MONARCH CASINO & RESORT INC
Form 10-Q
August 10, 2009
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United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

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 No. 0-22088

MONARCH CASINO & RESORT, INC.

(Exact name of registrant as specified in its charter)

Nevada (State or Other Jurisdiction of Incorporation or Organization)	**88-0300760** (I.R.S. Employer Identification No.)
3800 S. Virginia St. **Reno, Nevada** (Address of Principal Executive Offices)	**89502** (ZIP Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

(775) 335-4600

Registrant s telephone number, including area code:

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 x **No** o

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer , accelerated filer , non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o Accelerated Filer x Non-Accelerated Filer o Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common stock, $0.01 par value	16,122,048 shares
Class	**Outstanding at July 22, 2009**

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MONARCH CASINO & RESORT, INC.

Condensed Consolidated Statements of Income

(Unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenues				
Casino	$24,146,246	$25,672,907	$ 46,950,745	$49,428,857
Food and beverage	9,826,213	9,547,395	19,419,281	19,308,615
Hotel	5,884,634	5,545,006	11,264,376	11,375,701
Other	1,140,138	1,185,503	2,273,588	2,417,572
Gross revenues	40,997,231	41,950,811	79,907,990	82,530,745
Less promotional allowances	(6,541,873)	(6,607,046)	(12,873,448)	(12,913,587)
Net revenues	34,455,358	35,343,765	67,034,542	69,617,158
Operating expenses				
Casino	8,855,900	9,266,916	17,762,792	18,013,416
Food and beverage	4,538,149	4,606,282	9,173,546	9,295,647
Hotel	2,047,251	1,967,720	4,053,171	4,073,093
Other	308,469	312,997	605,240	659,651
Selling, general and administrative	12,309,904	12,877,513	23,929,626	25,981,613
Depreciation and amortization	3,094,951	1,893,237	6,275,906	3,899,794
Total operating expenses	31,154,624	30,924,665	61,800,281	61,923,214
Income from operations	3,300,734	4,419,100	5,234,261	7,693,944
Other (expense) income				
Interest income	36,341	46,238	71,759	297,582
Interest expense	(571,007)	(131,335)	(1,121,217)	(135,492)
Total other (expense) income	(534,666)	(85,097)	(1,049,458)	162,090
Income before income taxes	2,766,068	4,334,003	4,184,803	7,856,034
Provision for income taxes	(968,150)	(1,531,100)	(1,464,725)	(2,751,100)
Net income	$ 1,797,918	$ 2,802,903	$ 2,720,078	$ 5,104,934
Earnings per share of common stock				
Net income				
Basic	$ 0.11	$ 0.16	$ 0.17	$ 0.29
Diluted	$ 0.11	$ 0.16	$ 0.17	$ 0.29
Weighted average number of common shares and potential common shares outstanding				
Basic	16,122,048	17,189,200	16,122,048	17,802,518
Diluted	16,151,412	17,253,109	16,150,060	17,899,384

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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MONARCH CASINO & RESORT, INC.

Condensed Consolidated Balance Sheets

ASSETS	June 30, 2009 (Unaudited)	December 31, 2008
Current assets		
Cash and cash equivalents	$ 11,026,479	$ 11,756,900
Receivables, net	3,007,001	3,344,441
Inventories	1,429,987	1,564,347
Prepaid expenses	2,841,640	2,851,872
Deferred income taxes	429,300	429,300
Total current assets	18,734,407	19,946,860
Property and equipment		
Land	12,162,522	12,162,522
Land improvements	3,511,484	3,511,484
Buildings	133,674,917	133,332,232
Building improvements	10,435,062	10,435,062
Furniture and equipment	104,763,183	96,767,076
Leasehold improvements	1,346,965	1,346,965
	265,894,133	257,555,341
Less accumulated depreciation and amortization	(107,313,004)	(101,825,190)
	158,581,129	155,730,151
Construction in progress	-	4,026,536
Net property and equipment	158,581,129	159,756,687
Other assets, net	3,433,845	2,797,949
Total assets	$ 180,749,381	$ 182,501,496
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Borrowings under credit facility	$ -	$ 2,500,000
Accounts payable	7,615,778	10,213,418
Construction payable	-	5,404,372
Accrued expenses	8,591,667	8,940,110
Federal income taxes payable	958,461	233,736
Total current liabilities	17,165,906	27,291,636
Long-term debt, less current maturities	52,100,000	47,500,000
Deferred income taxes	2,115,371	2,115,371
Total Liabilities	71,381,277	76,907,007
Stockholders equity		
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued	-	-
Common stock, $.01 par value, 30,000,000 shares authorized; 19,096,300 shares issued; 16,122,048 outstanding at 6/30/09 and 12/31/08	190,963	190,963
Additional paid-in capital	29,104,546	28,051,009
Treasury stock, 2,974,252 shares at 6/30/09 and 12/31/08, at cost	(48,943,359)	(48,943,359)
Retained earnings	129,015,954	126,295,876
Total stockholders equity	109,368,104	105,594,489
Total liability and stockholder s equity	$ 180,749,381	$ 182,501,496

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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MONARCH CASINO & RESORT, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30 2009	2008
Cash flows from operating activities:		
Net income	$ 2,720,078	$ 5,104,934
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,275,906	3,899,794
Amortization of deferred loan costs	136,840	-
Share based compensation	1,053,537	1,149,899
Provision for bad debts	833,484	607,721
Gain on disposal of assets	(63,948)	(10,200)
Deferred income taxes	-	501,877
Changes in operating assets and liabilities		
Receivables, net	(496,044)	844,677
Inventories	134,360	24,700
Prepaid expenses	10,232	104,251
Other assets	(772,736)	-
Accounts payable	(2,597,640)	1,948,170
Accrued expenses	(348,443)	(37,127)
Federal income taxes payable	724,725	51,100
Net cash provided by operating activities	7,610,351	14,189,796
Cash flows from investing activities:		
Proceeds from sale of assets	83,425	10,200
Acquisition of property and equipment	(5,119,825)	(41,047,818)
Changes in construction payable	(5,404,372)	1,359,204
Net cash used in investing activities	(10,440,772)	(39,678,414)
Cash flows from financing activities:		
Borrowings under credit facility	5,900,000	34,000,000
Principal payments on long-term debt	(3,800,000)	-
Purchase of treasury stock	-	(35,674,454)
Net cash provided by (used in) financing activities	2,100,000	(1,674,454)
Net decrease in cash	(730,421)	(27,163,072)
Cash and cash equivalents at beginning of period	11,756,900	38,835,820
Cash and cash equivalents at end of period	$11,026,479	$11,672,748
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,095,081	$ 50,158
Cash paid for income taxes	$ 740,000	$ 1,200,000

