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MONARCH CASINO & RESORT INC

Form 8-K/A

February 23, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): February 15, 2005

MONARCH CASINO & RESORT, INC.
(Exact name of registrant as specified in its charter)

| | | |
|---|--|---|
| NEVADA (State or other jurisdiction of incorporation) | 0-22088 (Commission File Number) | 88-0300760 (I.R.S. Employer Identification No.) |
|---|--|---|

| | |
|---|---------------------|
| 1175 W. Moana Lane, Suite 200 Reno, NEVADA (Address of Principal Executive Offices) | 89509 (Zip Code) |
|---|---------------------|

(775)825-3355

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name or former address, if changed since last report)

ITEM 2.02 Results of Operations and Financial Condition

On February 15, 2005, Monarch Casino & Resort, Inc. (the "Company") issued a press release reporting the Company's financial results for the fourth quarter and fiscal year ended December 31, 2004. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Also attached hereto and incorporated by reference is Exhibit 99.2, a correction of the press release attached as Exhibit 99.1. The number of shares outstanding and treasury stock on the Company's Balance Sheet were updated to reflect such number of shares at December 31, 2004, instead of September 30, 2004, as was erroneously reported in Exhibit 99.1. The actual press release reported such balances correctly.

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ITEM 9.01 Financial Statements and Exhibits

(c) EXHIBITS

99.1 Text of press release dated February 15, 2005.

99.2 Corrected text of press release dated February 15, 2005.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MONARCH CASINO & RESORT, INC.

Date: February 22, 2005

By: /s/ Ben Farahi

Name: Ben Farahi
Title: Chief Financial Officer,
Treasurer and Secretary

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Exhibit 99.1

PRESS RELEASE

MONARCH CASINO & RESORT, INC. ANNOUNCES RECORD BREAKING FOURTH
QUARTER AND YEAR END 2004 RESULTS

- 2004 EPS BEATS RECORD 2003 BY APPROXIMATELY 72% -

RENO, NV-February 15, 2005- Monarch Casino & Resort, Inc. (Nasdaq:
MCRI) (the "Company") capped an all-time record year as a result of its record
fourth quarter ended December 31, 2004.

The Company generated a fourth quarter record \$3.9 million net income, or

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\$0.41 per diluted share, on net revenues of \$31.2 million for the three months ended December 31, 2004. The fourth quarter net income was a 118.2% improvement over the Company's previous fourth quarter record of \$1.8 million, or \$0.19 per diluted share, set in 2003. Net revenues also beat the previous record 2003 fourth quarter net revenues by 10.4%. The record quarterly net revenues were driven by significant increases in the Company's casino (+10.3%), food and beverage (+11.6%) and hotel (+12.4%) revenue centers. Total operating costs and expenses increased only 1.6% over the 2003 fourth quarter, leading to strong margin improvements across the board, and a 76.7% increase in income from operations in the fourth quarter of 2004 compared to the same period in 2003. The improved margins also led to record fourth quarter EBITDA (1) for the Company, which reached \$7.8 million, a 26.0% improvement over its previous fourth quarter best EBITDA (1) of \$6.2 million achieved in 2003.

For the fiscal year ended December 31, 2004, the Company also set new all-time records in net income, earnings per share, casino revenue, hotel revenue, net revenues and EBITDA (1). Net income for the year was \$16.5 million, or \$1.76 per diluted share, on net revenues of \$129.5 million. The record net income represented a 72.0% increase over the Company's previous record net income of \$9.6 million, or \$1.02 per diluted share, on net revenues of \$116.0 million, set in 2003. Significant increases in the Company's primary revenue centers of casino (+12.2%), food and beverage (+8.2%) and hotel (+14.5%) led to the record net revenues. Furthermore, promotional allowances increased only 7.9%, leading to a 67.1% flow through of incremental net revenue to income from operations. Total operating costs and expenses increased only 4.5% in 2004 compared to 2003. The combination of increased revenues and cost containment resulted in a significant EBITDA (1) margin improvement of 24.2% in 2003 to 27.7% in 2004. EBITDA (1) for the twelve months ended December 31, 2004, reached a record \$35.9 million, a 28.2% improvement over \$28.0 million EBITDA (1) for the same period a year earlier. The Company also benefited from a 40% reduction in interest expense over the previous year due to principal paydowns on bank debt balance and lower applicable interest rates.

