MONARCH CASINO & RESORT INC
Form 10-Q
May 10, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2006

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	88-0300760
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1175 W. MOANA LANE, SUITE 200 RENO, NEVADA (Address of principal executive offices)	89509 (Zip code)

Registrant's telephone number, including area code: (775) 825-3355

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report.)

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 ___

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

Large Accelerated Filer ___ Accelerated Filer _X_ Non-Accelerated Filer ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ___ NO _X_

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 8, 2006, there were 18,911,308 shares of Monarch Casino & Resort, Inc. $0.01 par value common

stock outstanding.

TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Statements of Income for the three months ended March 31, 2006 and 2005 (unaudited)	3
Condensed Consolidated Balance Sheets at March 31, 2006 (unaudited) and December 31, 2005	4
Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2006 and 2005 (unaudited)	6
Notes to Condensed Consolidated Financial Statements (unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures About Market Risk	23
Item 4. Controls and Procedures	23
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	24
Item 1A. Risk Factors	25
Item 6. Exhibits	25
Signatures	26
Exhibit Index	27
Exhibit 31.1 Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	28
Exhibit 31.2 Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	29
Exhibit 32.1 Certification of John Farahi pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	30
Exhibit 32.2 Certification of Ben Farahi pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	31

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended March 31,	
	2006	2005
	(Unaudited)	(Unaudited)
Revenues		
Casino	$ 24,124,047	$ 20,901,908
Food and beverage	9,744,817	9,026,336
Hotel	6,033,935	5,588,152
Other	1,090,576	1,048,337
Gross revenues	40,993,375	36,564,733
Less promotional allowances	(5,387,714)	(5,002,031)
Net revenues	35,605,661	31,562,702
Operating expenses		
Casino	8,012,162	7,534,847
Food and beverage	4,790,771	4,437,365
Hotel	2,103,723	2,027,873
Other	314,454	321,646
Selling, general, and administrative	10,841,486	8,809,293
Gaming development expense	43,765	204,398
Depreciation and amortization	2,146,758	2,038,200
Total operating expenses	28,253,119	25,373,622
Income from operations	7,352,542	6,189,080
Other expense		
Interest expense	(59,444)	(305,374)
Income before income taxes	7,293,098	5,883,706
Provision for income taxes	2,525,000	2,030,000
Net income	$ 4,768,098	$ 3,853,706
Earnings per share of common stock		
Net income		
Basic	$ 0.25	$ 0.20
Diluted	$ 0.25	$ 0.20
Weighted average number of common shares and potential common shares outstanding		

Basic	18,885,595	18,816,819
Diluted	19,252,277	19,043,546

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

MONARCH CASINO & RESORT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2006 (Unaudited)	December 31, 2005
ASSETS		
Current assets		
Cash	$ 12,010,163	$ 12,886,494
Receivables, net	3,091,337	3,559,602
Federal income tax refund receivable	-	286,760
Inventories	1,458,070	1,456,453
Prepaid expenses	2,537,300	2,401,619
Deferred income taxes	1,518,152	1,326,224
Total current assets	20,615,022	21,917,152
Property and equipment		
Land	10,339,530	10,339,530
Land improvements	3,166,107	3,166,107
Buildings	78,955,538	78,955,538
Building improvements	10,398,814	10,398,814
Furniture and equipment	68,826,326	67,393,755
Leasehold improvement	1,346,965	1,346,965
	173,033,280	171,600,709
Less accumulated depreciation and amortization	(78,138,462)	(76,117,346)
Net property and equipment	94,894,818	95,483,363
Other assets, net	269,524	269,524
Total assets	$ 115,779,364	$ 117,670,039

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

-4-

MONARCH CASINO & RESORT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2006	December 31, 2005
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 6,761,798	$ 7,335,630
Accrued expenses	7,590,609	8,722,221
Federal income taxes payable	2,548,782	-
Total current liabilities	16,901,189	16,057,851
Long-term debt, less current maturities	-	8,100,000
Deferred income taxes	5,747,192	5,953,193
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; 19,072,550 shares issued; 18,894,576 outstanding at 03/31/2006, 18,879,310 outstanding at 12/31/2005	190,726	190,726
Additional paid-in capital	18,630,715	17,882,827
Treasury stock, 177,974 shares at 03/31/2006, 193,240 shares at 12/31/2005, at cost	(652,875)	(708,877)
Retained earnings	74,962,417	70,194,319
Total stockholders' equity	93,130,983	87,558,995
Total liabilities and stockholders' equity	$ 115,779,364	$ 117,670,039