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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MONARCH CASINO & RESORT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

Monarch Casino & Resort, Inc. (Monarch), a Nevada corporation, was incorporated in 1993. Monarch s wholly-owned subsidiary, Golden Road Motor Inn, Inc. (Golden Road), operates the Atlantis Casino Resort Spa (the Atlantis), a hotel/casino facility in Reno, Nevada. Monarch s other wholly owned subsidiary, High Desert Sunshine, Inc. (High Desert), owns a parcel of land located adjacent to the Atlantis. Unless stated otherwise, the Company refers collectively to Monarch and its subsidiaries.

The consolidated financial statements include the accounts of Monarch, Golden Road and High Desert. Intercompany balances and transactions are eliminated.

Interim Financial Statements:

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management of the Company, all adjustments considered necessary for a fair presentation are included. Operating results for the three months and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s annual report on Form 10-K for the year ended December 31, 2008.

NOTE 2. STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation in accordance with SFAS no. 123(R), Share-Based Payment . Reported stock based compensation expense was classified as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Casino	$ 14,067	$ 20,490	$ 29,370	$ 40,970
Food and beverage	14,054	18,816	29,240	35,583

Hotel	6,456	9,520	12,347	20,117
Selling, general and administrative	498,655	536,002	982,580	1,053,229
Total stock-based compensation, before taxes	533,232	584,828	1,053,537	1,149,899
Tax benefit	(186,631)	(204,689)	(368,738)	(402,464)
Total stock-based compensation, net of tax	$ 346,601	$ 380,139	$ 684,799	$ 747,435

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NOTE 3. EARNINGS PER SHARE

The Company reports basic earnings per share and diluted earnings per share in accordance with the provisions of SFAS No. 128, Earnings Per Share. Basic earnings per share is computed by dividing reported net earnings by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect the additional dilution for all potentially dilutive securities such as stock options. The following is a reconciliation of the number of shares (denominator) used in the basic and diluted earnings per share computations (shares in thousands):

	Three Months Ended June 30,			
	2009		2008	
	Shares	Per Share Amount	Shares	Per Share Amount
Basic	16,122	$0.11	17,189	$0.16
Effect of dilutive stock options	29	-	64	-
Diluted	16,151	$0.11	17,253	$0.16

	Six Months Ended June 30,			
	2009		2008	
	Shares	Per Share Amount	Shares	Per Share Amount
Basic	16,122	$0.17	17,803	$0.29
Effect of dilutive stock options	28	-	96	-
Diluted	16,150	$0.17	17,899	$0.29

Excluded from the computation of diluted earnings per share are options where the exercise prices are greater than the market price as their effects would be anti-dilutive in the computation of diluted earnings per share. For the calculation of earnings per share for the three months ended June 30, 2009 and 2008, 1,353,905 and 857,553, respectively, were excluded. For the calculation of earnings per share for the six months ended June 30, 2009 and 2008, 1,335,605 and 807,559, respectively were excluded.

NOTE 4. RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. On February 12, 2008, the FASB delayed the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company implemented the provisions of SFAS No. 157 as of January 1, 2008 for those assets and liabilities not subject to the deferral described above. The implementation of SFAS No. 157 as of January 1, 2009 for assets and liabilities previously subject to the deferral described above did not have a material impact on the Company s results of operations, financial position or cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with unrealized gains and losses related to these financial instruments reported in earnings at each

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subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adoption did not have a material impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) (SFAS 141(R)), Business Combinations, which is a revision of SFAS 141, Business Combinations. The primary requirements of SFAS 141(R) are as follows: (i.) Upon initially obtaining control, the acquiring entity in a business combination must recognize 100% of the fair values of the acquired assets, including goodwill, and assumed liabilities, with only limited exceptions even if the acquirer has not acquired 100% of its target. As a consequence, the current step acquisition model will be eliminated. (ii.) Contingent consideration arrangements will be fair valued at the acquisition date and included on that basis in the purchase price consideration. The concept of recognizing contingent consideration at a later date when the amount of that consideration is determinable beyond a reasonable doubt, will no longer be applicable. (iii.) All transaction costs will be expensed as incurred. Implementation of SFAS No. 141(R) would have required treatment prospectively to business combinations completed on or after January 1, 2009. Because the Company had no business combinations during that time, the adoption did not have a material impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51. This statement establishes accounting and reporting standards for ownership interest in subsidiaries held by parties other than the parent and for the deconsolidation of a subsidiary. It also clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 changes the way the consolidated income statement is presented by requiring consolidated net income to be reported at amounts that include the amount attributable to both the parent and the noncontrolling interests. The statement also establishes reporting requirements that provide sufficient disclosure that clearly identify and distinguish between the interest of the parent and those of the noncontrolling owners. This statement is effective for fiscal years beginning on or after December 15, 2008. The adoption of SFAS No. 160 did not have a material impact on the Company s financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 . SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Under SFAS 161, entities are required to provide enhanced disclosures about how and why they use derivative instruments, how derivative instruments and related hedged items are accounted for and the affect of derivative instruments on the entity s financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS No. 161 did not have a material impact on the Company s financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS 162, The Hierarchy of Generally Accepted Accounting Principles , which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS 162 will become effective sixty days following the Securities and Exchange Commission s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles . The adoption of the provisions of SFAS 162 is not anticipated to have a material impact on the Company s financial position, results of operations or cash flows.

