

Mandalay Resort Group Audit Committee Charter

This Charter has been adopted by the Board of Directors (“Board”) of Mandalay Resort Group (the “Company”) to govern the Board’s Audit Committee (the “Audit Committee”), which shall have the authority, responsibility and specific powers described below.

Purpose

The Audit Committee shall provide assistance to the directors in fulfilling their responsibility to the stockholders relating to (1) the integrity of the Company’s financial statements, (2) the Company’s compliance with legal and regulatory requirements, (3) the qualifications and independence of the Company’s independent auditors, and (4) the performance of the Company’s internal audit function and independent auditors. In addition, the Audit Committee shall prepare the Audit Committee report required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statement.

The Board believes that the policies and procedures of the Audit Committee in carrying out its responsibilities should remain flexible, in order to permit the Audit Committee to best react to changing conditions and circumstances. The Audit Committee should take appropriate actions to set the overall corporate “tone” for quality financial reporting, sound business risk practices, and ethical behavior. The principal duties and responsibilities of the Audit Committee are set forth as a guide with the understanding that the Audit Committee may supplement them as appropriate.

Audit Committee Membership

The Audit Committee shall consist of the number of members fixed from time to time by the Board, but shall at all times consist of no fewer than three members. The Audit Committee and its Chairperson shall be appointed by the Board and any member of the Audit Committee may be removed by the Board. Each member of the Audit Committee shall be a member of the Board who meets the requirements for membership on the Audit Committee under applicable laws and regulations of governmental authorities and applicable rules of the New York Stock Exchange, the Pacific Exchange and/or any other stock exchanges where the Company’s securities are from time to time listed (collectively, “Applicable Requirements”).

Each member of the Audit Committee shall be financially literate; as such qualification is interpreted by the Board in its business judgment. At least one member of the Audit Committee shall have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment. At least one member of the Audit Committee shall be designated by the Board as an “audit committee financial expert” as defined in Item 401(e) of Regulation S-K, unless the Board determines that there is no audit committee financial expert on the Audit Committee. The Board may presume that a member who is determined to be an audit

committee financial expert has the accounting or related financial management expertise referred to in the preceding sentence.

Audit Committee Responsibilities

While the fundamental responsibility for the Company's financial statements rests with management and the Company's independent auditor, and while the internal and independent auditor are responsible for conducting audits, the Audit Committee shall have the following authority and responsibilities:

Independent Auditor

Appointment and Oversight. The Audit Committee is responsible for the appointment, compensation, retention, and oversight of any registered accounting firm engaged for the purpose of preparing or issuing an audit report and performing other audit, review, or attest services for the Company (the "Independent Auditor"). The Independent Auditor shall report directly to the Audit Committee. The Audit Committee shall have a clear understanding with the Independent Auditor that it is ultimately accountable to the Audit Committee.

Pre-Approval of Non-Audit Services. The Audit Committee shall pre-approve all permitted non-audit services to be performed by the Independent Auditor and the fees for such service, and may establish policies and procedures for the engagement of the Independent Auditor to provide permitted non-audit services. The members of the Audit Committee may designate one of its members to authorize pre-approval of non-audit services to be provided by the Independent Auditors. Any such pre-approval by the designated Audit Committee member must be presented to the full Audit Committee at its next scheduled meeting.

Evaluation. The Audit Committee shall, no less than annually (including at the time it appoints the Independent Auditor), evaluate the Independent Auditor's qualifications, performance, and independence. This evaluation shall include the review and evaluation of the experience and qualifications of the lead partner of the Independent Auditor firm. In making its evaluation, the Audit Committee shall take into account the opinions of management and the Company's Internal Auditor. The Audit Committee shall report its findings to the Board.

Annual Report on Quality Control and Independence. The Audit Committee shall receive and review, at least annually, a report from the Independent Auditor relating to the firm's independence and quality of its internal controls. This report shall describe (i) the Independent Auditor's internal quality control procedures, (ii) any material issues raised by the most recent peer review or internal quality control review of the firm, (iii) any material issues raised by any governmental or professional authority in any inquiry or investigation, within the preceding five years, regarding any independent audit carried out by the firm, and (iv) any steps taken to deal with any issues raised in connection with clauses (ii) through (iii) above. Further, to assist the Audit Committee in assessing the firm's independence, the report shall describe all relationships between the Independent Auditor and the Company (including any significant fees for any

anticipated non audit services), including those required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.

Independent Auditor and Partner Rotation. The Audit Committee shall consider, at least annually, whether the Company should have a policy requiring a regular rotation of the Independent Auditor and report its findings to the Board. Further, the Audit Committee may establish a policy regarding the rotation of the lead partner and concurring and reviewing partners of the Independent Auditor in accordance with applicable SEC regulations.