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

MONARCH CASINO & RESORT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2006	2005
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income	$ 4,768,098	$ 3,853,706
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,146,758	2,038,200
Amortization of deferred loan costs	-	22,875
Share-based compensation	548,366	-
Provision for bad debt	279,849	89,913
Loss (gain) on disposal of assets	54,685	(6,500)
Deferred income taxes	(397,928)	(174,000)
Changes in assets and liabilities		
Receivables, net	475,176	949,446
Inventories	(1,616)	199,919
Prepaid expenses	(135,681)	(188,819)
Accounts payable	(573,832)	932,233
Accrued expenses and federal income taxes payable	1,417,170	(86,285)
Net cash provided by operating activities	8,581,045	7,630,688
Cash flows from investing activities:		

Proceeds from sale of assets.....	2,916	6,500
Acquisition of property and equipment.....	(1,615,815)	(861,631)
Net cash used in investing activities....	(1,612,899)	(855,131)
Cash flows from financing activities:		
Proceeds from exercise of stock options.....	168,138	18,337
Tax benefit of stock option exercise.....	87,385	-
Principal payments on long-term debt.....	(8,100,000)	(9,300,000)
Net cash used in financing activities.....	(7,844,477)	(9,281,663)
Net decrease in cash.....	(876,331)	(2,506,106)
Cash at beginning of period.....	12,886,494	11,814,778
Cash at end of period.....	$ 12,010,163	$ 9,308,672
Supplemental disclosure of cash flow information:		
Cash paid for interest.....	$ 66,659	$ 381,164
Cash paid for income taxes.....	$ -	$ -

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

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 (the "Atlantis"), a hotel/casino facility in Reno, Nevada. Unless stated otherwise, the "Company" refers collectively to Monarch and its Golden Road subsidiary.

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

Interim Financial Statements

The accompanying condensed consolidated financial statements for the three-month periods ended March 31, 2006 and 2005 are unaudited. In the opinion of management, all adjustments, (which include normal recurring

adjustments) necessary for a fair presentation of the Company's financial position and results of operations for such periods, have been included. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2005. The results for the three-month period ended March 31, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006, or for any other period.

Use of Estimates

In preparing these financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the respective periods. Actual results could differ from those estimates.

Self-insurance Reserves

The Company reviews self-insurance reserves at least quarterly. The amount of reserve is determined by reviewing the actual expenditures for the previous twelve-month period and reviewing reports prepared by third party plan administrators for any significant unpaid claims. The reserve is accrued at an amount that approximates amounts needed to pay both reported and unreported claims as of the balance sheet dates, which management believes are adequate.

Inventories

Inventories, consisting primarily of food, beverages, and retail merchandise, are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Since inception, property and equipment have been depreciated principally on a straight line basis over the estimated service lives as follows:

Land improvements	15-40 years
Buildings	30-40 years
Building improvements	15-40 years
Furniture	5-10 years
Equipment	5-20 years

In accordance with Statement of Financial Accounting Standards (?SFAS?) No. 144, "Accounting for the Impairment and Disposal of Long-Lived Assets," the Company evaluates the carrying value of its long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable from related future undiscounted cash flows. Indicators which could trigger an impairment review include legal and regulatory factors, market conditions and operational performance. Any resulting impairment loss, measured as the

difference between the carrying amount and the fair value of the assets, could have a material adverse impact on the Company's financial condition and results of operations.

Casino Revenues

Casino revenues represent the net win from gaming activity, which is the difference between wins and losses. Additionally, net win is reduced by a provision for anticipated payouts on slot participation fees, progressive jackpots and any pre-arranged marker discounts.

Promotional Allowances

Our frequent player program, Club Paradise, allows members, through the frequency of their play at our casino, to earn and accumulate point values which may be redeemed for a variety of goods and services at our Atlantis Casino Resort. Point values may be applied toward room stays at our hotel, food and beverage consumption at any of our food outlets, gift shop items as well as goods and services at our spa and beauty salon. Point values earned may also be applied toward off-property events such as concerts, shows and sporting events. Point values may not be redeemed for cash.

Awards under our frequent player program are recognized as promotional expenses at the time of redemption.

The retail value of hotel, food and beverage services provided to customers without charge is included in gross revenue and deducted as promotional allowances. The cost associated with complimentary food, beverage, rooms and merchandise redeemed under the program is recorded in casino costs and expenses.

Income Taxes

Income taxes are recorded in accordance with the liability method specified by SFAS No. 109 "Accounting for Income Taxes." Under the asset and liability approach for financial accounting and reporting for income taxes,

the following basic principles are applied in accounting for income taxes at the date of the financial statements: (a) a current liability or asset is recognized for the estimated taxes payable or refundable on taxes for the current year; (b) a deferred income tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and carryforwards; (c) the measurement of current and deferred tax liabilities and assets is based on the provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated; and (d) the measurement of deferred income taxes is reduced, if necessary, by the amount of any tax benefits that, based upon available evidence, are not expected to be realized.