In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3 or the FSP). FSP 157-3 clarifies the application of SFAS No. 157, Fair Value Measurements (Statement 157), in a market that is not active. The FSP amends Statement 157 to include an example that illustrates key

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considerations when applying the principles in Statement 157 to financial assets when the market for these instruments is not active. FSP 157-3 is not anticipated to have a material impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FASB Staff Position (FSP) FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies, which amends the accounting in SFAS 141(R) for assets and liabilities arising from contingencies in a business combination. The FSP is effective January 1, 2009, and requires pre-acquisition contingencies to be recognized at fair value, if fair value can be reasonably determined during the measurement period. If fair value cannot be reasonably determined, the FSP requires measurement based on the recognition and measurement criteria of SFAS 5, Accounting for Contingencies. The adoption of the provisions of FSP 141(R)-1 did not have a material impact on the Company s financial position, results of operations or cash flows.

In January 2009, the FASB issued FASB Staff Position on EITF Issue No. 99-20, Amendments to the Impairment Guidance of EITF Issue No. 99-20 (FSP EITF 99-20-1). FSP EITF 99-20-1 aligns the impairment guidance in EITF Issue No. 99-20 with that in Statement of Financial Accounting Standards No. 115 (SFAS 115), Accounting for Certain Investments in Debt and Equity Securities. It changes how companies determine whether an other-than-temporary impairment exists for certain beneficial interests by allowing management to exercise more judgment. The adoption of FSP EITF 99-20-1 did not have a material impact on our financial position, results of operations or cash flows.

In April 2009, the FASB issued FASB Staff Position on FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1 and APB 28-1). This FSP requires that the fair value disclosures required by SFAS 107 Disclosures about Fair Value of Financial Instruments be included for interim reporting periods. The adoption of FSP FAS 107-1 and APB 28-1 did not have a material impact on our financial position, results of operations or cash flows.

In April 2009, the FASB issued FASB Staff Position on FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2 and FAS 124-2). This FSP amends the impairment guidance relating to certain debt securities and will require a company to assess the likelihood of selling the security prior to recovering its cost basis. Additionally, when a company meets the criteria for impairment, the impairment charges related to credit losses would be recognized in earnings, while non-credit losses would be reflected in other comprehensive income. The adoption of FSP FAS 115-2 and FAS 124-2 did not have a material impact on our financial position, results of operations or cash flows.

FSP FAS 157-4 In April 2009, the FASB issued FASB Staff Position on FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). FSP FAS 157-4 provides guidance on determining when the trading volume and activity for an asset or liability has significantly decreased, which may indicate an inactive market, and on measuring the fair value of an asset or liability in inactive markets. The adoption of FSP FAS 157-4 did not have a material impact on our financial position, results of operations or cash flows.

FSP FAS 141R-1 In April 2009, the FASB issued FASB Staff Position on FAS 141R-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP FAS 141R-1). FSP FAS 141R-1 requires that an acquirer recognize at fair value, at the acquisition date, an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of the asset or liability can be determined during the measurement period. We adopted this new accounting standard on January 1, 2009. The adoption of FSP FAS 140R-1 did not have a material impact on our financial position, results of operations or cash flows.

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Statement of Financial Accounting Standards No. 165, Subsequent Events, (SFAS 165) is effective for financial statements ending after June 15, 2009. SFAS 165 establishes general standards of accounting for and disclosure of subsequent events that occur after the balance sheet date. Entities are also required to disclose the date through which subsequent events have been evaluated and the basis for that date. The Company has evaluated subsequent events through the date of issuance, August 10, 2009.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162. SFAS No. 168 establishes the FASB Accounting Standards Codification (the ASC) as the source of authoritative principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We do not anticipate that the adoption of SFAS No. 168 will have a material impact on our consolidated financial statements. However, references to authoritative accounting literature contained in our financial statements will be made in accordance with the ASC commencing with our quarterly report for the period ending September 30, 2009.

NOTE 5. RELATED PARTY TRANSACTIONS

The Company currently rents various spaces in a shopping center (the Shopping Center) adjacent to the Atlantis which it uses as office and storage space. John and Bob Farahi, the Company s Chief Executive Officer and President, respectively, each have an ownership interest in the Shopping Center. The Company paid rent of approximately $34,800 and $56,600 plus common area expenses for the three and six months ended June 30, 2009, respectively, and approximately $67,900 and $168,600 plus common area expenses for the three and six months ended June 30, 2008, respectively.

In addition, a driveway that is being shared between the Atlantis and the Shopping Center was completed on September 30, 2004. As part of this project, in January 2004, the Company leased a 37,368 square-foot corner section of the Shopping Center for a minimum lease term of 15 years at an annual rent of $300,000, subject to increase every 60 months based on the Consumer Price Index. The Company began paying rent to the Shopping Center on September 30, 2004. The Company also uses part of the common area of the Shopping Center and pays its proportional share of the common area expense of the Shopping Center. The Company has the option to renew the lease for three five-year terms, and, at the end of the extension periods, the Company has the option to purchase the leased section of the Shopping Center at a price to be determined based on an MAI Appraisal. The leased space is being used by the Company for pedestrian and vehicle access to the Atlantis, and the Company may use a portion of the parking spaces at the Shopping Center. The total cost of the project was $2.0 million; the Company was responsible for two thirds of the total cost, or $1.35 million. The cost of the new driveway is being depreciated over the initial 15-year lease term; some components of the new driveway are being depreciated over a shorter period of time. The Company paid approximately $75,000 and $150,000 plus common area maintenance charges for its leased driveway space at the Shopping Center during each of the three and six months ended June 30, 2009 and 2008.

The Company leased sign space from the Shopping Center through July 2008. The lease took effect in March 2005 for a monthly cost of $1. The lease was renewed for another year for a monthly lease of $1,000 effective January 1, 2006, and subsequently renewed on June 15, 2007 for a monthly lease of $1,060. The Company paid $3,200 and $6,400 for the three and six months ended June 30, 2008, respectively.

The Company occasionally leases billboard advertising space from affiliates of its controlling stockholders and paid $7,000 and $17,500 for the three and six months ended June 30, 2009, respectively, and paid $21,000 for each of the three and six months ended June 30, 2008, respectively.