Commenting on the Company's success, CEO and Co-Chairman John Farahi said "We continue to benefit from strong local population growth, especially in south Reno, a superb location, increased bookings at the Reno-Sparks Convention Center next door to our Atlantis Casino Resort, and a dedicated and experienced management team. We are committed and continue to aggressively update and renovate our facilities, products and services in order to keep the Atlantis fresh and appealing to our guests. Our increasing revenues, combined

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with our cost controls has led to exceptional flow through to our free cash flow, which we are using to rapidly pay down debt." At December 31, 2004, the Company's outstanding bank debt was \$32.4 million, a 31% reduction compared to \$47.0 million at December 31, 2003.

The Company also announced today that its 2005 Annual Meeting of Stockholders will be held on Thursday, May 26, 2005 at 10:00am local time, at the Company's Atlantis Casino Resort, 3800 South Virginia Street, Reno, Nevada. The record date for stockholders entitled to vote at the Annual Meeting is Friday, April 8, 2005.

Monarch Casino & Resort, Inc., through its wholly-owned subsidiary, owns and operates the tropically-themed Atlantis Casino Resort in Reno, Nevada. The Atlantis is the closest hotel-casino to and is directly across the street from the Reno-Sparks Convention Center. The Atlantis is recognizable due to

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its Sky Terrace, a unique structure rising approximately 55 feet from street level and spanning 160 feet across the street with no intermediate support pillars. The Sky Terrace connects the Atlantis to a 16-acre parcel of land owned by the Company, that is compliant with all casino zoning requirements and is suitable and available for future expansion of the Atlantis facilities and is currently being used by the Company as additional paved parking for the Atlantis. The existing Atlantis site offers almost 1,000 guest rooms in three contiguous high-rise hotel towers and a motor lodge. The tropically-themed Atlantis features approximately 51,000 square feet of high-energy casino space with 37 table games and approximately 1,450 slot and video poker machines, a sports book, Keno and a poker room, and offers a variety of dining choices in the form of nine high-quality food outlets.

This press release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 which are subject to change, including, but not limited to, comments relating to (i) future operating performance and (ii) the financial benefits that may result from future operations. The actual results may differ materially from those described in any forward-looking statements. Additional information concerning potential factors that could affect the Company's financial results is included in the Company's Securities and Exchange Commission filings, which are available on the Company's web site.

Contacts: Ben Farahi at (775) 825-3355 or benfarahi@monarchcasino.com
 Karl G. Brokmann at (775) 825-3355 or kbrokmann@monarchcasino.com

For additional information including artist renditions and photographs, visit Monarch's web site at monarchcasino.com.

(1) "EBITDA" consists of net income plus provision for income taxes, other expenses (income), and depreciation and amortization. EBITDA should not be construed as an alternative to operating income (as determined in accordance with generally accepted accounting principles) as an indicator of the Company's operating performance, or as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. This item enables comparison of the Company's performance with the performance of other companies that report EBITDA, although some companies do not calculate this measure in the same manner and therefore, the measure as presented, may not be comparable to similarly titled measures presented by other companies.

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MONARCH CASINO & RESORT, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|------------------------|------------------------------------|---------------|-------------------------------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| Revenues | | | | |
| Casino..... | \$ 20,641,420 | \$ 18,708,204 | \$ 84,131,876 | \$ 74,955,744 |
| Food and beverage..... | 9,377,418 | 8,404,880 | 37,333,977 | 34,498,613 |
| Hotel..... | 5,344,046 | 4,753,786 | 24,318,082 | 21,236,808 |
| Other..... | 1,017,746 | 964,448 | 3,892,669 | 4,005,426 |