Hiring Policy. The Audit Committee shall also set clear hiring policies regarding the Company's hiring of current or former employees of the Independent Auditor.

Independent Auditor Plan. The Audit Committee shall review with the Independent Auditor and management the plan and scope of the Independent Auditor's proposed annual financial audit and quarterly reviews, including the procedures to be utilized and the Independent Auditor's compensation. The Audit Committee or sub-Audit Committee thereof shall also pre approve audit, non audit, and any other services to be provided by the Independent Auditor in accordance with such policies as may, from time to time, be adopted by the Audit Committee.

Audit Reports and Reviews. The Audit Committee shall, in consultation with management and the Independent Auditor, review the results of the annual financial audit and limited quarterly reviews of the Company's financial statements, significant findings thereof, and any other matters required to be communicated by the independent auditors under Generally Accepted Auditing Standards, including, if applicable, the Independent Auditor's summary of any significant accounting, auditing and internal control issues, along with questions, comments and recommendations and management's corrective action plans, if applicable (*i.e.*, the management or internal control letter).

In conjunction with its annual audit and its limited quarterly reviews of the Company's financial statements, the Independent Auditor will review with the Audit Committee any problems or difficulties the Independent Auditor encountered in the course of its work, including any restrictions on the scope of the firm's activities, its access to information, or any significant disagreements with management and management's responses to such matters. Management shall notify the Audit Committee when it seeks a second opinion on a significant accounting issue. The Audit Committee shall be responsible for the resolution of any disagreements between management and the Independent Auditor regarding financial reporting.

Internal Audit

Internal Auditor. The Company's internal audit function shall be managed by an Internal Auditor. The Audit Committee shall review and concur with management's appointment, termination or replacement of the Internal Auditor.

Internal Audit Plan and Reports. The Audit Committee shall review the Company's internal audit function, including the internal audit reporting relationships, and the internal audit plan. The Audit Committee shall also receive regular reports from the Internal Auditor regarding the status and results of the internal audits. The Audit Committee shall also discuss with the Internal Auditor, at least annually, the responsibilities, budget, and staffing of the Company's internal audit function.

Financial Statements

Form 10-K. The Audit Committee shall review, in consultation with management and the Independent Auditor, the Company's annual financial statements, the Independent Auditor's report, and the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") to be contained in the annual report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of the Form 10-K) prior to the filing of the Form 10-K with the SEC. The Audit Committee shall be responsible for providing the Board with a recommendation as to the inclusion of the Company's financial statements in the Form 10-K.

Form 10-Q. The Audit Committee shall review, in consultation with management and the Independent Auditor, the Company's interim financial statements and, prior to filing each of the Company's Quarterly Reports on Form 10-Q with the SEC, discuss the results of the period covered by the Report on Form 10-Q.

Scope of Review. In reviewing the Company's Forms 10-Q and 10-K, the Audit Committee shall review with management and the Independent Auditor:

- (i) the certifications required to be made by management in relation to the filings, including regarding any significant deficiencies or weaknesses in the design or operation of the Company's internal control over financial reporting and any fraud, whether or not material, involving management or other employees who have a significant role in the Company's system of internal control;
- (ii) major issues regarding the presentation of, and the clarity of the disclosure in, the Company's financial statements;
- (iii) major issues regarding the Company's accounting principles, including (1) significant changes in the Company's selection or application of its accounting principles, (2) material questions of choice with respect to the appropriate accounting principles and practices used and to be used in the preparation of the Company's financial statements, including judgments about the quality, not just acceptability, of accounting principles, and (3) the reasonableness of those significant judgments;
- (iv) significant regulatory and accounting initiatives, including material changes in, or adoptions of, accounting principles and disclosure practices and standards;

- (v) the effect of off-balance sheet structures on the Company's financial statements;
- (vi) any analyses prepared by management or the Independent Auditor regarding the foregoing matters; and
- (vii) other communications regarding the results of the Independent Auditor's audit or review, including any other matters required to be communicated to the Audit Committee by the Independent Auditor under Generally Accepted Auditing Standards.

Earnings Releases and Guidance

Review of Releases. The Audit Committee (or Audit Committee chairman) shall discuss with management and the Independent Auditor each of the Company's earnings releases prior to its issuance.

Periodic Review. In addition, the Audit Committee shall periodically review and discuss with management and the Independent Auditor the type of presentation and information to be included in the Company's earnings press releases (including, but not limited to, the use of "pro forma" and "adjusted non-GAAP information"), and earnings guidance provided to analysts and rating agencies.