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On December 24, 2007, the Company entered into a lease with Triple J Plus, LLC (Triple J) for the use of a facility on 2.3 acres of land (jointly the Property) across Virginia Street from the Atlantis that the Company currently utilizes for storage. The managing partner of Triple J is a first-cousin of John and Bob Farahi, the Company s Chief Executive Officer and President, respectively. The term of the lease is two years requiring monthly rental payments of $20,256. Commensurate with execution of the lease, the Company entered into an agreement that provides the Company with a purchase option on the Property at the expiration of the lease period while also providing Triple J with a put option to cause the Company to purchase the Property during the lease period. The purchase price of the Property has been established by a third party appraisal company. Lastly, as a condition of the lease and purchase option, the Company entered into a promissory note (the Note) with Triple J whereby the Company advanced a $2.7 million loan to Triple J. The Note requires interest only payments at 5.25% and matures on the earlier of i) the date the Company acquires the Property or ii) January 1, 2010.

NOTE 6. FAIR VALUE MEASUREMENTS

In September 2006, the FASB issued statement No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP , and expands disclosures about fair value measurements. The Company has adopted the provisions of SFAS 157 as of January 1, 2008, for financial instruments. Although the adoption of SFAS 157 did not materially impact its financial condition, results of operations, or cash flow, the Company is now required to provide additional disclosures as part of its financial statements.

SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. As of June 30, 2009, the Company had no assets that are required to be measured at fair value on a recurring basis.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Monarch Casino & Resort, Inc., through its wholly-owned subsidiary, Golden Road Motor Inn, Inc. (Golden Road), owns and operates the tropically-themed Atlantis Casino Resort Spa, a hotel/casino facility in Reno, Nevada (the Atlantis). Monarch s other wholly owned subsidiary, High Desert Sunshine, Inc., owns a parcel of land located adjacent to the Atlantis. Monarch was incorporated in 1993 under Nevada law for the purpose of acquiring all of the stock of Golden Road. The principal asset of Monarch is the stock of Golden Road, which holds all of the assets of the Atlantis.

Our sole operating asset, the Atlantis, is a hotel/casino resort located in Reno, Nevada. Our business strategy is to maximize the Atlantis revenues, operating income and cash flow primarily through our casino, our food and beverage operations and our hotel operations. We capitalize on the Atlantis location for tour and travel visitors, conventioneers and local residents by offering exceptional service, value and an appealing theme to our guests. Our hands-on management style focuses on customer service and cost efficiencies.

Unless otherwise indicated, Monarch, Company, we, our and us refer to Monarch Casino & Resort, Inc. and its Golden Road and High Dese
Sunshine, Inc subsidiaries.

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OPERATING RESULTS SUMMARY

Below is a summary of our second quarter results for 2009 and 2008:

Amounts in millions, except per share amounts

	Three Months Ended June 30, 2009	2008	Percentage (Decrease)/Increase
Casino revenues	$24.1	$25.7	(6.2)
Food and beverage revenues	9.8	9.6	2.1
Hotel revenues	5.9	5.6	5.4
Other revenues	1.1	1.2	(8.3)
Net revenues	34.5	35.3	(2.3)
Sales, general and admin expense	12.3	12.9	(4.7)
Income from operations	3.3	4.4	(25.0)
Net Income	1.8	2.8	(35.7)
Earnings per share - diluted	0.11	0.16	(31.3)
Operating margin	9.6%	12.5%	(2.9) pts.

	Six Months Ended June 30, 2009	2008	Percentage (Decrease)/Increase
Casino revenues	$47.0	$49.4	(4.9)
Food and beverage revenues	19.4	19.3	0.5
Hotel revenues	11.3	11.4	(0.9)
Other revenues	2.3	2.4	(4.2)
Net revenues	67.0	69.6	(3.7)
Sales, general and admin expense	23.9	26.0	(8.1)
Income from operations	5.2	7.7	(32.5)
Net Income	2.7	5.1	(47.1)
Earnings per share - diluted	0.17	0.29	(41.4)
Operating margin	7.8%	11.1%	(3.3) pts.

The decline in revenues for the three months ended June 30, 2009 compared to the same period of the prior year reflect the effects of a challenging operating environment. As in many other areas around the country, the economic slowdown in Reno in the fourth quarter of 2007 deepened throughout 2008 and has continued through the first six-months of 2009. Additionally, aggressive marketing programs by our competitors that began in 2008 have continued through the first six-months of 2009. Income from operations was impacted by an increase in depreciation expense of $1.2 million for the quarter ended June 30, 2009 compared to the same prior year period. This increase in depreciation expense was due to the completion of our expansion, remodel and Atlantis Convention Center Skybridge capital projects (see CAPITAL SPENDING AND DEVELOPMENT below). These adverse effects were mitigated somewhat by our ability to reduce sales, general and administrative expense. We anticipate that downward pressure on revenue will persist as long as we continue to experience the adverse effects of the negative macroeconomic environment and the aggressive marketing programs of our competitors.

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These factors were the primary drivers of:

- Decreases of 6.2% in our casino revenue resulting in a net revenue decline of 2.3%;
- A decrease in income from operations and diluted earnings per share of 25.0% and 31.3%, respectively;
- A decrease in our operating margin by 2.9 points or 23.2%.

CAPITAL SPENDING AND DEVELOPMENT

We seek to continuously upgrade and maintain the Atlantis facility in order to present a fresh, high quality product to our guests.

In June 2007, we broke ground on an expansion project several phases of which we completed and opened in the second half of 2008. New space was added to the first floor casino level, the second and third floors and the basement level totaling approximately 116,000 square feet. The existing casino floor was expanded by over 10,000 square feet, or approximately 20%. The first floor casino expansion included a redesigned, updated and expanded race and sports book of approximately 4,000 square feet and an enlarged poker room. The expansion also included the new Manhattan deli, a New York deli-style restaurant. The second floor expansion created additional ballroom and convention space of approximately 27,000 square feet, doubling the existing facilities. We constructed and opened a pedestrian skywalk over Peckham Lane that connects the Reno-Sparks Convention Center directly to the Atlantis. In January 2009, we opened the final phase of the expansion project, the new Spa Atlantis featuring an atmosphere, amenities and treatments that are unique from any other offering in our market. Additionally, many of the pre-expansion areas of the Atlantis were remodeled to be consistent with the upgraded look and feel of the new facilities. The total cost of these capital projects (the Capital Projects) was approximately $73 million.