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| | | | | |
|--|--------------|--------------|---------------|--------------|
| Gross revenues..... | 36,380,630 | 32,831,318 | 149,676,604 | 134,696,591 |
| Less promotional allowances..... | (5,184,472) | (4,567,496) | (20,219,714) | (18,746,078) |
| Net revenues..... | 31,196,158 | 28,263,822 | 129,456,890 | 115,950,513 |
| Operating expenses | | | | |
| Casino..... | 7,535,435 | 7,285,897 | 30,513,391 | 29,321,060 |
| Food and beverage..... | 4,737,160 | 4,571,552 | 18,859,211 | 17,701,143 |
| Hotel..... | 1,852,275 | 1,760,480 | 7,858,616 | 6,991,581 |
| Other..... | 296,654 | 299,503 | 1,344,163 | 1,270,624 |
| Selling, general and administrative..... | 9,007,820 | 8,180,403 | 34,979,998 | 32,659,258 |
| Depreciation and amortization..... | 1,940,674 | 2,869,044 | 9,627,870 | 10,797,494 |
| Total operating expenses..... | 25,370,018 | 24,966,879 | 103,183,249 | 98,741,160 |
| Income from operations..... | 5,826,140 | 3,296,943 | 26,273,641 | 17,209,353 |
| Other expenses | | | | |
| Interest expense..... | (323,004) | (363,695) | (1,448,125) | (1,607,840) |
| Stockholder guarantee fee expense.. | - | (237,397) | (136,164) | (1,030,010) |
| Total other expenses..... | (323,004) | (601,092) | (1,584,289) | (2,637,850) |
| Income before income taxes..... | 5,503,136 | 2,695,851 | 24,689,352 | 14,571,503 |
| Provision for income taxes..... | 1,639,392 | 924,778 | 8,162,912 | 4,965,580 |
| Net income..... | \$ 3,863,744 | \$ 1,771,073 | \$ 16,526,440 | \$ 9,605,923 |
| Earnings per share of common stock | | | | |
| Net income | | | | |
| Basic..... | \$ 0.41 | \$ 0.19 | \$ 1.76 | \$ 1.02 |
| Diluted..... | \$ 0.41 | \$ 0.19 | \$ 1.76 | \$ 1.02 |
| Weighted average number of common shares and potential common shares outstanding | | | | |
| Basic..... | 9,406,224 | 9,340,328 | 9,378,225 | 9,379,446 |
| Diluted..... | 9,479,234 | 9,374,028 | 9,407,343 | 9,412,459 |

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MONARCH CASINO & RESORT, INC. CONDENSED CONSOLIDATED BALANCE SHEETS

| | December 31, 2004 | December 31, 2003 |
|---|----------------------|----------------------|
| | ----- | ----- |
| | (Unaudited) | |
| ASSETS | | |
| Current assets | | |
| Cash..... | \$ 11,814,778 | \$ 9,711,310 |
| Receivables, net..... | 2,959,894 | 2,818,727 |
| Federal income tax refund receivable..... | 493,797 | 756,698 |
| Inventories..... | 1,452,696 | 1,245,967 |
| Prepaid expenses..... | 2,346,242 | 2,234,773 |
| Deferred income taxes..... | 1,115,719 | 542,457 |
| | ----- | ----- |
| Total current assets..... | 20,183,126 | 17,309,932 |
| | ----- | ----- |
| Property and equipment | | |
| Land..... | 10,339,530 | 10,339,530 |
| Land improvements..... | 3,226,913 | 3,226,913 |
| Buildings..... | 78,955,538 | 78,955,538 |
| Building improvements..... | 7,524,680 | 6,304,642 |
| Furniture and equipment..... | 65,146,594 | 63,230,354 |
| Leasehold improvement..... | 1,346,965 | - |
| | ----- | ----- |
| | 166,540,220 | 162,056,977 |
| Less accumulated depreciation and amortization.. | (68,791,045) | (63,618,047) |
| | ----- | ----- |
| Net property and equipment..... | 97,749,175 | 98,438,930 |
| | ----- | ----- |
| Other assets, net..... | 406,620 | 128,263 |
| | ----- | ----- |
| Total assets..... | \$ 118,338,921 | \$ 115,877,125 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt..... | \$ - | \$ 6,059,591 |
| Accounts payable..... | 5,747,775 | 8,407,887 |
| Accrued expenses..... | 7,918,299 | 6,707,257 |
| | ----- | ----- |
| Total current liabilities..... | 13,666,074 | 21,174,735 |
| Long-term debt, less current maturities..... | 32,400,000 | 41,125,000 |
| Deferred income taxes..... | 6,509,505 | 4,854,587 |
| Commitments and contingencies..... | | |
| Stockholders' equity | | |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued..... | - | - |
| Common stock, \$.01 par value, 30,000,000 shares authorized; 9,536,275 issued; 9,405,224 outstanding at 12/31/2004, 9,340,328 outstanding at 12/31/2003..... | 95,363 | 95,363 |
| Additional paid-in capital..... | 17,463,272 | 17,432,635 |
| Treasury stock, 131,051 shares at 12/31/2004, 195,947 shares at 12/31/2003, at cost..... | (954,152) | (1,437,614) |

