to the Joint Venture Agreement between Nevada Landing Partnership and RBG, L.P. (Incorporated by reference to Exhibit 10(h) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1995 Commission File No. 1-8570.)
- 10.50. Amendment dated October 6, 1994 to the Joint Venture Agreement between Nevada Landing Partnership and RBG, L.P. (Incorporated by reference to Exhibit 10(i) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1995 Commission File No. 1-8570.)
- 10.51. Amendment dated June 1, 1995 to the Joint Venture Agreement between Nevada Landing Partnership and RBG, L.P. (Incorporated by reference to Exhibit 10(j) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1995 Commission File No. 1-8570.)

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- 10.52. Amendment dated February 28, 1996 to the Joint Venture Agreement between Nevada Landing Partnership and RBG, L.P. (Incorporated by reference to Exhibit 10(ww) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 Commission File No. 1-8570.)
- 10.53. 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.)
- 10.54. 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.)
- 10.55. 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.)
- 10.56. 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.)
- 10.57. 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.)
- 10.58. 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.)
- 10.59. 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.)
- 10.60. 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.)
- 10.61. 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.)
- 10.62. 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.)

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- 10.63. 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.)
- 10.64. 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.)
- 10.65. 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.)
- 10.66. 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.)
- 10.67. 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.)
- 10.68. 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.)
- 10.69. 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.)
- 10.70. 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.)
- 10.71. 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.)
- 10.72. 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.)
- 10.73. 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.)

- 10.74. 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.)
- 10.75. Amended and Restated Development Agreement, dated as of April 9, 1998, by and among Detroit Entertainment, L.L.C., the City of Detroit and the Economic Development Corporation of the City of Detroit for the City of Detroit Casino Development Project. (Incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1998 Commission File No. 1-8570.)
- 10.76. First Amendment, dated June 25, 1998, to the Amended and Restated Development Agreement, dated as of April 9, 1998, by and among Detroit Entertainment, L.L.C., the City of Detroit and the Economic Development Corporation of the City of Detroit for the City of Detroit Casino Development Project. (Incorporated by reference to Exhibit 10(b) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1998 Commission File No. 1-8570.)
- 10.77. Second Amendment, dated December 1999, to the Amended and Restated Development Agreement, dated April 9, 1998, by and among Detroit Entertainment, L.L.C., the City of Detroit and the Economic Development Corporation of the City of Detroit for the City of Detroit Casino Development Project. (Incorporated by reference to Exhibit 10(mmm) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2000 Commission File No. 1-8570.)
- 10.78. Third Amendment, dated November 30, 2000, to the Amended and Restated Development Agreement, dated April 9, 1998, by and among Detroit Entertainment, L.L.C., the City of Detroit and the Economic Development Corporation of the City of Detroit for the City of Detroit Casino Development Project. (Incorporated by reference to Exhibit 10(hhh) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2001 Commission File No. 1-8570.)
- 10.79. Fourth Amendment, dated November 2001, to the Amended and Restated Development Agreement, dated April 9, 1998, by and among Detroit Entertainment, L.L.C., the City of Detroit and the Economic Development Corporation of the City of Detroit for the City of Detroit Casino Development Project. (Incorporated by reference to Exhibit 10.74 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)
- 10.80. Fifth Amendment, dated March 2002, to the Amended and Restated Development Agreement, dated April 9, 1998, by and among Detroit Entertainment, L.L.C., the City of Detroit and the Economic Development Corporation of the City of Detroit for the City of Detroit Casino Development Project. (Incorporated by reference to Exhibit 10.75 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)
- 10.81. Sixth Amendment, dated April 2002, to the Amended and Restated Development Agreement, dated April 9, 1998, by and among Detroit Entertainment, L.L.C., the City of Detroit and the Economic Development Corporation of the City of Detroit for the City of Detroit Casino Development Project. (Incorporated by reference to Exhibit 10.76 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 Commission File No. 1-8570.)

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- 10.82. Seventh Amendment, dated June 12, 2002, to the Amended and Restated Development Agreement, dated April 9, 1998, by and among Detroit Entertainment, L.L.C., the City of Detroit and the Economic Development Corporation of the City of Detroit for the City of Detroit Casino Development Project. (Incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2002 Commission File No. 1-8570.)
- 10.83. 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.)
- 10.84. 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.)
- 10.85. 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.)
- 10.86. 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(III) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2001 Commission File No. 1-8570.)
- 10.87. 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.)
- 10.88. 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(III) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1998 Commission File No. 1-8570.)
- 10.89. 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.)
- 10.90. 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.)

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- 10.91. 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.)
- 10.92. 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.)
- 10.93. 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.)
- 10.94. 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.)
- 10.95. 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.)
- 10.96. 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.)
- 10.97.* 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.)
- 10.98.* 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.)
- 10.99.* 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.)
- 10.100. 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.)
- 10.101. 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.)

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- 10.102. 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.)
- 10.103. 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.)
- 10.104. 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.)
- 10.105. 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.)
- 10.106. 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.)
- 10.107. 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.)
- 10.108. 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.)
- 10.109. 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.)
- 10.110. 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.)

- 10.111. 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.)
- 10.112. 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.)
- 10.113. 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.)
- 10.114. 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.)
- 10.115. 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.)
- 10.116. 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.)
- 10.117. 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.)
- 10.118. 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.)
- 10.119. 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.)
- 10.120. 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.)
- 10.121. 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.)

- 10.122. 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.)
- 10.123. 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.)
- 10.124. 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.)
- 10.125. 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.)
- 10.126. 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.)
- 10.127. 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.)
- 10.128. Interest Rate Swap Agreement, dated as of April 6, 2004, by and between the Registrant and Bank of America, N.A.**
- 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 Deloitte & Touche LLP related to the financial statements of Victoria Partners.
- 23.4. Consent of PricewaterhouseCoopers LLP.
- 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.

**

Previously filed with 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) During the fourth quarter of the fiscal year ended January 31, 2004, Mandalay filed the following reports on Form 8-K:

A Form 8-K, was filed on November 14, 2003, and included information under Items 5 and 7 relating to the press release announcing the issuance of \$250 million 6³/₈% senior unsecured notes due December 15, 2011.

A Form 8-K, was filed on November 26, 2003, and included information under Items 5 and 7 relating to the press release announcing a settlement agreement with the Lac Vieux Desert Band of Lake Superior Chippewa Indians.

A Form 8-K, was filed on December 3, 2003, and included information under Items 5 and 7 relating to the press release announcing the company's third quarter results.

A Form 8-K, was filed on December 9, 2003, and included information under Items 4 and 7 relating to a change in certifying accountant for Elgin Riverboat Resort Riverboat Casino.

(c) 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.

(d) See Item 15(a)(2) of this report.

SIGNATURE

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

(Registrant)

Date: July 26, 2004

By: /s/ MICHAEL S. ENSIGN

Michael S. Ensign
*Chairman of the Board, Chief Executive Officer and
Chief Operating Officer*

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January 31, 2004

**Exhibit
Number**

- 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 Deloitte & Touche LLP related to the financial statements of Victoria Partners.
- 23.4. Consent of PricewaterhouseCoopers LLP.
- 31.1. Certification of Michael S. Ensign, Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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- 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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