With the opening of the new skywalk, the Atlantis became the only hotel-casino to be physically connected to the Reno-Sparks Convention Center. The Reno-Sparks Convention Center offers approximately 500,000 square feet of leasable exhibition, meeting room, ballroom and lobby space.

Capital expenditures at the Atlantis totaled approximately $5.1 and $41.1 million during the first six months of 2009 and 2008, respectively. During the six month periods ended June 30, 2009 and 2008, our capital expenditures consisted primarily of construction costs associated with the Capital Projects, the acquisition of gaming equipment to upgrade and replace existing equipment and continued renovation and upgrades to the Atlantis facility. Additional capital expenditures during the six-month period ended June 30, 2008 were for the acquisition of land to be used for administrative offices.

We believe that our existing cash balances, cash flow from operations and borrowings available under the Credit Facility (see THE CREDIT FACILITY below) will provide us with sufficient resources to fund our operations, meet our debt obligations, and fulfill our capital expenditure requirements; however, our operations are subject to financial, economic, competitive, regulatory, and other factors, many of which are beyond our control. If we are unable to generate sufficient cash flow, we could be required to adopt one or more alternatives, such as reducing, delaying or eliminating planned capital expenditures, selling assets, restructuring debt or obtaining additional equity capital.

STATEMENT ON FORWARD-LOOKING INFORMATION

When used in this report and elsewhere by management from time to time, the words believes , anticipates and expects and similar expressions are intended to identify forward-looking statements with respect to our financial condition, results of operations and our business including our expansion, development activities, legal proceedings and employee matters. Certain important factors, including but not limited to, competition from other gaming operations, factors affecting our ability to compete, acquisitions of gaming properties, leverage, construction risks, the inherent uncertainty and costs associated with litigation and governmental and regulatory investigations, and licensing and other regulatory risks, could cause our actual results to differ materially from those expressed in our forward-looking statements. Further information on potential factors which could affect our financial condition, results of operations and business including, without limitation, our expansion, development activities, legal proceedings and employee matters are included in our filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date thereof. We undertake no obligation to publicly release any revisions to such forward-looking statement to reflect events or circumstances after the date hereof.

RESULTS OF OPERATIONS

Comparison of Operating Results for the Three-Month Periods Ended June 30, 2009 and 2008

For the three-month period ended June 30, 2009, our net income was $1.8 million, or $0.11 per diluted share, on net revenues of $34.5 million, a decrease from net income of $2.8 million, or $0.16 per diluted share, on net revenues of $35.3 million for the three months ended June 30, 2008. Income from operations for the three months ended June 30, 2009 totaled $3.3 million, a 25.0% decrease when compared to $4.4 million for the same period in 2008. Net revenues decreased 2.3%, and net income decreased 35.7%, when compared to last year s second quarter.

Casino revenues totaled $24.1 million in the second quarter of 2009, a 6.2% decrease from $25.7 million in the second quarter of 2008, which was primarily due to decreases in slot and table games revenues. Casino operating expenses as a percentage of casino revenue remained relative flat at 36.7% in the second quarter of 2009 compared to 36.1% in the second quarter of 2008.

Food and beverage revenues totaled $9.8 million in the second quarter of 2009, a 2.1% increase from $9.6 million in the second quarter of 2008, due primarily to a 2.8% increase in covers served partially offset by a 0.3% decrease in the average revenue per cover. Food and beverage operating expenses amounted to 46.2% of food and beverage revenues during the second quarter of 2009 as compared to 48.2% for the second quarter of 2008. This decrease was primarily the result of lower food commodity costs.

Hotel revenues were $5.9 million for the second quarter of 2009, an increase of 5.4% from the $5.6 million reported in the 2008 second quarter. This increase was due to increased revenue from our new spa which opened in January 2009, higher average daily room rate (ADR) and revenue from a $10 per day resort fee, paid by our hotel guests, which we implemented effective June 1, 2009 partially offset by lower hotel occupancy. Both second quarters 2009 and 2008 revenues also included a $3 per occupied room energy surcharge. During the second quarter of 2009, the Atlantis experienced an 85.2% occupancy rate, as compared to 86.5% during the same period in 2008. The Atlantis ADR was $65.77 in the second quarter of 2009 compared to $64.08 in the second quarter of 2008. Hotel operating expenses as a percent of hotel revenues decreased to 34.8% in the 2009 second quarter, compared to 35.5% in the 2008 second quarter. This decrease is primarily due to the effect of the increased revenue partially offset by a slight increase in operating expense of $80 thousand or 3.9%.

Promotional allowances were $6.5 million in the second quarter of 2009 and $6.6 million in the second quarter of 2008. Promotional allowances as a percentage of gross revenues increased to 16.0% during the second quarter of 2009 from 15.7% in the second quarter of 2008. This increase was primarily the result of increased promotional and discount programs in response to the challenging economic environment and ongoing competitor promotional and discount programs.

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Depreciation and amortization expense was $3.1 million in the second quarter of 2009 as compared to $1.9 million for the second quarter of 2008, an increase of $1.2 million or 63.2%. This increase is the result of the completion of our Capital Projects (see further discussion of the Capital Projects in the CAPITAL SPENDING AND DEVELOPMENT section above).

SG&A expense totaled $12.3 million in the second quarter of 2009, a 4.7% decrease from $12.9 million in the second quarter of 2008. The decrease was primarily due to lower marketing expense of approximately $370 thousand; lower payroll and benefits expense of approximately $160 thousand; lower rental expense of approximately $110 thousand and various expense level reductions of approximately $570 thousand all partially offset by higher bad debt expense of approximately $340 thousand and higher utility expense of approximately $300 thousand. SG&A expense as a percentage of net revenues decreased to 35.7% for the second quarter of 2009 as compared to 36.4% in the second quarter of 2008. This decrease is the result of the effect of the decreased expenses partially offset by the effect of decrease in net revenue.