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| | | |
|---|----------------|----------------|
| Retained earnings..... | 49,158,859 | 32,632,419 |
| | ----- | ----- |
| Total stockholders' equity..... | 65,763,342 | 48,722,803 |
| | ----- | ----- |
| Total liabilities and stockholders' equity... | \$ 118,338,921 | \$ 115,877,125 |
| | ===== | ===== |

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MONARCH CASINO & RESORT, INC.
RECONCILIATION OF NET INCOME TO EBITDA (1)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|-----------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|
| | 2004 (unaudited) | 2003 (unaudited) | 2004 (unaudited) | 2003 (unaudited) |
| Net income..... | \$ 3,863,744 | \$1,771,073 | \$16,526,440 | \$9,605,923 |
| Adjustments: | | | | |
| Provision for income taxes..... | 1,639,392 | 924,778 | 8,162,912 | 4,965,580 |
| Stockholder guarantee fee expense | - | 237,397 | 136,164 | 1,030,010 |
| Interest expense..... | 323,004 | 363,695 | 1,448,125 | 1,607,840 |
| Depreciation and amortization.... | 1,940,674 | 2,869,044 | 9,627,870 | 10,797,494 |
| | ----- | ----- | ----- | ----- |
| EBITDA (1) | \$ 7,766,814 | \$6,165,987 | \$35,901,511 | \$28,006,847 |
| | ===== | ===== | ===== | ===== |

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Exhibit 99.2

PRESS RELEASE

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QUARTER AND YEAR END 2004 RESULTS

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The Company generated a fourth quarter record \$3.9 million net income, or \$0.41 per diluted share, on net revenues of \$31.2 million for the three months ended December 31, 2004. The fourth quarter net income was a 118.2% improvement over the Company's previous fourth quarter record of \$1.8 million, or \$0.19 per diluted share, set in 2003. Net revenues also beat the previous record 2003 fourth quarter net revenues by 10.4%. The record quarterly net revenues were driven by significant increases in the Company's casino (+10.3%), food and beverage (+11.6%) and hotel (+12.4%) revenue centers. Total operating costs and expenses increased only 1.6% over the 2003 fourth quarter, leading to strong margin improvements across the board, and a 76.7% increase in income from operations in the fourth quarter of 2004 compared to the same period in 2003. The improved margins also led to record fourth quarter EBITDA (1) for the Company, which reached \$7.8 million, a 26.0% improvement over its previous fourth quarter best EBITDA (1) of \$6.2 million achieved in 2003.

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The Company also benefited from a 40% reduction in interest expense over the previous year due to principal paydowns on bank debt balance and lower applicable interest rates.

Commenting on the Company's success, CEO and Co-Chairman John Farahi said "We continue to benefit from strong local population growth, especially in south Reno, a superb location, increased bookings at the Reno-Sparks Convention Center next door to our Atlantis Casino Resort, and a dedicated and experienced management team. We are committed and continue to aggressively update and renovate our facilities, products and services in order to keep the Atlantis fresh and appealing to our guests. Our increasing revenues, combined

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with our cost controls has led to exceptional flow through to our free cash flow, which we are using to rapidly pay down debt." At December 31, 2004, the Company's outstanding bank debt was \$32.4 million, a 31% reduction compared to \$47.0 million at December 31, 2003.

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This press release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 which are subject to change, including, but not limited to, comments relating to (i) future operating performance and (ii) the financial benefits that may result from future operations. The actual results may differ materially from those described in any forward-looking statements. Additional information concerning potential factors that could affect the Company's financial results is included in the Company's Securities and Exchange Commission filings, which are available on the Company's web site.