Allowance for Doubtful Accounts

The Company extends short-term credit to its gaming customers. Such credit is non-interest bearing and due on demand. In addition, the Company also has receivables due from hotel guests which are primarily secured with a credit card at the time a customer checks in. An allowance for doubtful accounts is set up for all Company receivables based upon the Company?s historical collection and write-off experience, unless situations warrant a specific identification of a necessary reserve related to certain receivables.

The Company charges off its uncollectible receivables once all efforts have been made to collect such receivables. The book value of receivables approximates fair value due to the short-term nature of the receivables.

Stock Based Compensation

On January 1, 2006, we adopted the provisions of SFAS 123R and SAB 107 requiring the measurement and recognition of all share-based compensation under the fair value method. We implemented SFAS 123R using the modified prospective transition method.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of bank deposits and trade receivables. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base. The Company believes it is not exposed to any significant credit risk on cash and accounts receivable.

Certain Risks and Uncertainties

A significant portion of the Company's revenues and operating income are generated from patrons who are residents of northern California. A change in general economic conditions or the extent and nature of casino gaming in California, Washington or Oregon could adversely affect the Company's operating results. On September 10, 1999, California lawmakers approved a constitutional amendment that gave Indian tribes the right to offer slot machines and a range of house-banked card games. On March 7, 2000, California voters approved the constitutional amendment. Several Native American casinos have opened in Northern California since passage of the constitutional amendment. A large Native American casino facility opened in the Sacramento area, one of our primary feeder markets, in June of 2003. Other new Native American casinos are under construction in the northern California market, as

well as other markets the Company currently serves, that could have an impact on the Company's financial position and results of operations.

In addition, the Company relies on non-conventioneer visitors partially comprised of individuals flying into the Reno area. The ?War on Terrorism,? combined with the ongoing situation in Iraq and the threat of further terrorist attacks could have an adverse effect on the Company's revenues from this segment. The terrorist attacks that took place in the United States on September 11, 2001, were unprecedented events that created economic and business uncertainties, especially for the travel and tourism industry. The potential for future terrorist attacks, the national and international responses, and other acts of war or hostility including the ongoing situation in Iraq, have created economic and political uncertainties that could materially adversely affect our business, results of operations, and financial condition in ways we cannot predict.

A change in regulations on land use requirements with regard to development of new hotel casinos in the proximity of the Atlantis could have an adverse impact on our business, results of operations, and financial condition.

The Company also markets heavily to Reno-area residents. Recently, a major casino-hotel operator that successfully focuses on local resident business in Las Vegas has announced plans to develop hotel-casino properties in Reno. The competition for this market segment is likely to increase and could impact the Company?s business.

NOTE 2. STOCK-BASED COMPENSATION

Our stock-based compensation arrangements are designed to attract and retain employees and outside independent members of our Board of Directors. The amount, frequency, and terms of share-based awards may vary based on competitive practices, company operating results, and government regulations. New shares are issued out of our treasury stock upon option exercise. We may repurchase some of our common stock from time to time in order to have adequate amounts of stock in treasury to cover option exercises.

The Company maintains three stock option plans, consisting of the Directors' Stock Option Plan, the Executive Long-term Incentive Plan, and the Employee Stock Option Plan (the "Plans"), which collectively provide for the granting of options to purchase up to 2,250,000 common shares. The exercise price of stock options granted under the Plans is established by the respective plan committees, but the exercise price may not be less than the market price of the Company's common stock on the date the option is granted. Our stock options typically vest on a graded schedule, typically in equal, one-third increments, although the respective stock option committees have the discretion to impose different vesting periods or modify existing vesting periods. Options expire ten years from the grant date. By their amended terms, the Plans will expire in June, 2013.

Current year stock option activity as of and for the quarter ended March 31, 2006:

		Weighted Average		
Options	Shares	Exercise Price	Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of period	1,117,558	$13.25	-	-
Granted	15,000	25.93	-	-
Exercised	(15,266)	11.01	-	-
Forfeited	(110,000)	12.44	-	-
Expired	-	-	-	-
Outstanding at end of period	1,007,292	$13.56	8.8 yrs.	$14,936,555

Exercisable at end of period	228,286	$12.02	8.5 yrs.	$ 3,736,703

Expense Measurement and Recognition

On January 1, 2006, we adopted the provisions of SFAS 123R and SAB 107 requiring the measurement and recognition of all share-based compensation under the fair value method. We implemented SFAS 123R using the modified prospective transition method.