During the three month period ended June 30, 2009, we paid down $3.8 million from our $60 million credit facility which reduced the outstanding balance at June 30, 2009 to $52.1 million. Because of a higher average borrowing balance in the second quarter of 2009 as compared the second quarter of 2008, interest expense increased during the second quarter of 2009 to $571 thousand from $131 thousand in the second quarter of 2008. The higher borrowing balance was attributable to borrowing to fund the Capital Projects.

Comparison of Operating Results for the Six-Month Periods Ended June 30, 2009 and 2008.

For the six months ended June 30, 2009, our net income was $2.7 million, or $0.17 per diluted share, on net revenues of $67.0 million, a decrease from net income of $5.1 million, or $0.29 per diluted share, on net revenues of $69.6 million during the six months ended June 30, 2008. Income from operations for the 2009 six-month period totaled $5.2 million, compared to $7.7 million for the same period in 2008. Net revenues decreased 3.7%, and net income decreased 47.1% when compared to the six-month period ended June 30, 2008.

Casino revenues for the first six months of 2009 totaled $47.0 million, a 4.9% decrease from $49.4 million for the first six months of 2008. Casino operating expenses amounted to 37.8% of casino revenues for the six months ended June 30, 2009, compared to 36.4% for the same period in 2008, the increase was primarily due to the effect of the decreased casino revenue partially offset by lower payroll and benefit expense and lower direct departmental expense.

Food and beverage revenues totaled $19.4 million for the six months ended June 30, 2009, a slight increase from the $19.3 million for the six months ended June 30, 2008, due to an approximate 0.6% decrease in the number of covers served partially offset by a 0.1% increase in the average revenue per cover. Food and beverage operating expenses amounted to 47.2% of food and beverage revenues during the 2009 six-month period, a decrease when compared to 48.1% for the same period in 2008. This increase was primarily the result of lower food commodity and other direct costs partially offset by higher benefits expense.

Hotel revenues for the first six months of 2009 decreased slightly to $11.3 million from $11.4 million for the first six months of 2008. This decrease was due to a decrease in hotel occupancy partially offset by a slight increase in the average daily room rate (ADR), higher revenue from our new spa which opened in January 2009 and revenue from a $10 per day resort fee, paid by our hotel guests, which we implemented on June 1, 2009. Hotel revenues for the entire first six months of 2009 and 2008 also include a $3 per occupied room energy surcharge. The Atlantis experienced a slight increase in the ADR during the 2009 six-month period to $66.32, compared to $66.29 for the same period in 2008.

The occupancy rate decreased to 82.0% for the six-month period in 2009, from 86.1% for the same period in 2008. Hotel operating expenses as a percentage of hotel revenues in the first six months of 2009 were

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36.0%, slightly higher than the 35.8% for the same period in 2008. The increase was primarily due to the decreased revenues.

Promotional allowances remained flat at $12.9 million for the first six months of 2009 and 2008, respectively. Promotional allowances as a percentage of gross revenues increased to 16.1% for the first six months of 2009 compared to 15.6% for the same period in 2008. This increase was primarily the result of increased promotional and discount programs in response to the challenging economic environment and ongoing competitor promotional and discount programs.

Depreciation and amortization expense was $6.3 million in the first six months of 2009, an increase of 61.5% compared to $3.9 million in the same period last year. This increase is the result of the completion of our Capital Projects (see further discussion of the Capital Projects in the CAPITAL SPENDING AND DEVELOPMENT section above).

SG&A expense decreased 8.1% to $23.9 million in the first six months of 2009, compared to $26.0 million in the first six months of 2008, primarily as a result lower payroll and benefits expense of approximately $940 thousand, lower marketing expense of approximately $830 thousand and various expense level reductions of approximately $980 thousand all partially offset by higher utilities expense of approximately $490 thousand and higher bad debt expense of approximately $210 thousand. As a percentage of net revenue, SG&A expenses decreased to 35.7% in the 2009 six-month period from 37.3% in the same period in 2008. This decrease is the result of the effect of the decreased expenses partially offset by the effect of the decrease in net revenue.

Interest income for the first six months of 2009 totaled $72 thousand, compared to $298 thousand for the same period of the prior year. The difference reflects our reduction in interest bearing cash and cash equivalents (see THE CREDIT FACILITY below) during the first six months of 2009 as compared to same period in 2008. During the first six months of 2008, interest bearing cash and cash equivalents were used to purchase Monarch common stock pursuant to a stock repurchase plan that was in place in the prior year.

Because of a higher average borrowing balance in the first six months of 2009 as compared to the same period of 2008, interest expense increased during the first six months of 2009 to $1.1 million from $135 thousand in same period of 2008. The higher borrowing balance was attributable to borrowing to fund the Capital Projects.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended June 30, 2009, net cash provided by operating activities totaled $7.6 million, a decrease of $6.6 million or 46.4% compared to the same period last year. This decrease was primarily related to the timing of the payment of a greater amount of accounts payable during the first six months of 2009 and the collection of a greater amount accounts receivable during the first six months of the prior year.

Net cash used in investing activities totaled $10.4 million and $39.7 million in the six months ended June 30, 2009 and 2008, respectively. During the six three months of 2009 and 2008, net cash used in investing activities consisted primarily of construction costs associated with the recent expansion phase of the Atlantis (see further discussion of the Capital Projects in the CAPITAL SPENDING AND DEVELOPMENT section above) and the acquisition of property and equipment. Because the construction was completed in January 2009, we used $29.3 million, or 73.8%, less net cash in investing activities during the six months ended June 30, 2009 compared same period in the prior year.

Net cash provided by financing activities of $2.1 million during the six months ended June 30, 2009 represents net borrowings under our Credit Facility (see THE CREDIT FACILITY below).