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For additional information including artist renditions and photographs, visit Monarch's web site at monarchcasino.com.

(1) "EBITDA" consists of net income plus provision for income taxes, other expenses (income), and depreciation and amortization. EBITDA should not be

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construed as an alternative to operating income (as determined in accordance with generally accepted accounting principles) as an indicator of the Company's operating performance, or as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. This item enables comparison of the Company's performance with the performance of other companies that report EBITDA, although some companies do not calculate this measure in the same manner and therefore, the measure as presented, may not be comparable to similarly titled measures presented by other companies.

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MONARCH CASINO & RESORT, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|------------------------------------|---------------|-------------------------------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| Revenues | | | | |
| Casino..... | \$ 20,641,420 | \$ 18,708,204 | \$ 84,131,876 | \$ 74,955,744 |
| Food and beverage..... | 9,377,418 | 8,404,880 | 37,333,977 | 34,498,613 |
| Hotel..... | 5,344,046 | 4,753,786 | 24,318,082 | 21,236,808 |
| Other..... | 1,017,746 | 964,448 | 3,892,669 | 4,005,426 |
| | 36,380,630 | 32,831,318 | 149,676,604 | 134,696,591 |
| Gross revenues..... | | | | |
| Less promotional allowances..... | (5,184,472) | (4,567,496) | (20,219,714) | (18,746,078) |
| | 31,196,158 | 28,263,822 | 129,456,890 | 115,950,513 |
| | 31,196,158 | 28,263,822 | 129,456,890 | 115,950,513 |
| Operating expenses | | | | |
| Casino..... | 7,535,435 | 7,285,897 | 30,513,391 | 29,321,060 |
| Food and beverage..... | 4,737,160 | 4,571,552 | 18,859,211 | 17,701,143 |
| Hotel..... | 1,852,275 | 1,760,480 | 7,858,616 | 6,991,581 |
| Other..... | 296,654 | 299,503 | 1,344,163 | 1,270,624 |
| Selling, general and administrative..... | 9,007,820 | 8,180,403 | 34,979,998 | 32,659,258 |
| Depreciation and amortization..... | 1,940,674 | 2,869,044 | 9,627,870 | 10,797,494 |
| | 25,370,018 | 24,966,879 | 103,183,249 | 98,741,160 |
| Total operating expenses..... | | | | |
| Income from operations..... | 5,826,140 | 3,296,943 | 26,273,641 | 17,209,353 |
| | 5,826,140 | 3,296,943 | 26,273,641 | 17,209,353 |
| Other expenses | | | | |
| Interest expense..... | (323,004) | (363,695) | (1,448,125) | (1,607,840) |
| Stockholder guarantee fee expense.. | - | (237,397) | (136,164) | (1,030,010) |
| | (323,004) | (601,092) | (1,584,289) | (2,637,850) |
| Total other expenses..... | | | | |
| Income before income taxes..... | 5,503,136 | 2,695,851 | 24,689,352 | 14,571,503 |
| Provision for income taxes..... | 1,639,392 | 924,778 | 8,162,912 | 4,965,580 |
| | 3,863,744 | 1,771,073 | 16,526,440 | 9,605,923 |
| Net income..... | \$ 3,863,744 | \$ 1,771,073 | \$ 16,526,440 | \$ 9,605,923 |

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Earnings per share of common stock

Net income

| | | | | | | | | |
|--------------|----|------|----|------|----|------|----|------|
| Basic..... | \$ | 0.41 | \$ | 0.19 | \$ | 1.76 | \$ | 1.02 |
| Diluted..... | \$ | 0.41 | \$ | 0.19 | \$ | 1.76 | \$ | 1.02 |

Weighted average number of common shares and potential common shares outstanding

| | | | | |
|--------------|-----------|-----------|-----------|-----------|
| Basic..... | 9,406,224 | 9,340,328 | 9,378,225 | 9,379,446 |
| Diluted..... | 9,479,234 | 9,374,028 | 9,407,343 | 9,412,459 |