Accordingly, for the quarter ended March 31, 2006, we recognized share-based compensation for all current award grants and for the unvested portion of previous award grants based on grant date fair values. Prior to fiscal 2006, we accounted for share-based awards under the disclosure-only provisions of SFAS No. 123, as amended by SFAS No. 148, but applied APB No. 25 and related interpretations in accounting for our plans, which resulted in pro-forma compensation expense only for stock option awards. Prior period financial statements have not been adjusted to reflect fair value share-based compensation expense under SFAS 123R.

With the adoption of SFAS 123R, we changed our method of expense attribution for fair value share-based compensation from the straight-line approach to the accelerated approach for all awards granted. We anticipate the accelerated method will provide a more meaningful measure of costs incurred and be most representative of the economic reality associated with our unvested stock options outstanding. Unrecognized costs related to all share-based awards outstanding at March 31, 2006 totaled approximately $3.8 million and is expected to be recognized over a weighted average period of 1.83 years.

We use historical data and projections to estimate expected employee, executive and director behaviors related to option exercises and forfeitures.

We estimate the fair value of each stock option award on the grant date using the Black-Scholes valuation model incorporating the assumptions noted in the following table. Option valuation models require the input of highly subjective assumptions, and changes in assumptions used can materially affect the fair value estimate.

	Three Months Ended March 31,	
	2006	2005
Option Valuation Assumptions:		
Expected volatility	44.5%	45.8%
Expected dividends	0.0%	0.0%
Expected life (in years)		
Directors? Plan	2.5	4.7
Executive Plan	9.0	9.0
Employee Plan	4.1	5.0
Weighted average risk free rate	4.3%	4.1%

The risk-free interest rate is based on the U.S. treasury security rate in effect as of the date of grant. The expected lives of options are based on

historical data of the Company. In 2006, the Company determined that an implied volatility is more reflective of market conditions and a better indicator of expected volatility.

Weighted average grant date fair value per share of options granted:	$10.52	$ 7.42
Total intrinsic value of options exercised:	$249,640	$ 80,916
Cash received for all stock option exercises:	$168,138	$ 18,337
Tax benefit realized for tax return deductions:	$ 87,385	$ 28,320

Reported stock based compensation was classified as follows:

	Three Months Ended March 31,	
	2006	2005
Casino	$ 21,561	-
Food and beverage	20,167	-
Hotel	17,230	-
Selling, general & administrative	489,408	-
Total stock-based compensation	$548,366	$385,048
Tax benefit	(191,928)	(132,844)
Total stock-based compensation, net of tax	$356,438	$252,204

The following table illustrates the effect on net income and net income per common share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to all outstanding stock option awards for periods presented prior to the Company?s adoption of SFAS No. 123R:

	Three Months Ended March 31,
	2005
Net income, as reported	$3,853,706
Proforma share-based compensation, net of tax	(252,204)
Comparative net income	$3,601,502

Basic earnings per share,

As reported:	$ 0.20
Pro forma:	$ 0.19
Diluted earnings per share	
As reported:	$ 0.20
Pro forma:	$ 0.19

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. On March 31, 2005, the Company split its common stock on a 2 for 1 basis. 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 March 31,			
	2006		2005	
	Shares	Per Share Amount	Shares	Per Share Amount
Basic	18,886	$ 0.25	18,817	$ 0.20
Effect of dilutive stock options	366	-	227	-
Diluted	19,252	$ 0.25	19,044	$ 0.20

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.

NOTE 4. RECENTLY ISSUED ACCOUNTING STANDARDS

None.

NOTE 5. RELATED PARTY TRANSACTIONS

Four affiliated principal stockholders potentially control the Company through their 44.8% beneficial ownership of the Company?s outstanding common shares as of March 31, 2006.

Three of the principal stockholders of the Company, through their affiliates, control the ownership and management of a shopping center directly adjacent to the Atlantis (the "Shopping Center"). The Shopping Center occupies

18.7 acres and consists of approximately 213,000 square feet of retail space.

The Company does not have any ownership, options to purchase (except with respect to the driveway discussed below) or first rights of refusal over or control of the Shopping Center. The Company does not have any management control over or respect to the Shopping Center. The Shopping Center is owned by Biggest Little Investments, LP (?BLI?), a separate publicly held limited partnership. As of March 27, 2006, based on disclosures in BLI?s Form 10-KSB, there were approximately 1,534 holders of BLI units owning an aggregate of 180,937 units (including units held by affiliates of BLI?s general partner). Three of the Company's principal stockholders have ownership interests in the general partner of BLI, Maxum LLC, and beneficially own limited partnership interests in BLI. Maxum LLC is a separate, private limited liability company whose sole manager is one of the Company's principal stockholders, Ben Farahi. As the sole manager of Maxum LLC, Ben Farahi controls BLI, the Shopping Center?s owner.