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During the six months ended June 30, 2008, we used $1.7 million of net cash in financing activities which consisted of $35.7 million to purchase Monarch common stock pursuant to a stock repurchase plan that was in place in the prior year partially offset by borrowings under our Credit Facility of $34.0 million.

We believe that our existing cash balances, cash flow from operations and borrowings available under the Credit Facility will provide us with sufficient resources to fund our operations, meet our debt obligations, and fulfill our capital expenditure plans; however, our operations are subject to financial, economic, competitive, regulatory, and other factors, many of which are beyond our control. If we are unable to generate sufficient cash flow, we could be required to adopt one or more alternatives, such as reducing, delaying or eliminating planned capital expenditures, selling assets, restructuring debt or obtaining additional equity capital.

OFF BALANCE SHEET ARRANGEMENTS

A driveway was completed and opened on September 30, 2004, that is being shared between the Atlantis and a shopping center (the Shopping Center) directly adjacent to the Atlantis. The Shopping Center is controlled by an entity whose owners include our controlling stockholders. As part of this project, in January 2004, we leased a 37,368 square-foot corner section of the Shopping Center for a minimum lease term of 15 years at an annual rent of $300,000, subject to increase every 60 months based on the Consumer Price Index. We also use part of the common area of the Shopping Center and pay our proportional share of the common area expense of the Shopping Center. We have the option to renew the lease for three five-year terms, and at the end of the extension periods, we have the option to purchase the leased section of the Shopping Center at a price to be determined based on an MAI Appraisal. The leased space is being used by us for pedestrian and vehicle access to the Atlantis, and we may use a portion of the parking spaces at the Shopping Center. The total cost of the project was $2.0 million; we were responsible for two thirds of the total cost, or $1.35 million. The cost of the new driveway is being depreciated over the initial 15-year lease term; some components of the new driveway are being depreciated over a shorter period of time. We paid approximately $150,000 in lease payments for the leased driveway space at the Shopping Center during the six months ended June 30, 2009.

Critical Accounting Policies

A description of our critical accounting policies and estimates can be found in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations of our Form 10-K for the year ended December 31, 2008 (2008 Form 10-K). For a more extensive discussion of our accounting policies, see Note 1, Summary of Significant Accounting Policies, in the Notes to the Consolidated Financial Statements in our 2008 Form 10-K filed on March 13, 2009.

OTHER FACTORS AFFECTING CURRENT AND FUTURE RESULTS

The economy in northern Nevada and our feeder markets, like many other areas around the country, are experiencing the effects of several negative macroeconomic trends, including a broad economic recession, higher home mortgage defaults and declining residential real estate values. These negative trends could adversely impact discretionary incomes of our target customers, which, in turn could adversely impact our business. We believe that as recessionary pressures increase or continue for an extended period of time, target customers may further curtail discretionary spending for leisure activities and businesses may reduce spending for conventions and meetings, both of which would adversely impact our business. Management continues to monitor these trends and intends, as appropriate, to adopt operating strategies to attempt to mitigate the effects of such adverse conditions. We can make no assurances that such strategies will be effective.

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The constitutional amendment approved by California voters in 1999 allowing the expansion of Native American casinos in California has had an impact on casino revenues in Nevada in general, and many analysts have continued to predict the impact will be more significant on the Reno-Lake Tahoe market. If other Reno-area casinos continue to suffer business losses due to increased pressure from California Native American casinos, such casinos may intensify their marketing efforts to northern Nevada residents as well, greatly increasing competitive activities for our local customers.

Higher fuel costs may deter California and other drive-in customers from coming to the Atlantis.

We also believe that unlimited land-based casino gaming in or near any major metropolitan area in the Atlantis key feeder market areas, such as San Francisco or Sacramento, could have a material adverse effect on our business.

Other factors that may impact current and future results are set forth in detail in Part II - Item 1A Risk Factors of this Form 10-Q and in Item 1A Risk Factors of our 2008 Form 10-K.

COMMITMENTS AND CONTINGENCIES

Our contractual cash obligations as of June 30, 2009 and the next five years and thereafter are as follow:

Contractual Cash Obligations	Payments Due by Period (4)				
	Total	less than 1 year	1 to 3 years	4 to 5 years	more than 5 years
Operating Leases(1)	$ 3,914,000	$ 492,000	$ 740,000	$740,000	$1,942,000
Maturities of Borrowings Under Credit Facility (2)	52,100,000	-	52,100,000	-	-
Purchase Obligations(3)	4,215,000	4,215,000	-	-	-
Total Contractual Cash Obligations	$60,229,000	$4,707,000	$52,840,000	$740,000	$1,942,000

(1) Operating leases include $370,000 per year in lease and common area expense payments to the shopping center adjacent to the Atlantis and $243,000 per year in lease payments to Triple J (see Note 5. Related Party Transactions, in the Notes to the Condensed Consolidated Financial Statements in this Form 10-Q).

(2) The amount represents outstanding draws against our Credit Facility (see THE CREDIT FACILITY below) as of June 30, 2009.

(3) Purchase obligations represent approximately $2.2 million of commitments related to capital projects and approximately $2.0 million of materials and supplies used in the normal operation of our business. Of the total purchase order and construction commitments, approximately $2.0 million are cancelable by us upon providing a 30-day notice.

(4) Because interest payments under our Credit Facility are subject to factors that in our judgment vary materially, the amount of future interest payments is not presently determinable. These factors include: 1) future short-term interest rates; 2) our future leverage ratio which varies with EBITDA and our borrowing levels and 3) the speed with which we deploy capital and other spending which in turn impacts the level of future borrowings. The interest rate under our Credit Facility is LIBOR, or a base rate (as defined in the Credit Facility agreement), plus an interest rate margin ranging from 2.00% to

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3.375% depending on our leverage ratio. The interest rate is adjusted quarterly based on our leverage ratio which is calculated using operating results over the previous four quarters and borrowings at the end of the most recent quarter. At June 30, 2009 our leverage ratio was such that pricing for borrowings was LIBOR plus 2.875%. At June 30, 2009, the one-month LIBOR rate was 0.30%.