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MONARCH CASINO & RESORT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

| | December 31, 2004 | December 31, 2003 |
|--|----------------------|----------------------|
| | ----- (Unaudited) | ----- |
| ASSETS | | |
| Current assets | | |
| Cash..... | \$ 11,814,778 | \$ 9,711,310 |
| Receivables, net..... | 2,959,894 | 2,818,727 |
| Federal income tax refund receivable..... | 493,797 | 756,698 |
| Inventories..... | 1,452,696 | 1,245,967 |
| Prepaid expenses..... | 2,346,242 | 2,234,773 |
| Deferred income taxes..... | 1,115,719 | 542,457 |
| | ----- | ----- |
| Total current assets..... | 20,183,126 | 17,309,932 |
| | ----- | ----- |
| Property and equipment | | |
| Land..... | 10,339,530 | 10,339,530 |
| Land improvements..... | 3,226,913 | 3,226,913 |
| Buildings..... | 78,955,538 | 78,955,538 |
| Building improvements..... | 7,524,680 | 6,304,642 |
| Furniture and equipment..... | 65,146,594 | 63,230,354 |
| Leasehold improvement..... | 1,346,965 | - |
| | ----- | ----- |
| | 166,540,220 | 162,056,977 |
| Less accumulated depreciation and amortization.. | (68,791,045) | (63,618,047) |

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| | | |
|---|----------------|----------------|
| Net property and equipment..... | 97,749,175 | 98,438,930 |
| Other assets, net..... | 406,620 | 128,263 |
| Total assets..... | \$ 118,338,921 | \$ 115,877,125 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt..... | \$ - | \$ 6,059,591 |
| Accounts payable..... | 5,747,775 | 8,407,887 |
| Accrued expenses..... | 7,918,299 | 6,707,257 |
| Total current liabilities..... | 13,666,074 | 21,174,735 |
| Long-term debt, less current maturities..... | 32,400,000 | 41,125,000 |
| Deferred income taxes..... | 6,509,505 | 4,854,587 |
| Commitments and contingencies..... | | |
| Stockholders' equity | | |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued..... | - | - |
| Common stock, \$.01 par value, 30,000,000 shares authorized; 9,536,275 issued; 9,406,224 outstanding at 12/31/2004, 9,340,328 outstanding at 12/31/2003..... | 95,363 | 95,363 |
| Additional paid-in capital..... | 17,463,272 | 17,432,635 |
| Treasury stock, 130,051 shares at 12/31/2004, 195,947 shares at 12/31/2003, at cost..... | (954,152) | (1,437,614) |
| Retained earnings..... | 49,158,859 | 32,632,419 |
| Total stockholders' equity..... | 65,763,342 | 48,722,803 |
| Total liabilities and stockholders' equity... | \$ 118,338,921 | \$ 115,877,125 |

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MONARCH CASINO & RESORT, INC.
RECONCILIATION OF NET INCOME TO EBITDA (1)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|-----------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|
| | 2004 (unaudited) | 2003 (unaudited) | 2004 (unaudited) | 2003 (unaudited) |
| Net income..... | \$ 3,863,744 | \$1,771,073 | \$16,526,440 | \$9,605,923 |
| Adjustments: | | | | |
| Provision for income taxes..... | 1,639,392 | 924,778 | 8,162,912 | 4,965,580 |
| Stockholder guarantee fee expense | - | 237,397 | 136,164 | 1,030,010 |

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| | | | | |
|-----------------------------------|--------------|-------------|--------------|--------------|
| Interest expense..... | 323,004 | 363,695 | 1,448,125 | 1,607,840 |
| Depreciation and amortization.... | 1,940,674 | 2,869,044 | 9,627,870 | 10,797,494 |
| | ----- | ----- | ----- | ----- |
| EBITDA (1) | \$ 7,766,814 | \$6,165,987 | \$35,901,511 | \$28,006,847 |
| | ===== | ===== | ===== | ===== |

(1) "EBITDA" consists of net income plus provision for income taxes, other expenses (income), and depreciation and amortization. EBITDA should not be construed as an alternative to operating income (as determined in accordance with generally accepted accounting principles) as an indicator of the Company's operating performance, or as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. This item enables comparison of the Company's performance with the performance of other companies that report EBITDA, although some companies do not calculate this measure in the same manner and therefore, the measure as presented, may not be comparable to similarly titled measures presented by other companies.