Compliance, Internal Controls and Risk Management

Complaints Procedures. The Audit Committee shall establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.

Regulatory Action and Investigations. Unless otherwise determined by the Board, the Audit Committee (i) shall have the authority to oversee the Company's response to regulatory actions, including investigations, involving financial, accounting, and financial internal control matters, and (ii) may investigate any matter within the scope of its responsibilities that it determines appropriate.

Internal Control. The Audit Committee shall review major issues as to the adequacy of the Company's internal controls and any audit steps taken in light of material control deficiencies.

Risk Assessment. The Audit Committee shall discuss the Company's major financial and other risk exposures and the steps that management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. In fulfilling this responsibility, the Audit Committee shall, no less than annually, receive a report from management regarding the manner in which the Company is assessing and managing the Company's exposure to financial and other risks.

Audit Committee Meetings and Operations

Meeting Schedule. The Audit Committee shall approve its schedule of meetings and shall meet at least four times per year. The schedule of meetings shall include appropriate meetings to be held separately with representatives of the Independent Auditor, management and the internal auditor, including the meetings required by this Charter. The Audit Committee may also hold additional meetings at the direction of the Audit Committee Chairman or at the request of any other Audit Committee member. The Audit Committee may meet in person or by telephone conference call, and may act by unanimous written consent.

Agenda and Materials. The Audit Committee Chairman shall approve the agenda for the Audit Committee's meetings, and any member may suggest items for the Audit Committee's consideration. Briefing materials shall be provided to the Audit Committee as far in advance of a meeting as practicable.

Attendance at Meetings. The Audit Committee, at the discretion of the Audit Committee Chairman, may invite members of management to attend the Audit Committee's meetings. All outside Directors who are not Audit Committee members shall be invited to attend Audit Committee meetings, provided that: (i) the Audit Committee shall meet without such other Directors during executive session, (ii) the Audit Committee Chairman may ask non-Audit Committee members to leave the meeting at any time, and (iii) such non-Audit Committee members may not vote on any actions considered by Audit Committee.

Executive Sessions. The Audit Committee shall hold an executive session at each regularly scheduled meeting. During the executive sessions, no non-Audit Committee member shall be present. As part of these executive sessions, the Audit Committee shall meet separately and privately with each of the following (i) management, (ii) the internal auditor, and (iii) representatives of the Independent Auditor.

Voting. A majority of the Audit Committee members shall constitute a quorum. Each Audit Committee member shall have one vote and actions at meetings may be approved by a majority of the members present.

Reporting to the Board. The Audit Committee shall keep minutes of each meeting, which minutes shall be approved by the Audit Committee at a subsequent meeting and, as approved, be maintained as part of the permanent records of the Audit Committee. At the Board meeting following each Audit Committee meeting, the Audit Committee Chairman (or the Chairman's designee) shall report to the full Board on the Audit Committee's actions and recommendations. Among other things, these reports shall address any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Independent Auditor, and the performance of the internal audit function.

Other Audit Committee Responsibilities

The Audit Committee shall:

- § Review with management, the Company's senior internal auditing executive and the independent auditor that the Company's affiliated entities are in conformity with applicable legal requirements including disclosures of insider and affiliated party transactions.
- § Review with the Company's General Counsel legal matters that may have a material impact on the financial statements.
- § Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Company's financial statements or accounting policies.
- § Perform any other activities consistent with this Charter, the Company's by-laws, and Applicable Requirements, as the Audit Committee deems necessary or appropriate.

Annual Performance Evaluation

The Audit Committee shall annually review and evaluate its own performance and report to the Board the conclusion of the Audit Committee resulting from such review and evaluation.

Annual Charter Review

The Audit Committee shall review and reassess the adequacy of this Audit Committee Charter annually and submit it to the Board for approval.

Committee Resources

The Audit Committee shall have the authority to conduct any investigation appropriate to fulfilling its responsibilities, and in fulfilling its responsibilities, it shall have direct access to the Company's independent auditors and internal auditors, as well as any officer, employee, representatives or consultants of the Company. The Audit Committee shall have the authority to engage and determine funding for such independent professional advisers and counsel as the Audit Committee determines are appropriate to carry out its functions hereunder.

The Company shall provide appropriate funding to the Audit Committee, as determined by the Audit Committee, for payment of (i) compensation to the independent accountants for services approved by the Audit Committee, (ii) compensation to any outside advisers retained by the Audit Committee, and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

Limitation of the Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Audit Committee Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor.

Website

This Charter shall be posted on the Company's website, and the Company's annual report to stockholders shall include a statement to the effect that this Charter is available on the Company's website and that the information is available in print to any stockholder who requests it.