We believe that our existing cash balances, cash flow from operations and borrowings available under the Credit Facility will provide us with sufficient resources to fund our operations, meet our debt obligations, and fulfill our capital expenditure requirements; however, our operations are subject to financial, economic, competitive, regulatory, and other factors, many of which are beyond our control. If we are unable to generate sufficient cash flow, we could be required to adopt one or more alternatives, such as reducing, delaying or eliminating planned capital expenditures, selling assets, restructuring debt or obtaining additional equity capital.

THE CREDIT FACILITY

Until February 20, 2004, we had a reducing revolving term loan credit facility with a consortium of banks (the First Credit Facility). On February 20, 2004, the Original Credit Facility was refinanced (the Second Credit Facility) for $50 million. The maturity date of the Second Credit Facility was to be April 18, 2009; however, on January 20, 2009, the Second Credit Facility was amended and refinanced (the New Credit Facility) for $60 million. The New Credit Facility may be utilized by us for working capital needs, general corporate purposes and for ongoing capital expenditure requirements.

The maturity date of the New Credit Facility is January 20, 2012. Borrowings are secured by liens on substantially all of the real and personal property of the Atlantis and are guaranteed by Monarch.

The New Credit Facility contains covenants customary and typical for a facility of this nature, including, but not limited to, covenants requiring the preservation and maintenance of our assets and covenants restricting our ability to merge, transfer ownership of Monarch, incur additional indebtedness, encumber assets and make certain investments. The New Credit Facility contains covenants requiring that we maintain certain financial ratios and achieve a minimum level of Earnings-Before-Interest-Taxes-Depreciation and Amortization (EBITDA) on a two-quarter rolling basis. It also contains provisions that restrict cash transfers between Monarch and its affiliates and contains provisions requiring the achievement of certain financial ratios before we can repurchase our common stock or pay dividends. Management does not consider the covenants to restrict normal functioning of day-to-day operations.

The maximum principal available under the New Credit Facility is reduced by $2.5 million per quarter beginning on December 31, 2009. We may permanently reduce the maximum principal available at any time so long as the amount of such reduction is at least $500,000 and a multiple of $50,000.

We may prepay borrowings under the New Credit Facility without penalty (subject to certain charges applicable to the prepayment of LIBOR borrowings prior to the end of the applicable interest period). Amounts prepaid may be reborrowed so long as the total borrowings outstanding do not exceed the maximum principal available.

We paid various one-time fees and other loan costs upon the closing of the refinancing of the New Credit Facility that will be amortized over the facility s term using the straight-line method.

At June 30, 2009, we had $52.1 million outstanding under the New Credit Facility, none of which was classified as short-term debt. Short-term debt represents the difference between the amount outstanding at June 30, 2009 and the maximum principal allowed under the New Credit Facility on June 30, 2010. The interest rate under our Credit Facility is LIBOR, or a base rate (as defined in the Credit Facility agreement), plus an interest rate margin ranging from 2.00% to 3.375% depending on our leverage ratio. The interest rate is adjusted quarterly based on our leverage ratio calculated using

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operating results over the previous four quarters and borrowings at the end of the most recent quarter. At June 30, 2009 our leverage ratio was such that pricing for borrowings was LIBOR plus 2.875%. At June 30, 2009, the one-month LIBOR rate was 0.30%.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market risks and prices, such as interest rates, foreign currency exchange rates and commodity prices. We do not have any cash or cash equivalents as of June 30, 2009 that are subject to market risk. As of June 30, 2009 we had $52.1 million of outstanding debt under our New Credit Facility that was subject to credit risk. A 1% increase in the interest rate on the balance outstanding under the New Credit Facility at June 30, 2009 would result in a change in our annual interest cost of approximately $521,000.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-Q, (the Evaluation Date), an evaluation was carried out by our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined by Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Litigation was filed against Monarch on January 27, 2006, by Kerzner International Limited (Kerzner) owner of the Atlantis, Paradise Island, Bahamas in the United States District Court, District of Nevada. The case number assigned to the matter is 3:06-cv-00232-ECR (RAM). The complaint seeks declaratory judgment prohibiting Monarch from using the name Atlantis in connection with offering casino services other than at Monarch s Atlantis Casino Resort Spa located in Reno, Nevada, and particularly prohibiting Monarch from using the Atlantis name in connection with offering casino services in Las Vegas, Nevada; injunctive relief enforcing the same; unspecified compensatory and punitive damages; and other relief. Monarch believes Kerzner s claims to be entirely without merit and is defending vigorously against the suit. Further, Monarch has filed a counterclaim against Kerzner seeking to enforce the license agreement granting Monarch the exclusive right to use the Atlantis name in association with lodging throughout the state of Nevada; to cancel Kerzner s registration of the Atlantis mark for casino services on the basis that the mark was fraudulently obtained by Kerzner; and to obtain declaratory relief on these issues. Discovery is concluded and the period for filing dispositive motions prior to trial is underway. The court has not ruled yet on any motions.

We are party to other claims that arise in the normal course of business. Management believes that the outcomes of such claims will not have a material adverse impact on our financial condition, cash flows or results of operations.

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ITEM 1A. RISK FACTORS

A description of our risk factors can be found in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009. There were no material changes to those risk factors during the three months ended June 30, 2009.

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

On May 22, 2009, our Annual Meeting of Stockholders was held. The following directors were re-elected to two-year terms and the votes received were as follows:

Director	Votes Received	Votes Withheld

Bob Farahi	10,392,769	1,879,609
Ronald R. Zideck	12,060,676	211,702

Abstentions are effectively treated as votes withheld. The following directors were not up for election, but their terms continue until the 2010 Annual Meeting of Stockholders: John Farahi; Charles W. Scharer and Craig F. Sullivan.

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit No	Description
31.1	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of John Farahi, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Ronald Rowan, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

* Filed herewith.

SIGNATURES

Pursuant to the requirements 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.

	MONARCH CASINO & RESORT, INC. (Registrant)
Date: August 10, 2009	By: /s/ RONALD ROWAN Ronald Rowan, Chief Financial Officer and Treasurer (Principal Financial Officer and Duly Authorized Officer)