The Company currently rents various spaces totaling approximately 12,000 square feet in the Shopping Center which it uses as office space, and paid rent of approximately $23,600 plus common area expenses for the three months ended March 31, 2006, and approximately $14,800 for the three months ended March 31, 2005.

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 plus common area maintenance charges for its leased driveway space at the Shopping Center during each of the three months ended March 31, 2006 and 2005.

The Company is currently leasing sign space from the Shopping Center. 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. The Company paid $3,000 for the leased sign at the Shopping Center for

the three months ended March 31, 2006 and did not make any payments for the three months ended March 31, 2005.

The Company accounts for its rental expense using the straight-line method over the original lease term. Rental increases based on the change in the CPI are contingent and accounted for prospectively.

On September 23, 2003, the Company entered into an option agreement with an affiliate of its controlling stockholders to purchase property in South Reno for development of a new hotel casino. The Company, through the current property owner, filed an application with the City of Reno for both master plan and zoning changes for 13 acres of the property. On January 20, 2005, the City of Reno Planning Commission approved the application for zoning change on the property; the Reno City Council would next have to approve the application. On April 13, 2005, the Reno City Council rejected the application for master plan and zoning change. As a result of the City Council?s decision, the Company expensed in 2005 a charge of approximately $289,000 in gaming development costs related to the potential new hotel casino. The option agreement was set to expire on September 15, 2005, and the Company?s Board of Directors voted to let the agreement expire on such date without exercising the Company?s option to purchase.

The Company is currently leasing billboard advertising space from affiliates of its controlling stockholders for a total cost of $17,500 for the three months ended March 31, 2006, and $7,000 for the three months ended March 31, 2005.

The Company is currently renting office and storage space from a company affiliated with Monarch?s controlling stockholders and expensed approximately $7,000 for these spaces for each of the three-month periods ended March 31, 2006 and 2005.

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, a hotel/casino facility in Reno, Nevada (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 derive our revenues by appealing to middle to upper-middle income Reno residents, emphasizing slot machine play in our casino. We capitalize on the Atlantis' location for locals, tour and travel visitors and conventioneers 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 subsidiary.

OPERATING RESULTS SUMMARY

During the first quarter of 2006, we exceeded all previously reported Company first quarter casino revenues, hotel revenues, net revenues, net income and earnings per share.

(In millions, except earnings per share and percentages)	Three Months ended March 31, 2006	Three Months ended March 31, 2005	Percentage Increase / (Decrease) First Quarter ?06 vs ?05
Casino revenues	$ 24.1	$ 20.9	15.4%
Food and beverage revenues	9.7	9.0	8.0%
Hotel revenues	6.0	5.6	8.0%
Other revenues	1.1	1.0	4.0%
Net revenues	35.6	31.6	12.8%
Income from operations	7.4	6.2	18.8%
Net income	4.8	3.9	23.7%
Earnings per share - diluted	0.25	0.20	25.0%
Operating margin	20.6%	19.6%	1.0 pt.

Some significant items that affected our first quarter results in 2006 are listed below. These items are discussed in greater detail elsewhere in our discussion of operating results and in the Liquidity and Capital Resources section.

- Increases in all our revenue centers including 15.4% in our casino, 8.0% in our food and beverage, 8.0% in our hotel and 4.0% in our other revenue centers, led to an increase of 12.1% in our gross revenues. This increase, combined with a slight improvement in promotional allowances as a percentage of gross revenues, led to a 12.8% increase in our net revenues.

- Our departmental expenses increased at a lesser rate than our revenues, leading to unchanged or improved margins across all revenue centers.

- Our selling, general and administrative (?SG&A?) expenses increased 23.1%, primarily due to increased marketing and promotional expenditures, increased payroll and benefit costs, increased energy costs, and expenses related to stock options awarded under the provisions of SFAS 123R. Our depreciation expense increased 5.3%.

- The improved margins, partially offset by the increases in SG&A and depreciation, led to an 18.8% increase in operating income and a one percentage point increase in our operating margin as a percentage of net revenues.

- We incurred approximately $548,000, or approximately $0.03 per diluted share, in equity compensation expense as a result of the adoption of the provisions of SFAS 123R.

CAPITAL SPENDING AND DEVELOPMENT

Capital expenditures at the Atlantis totaled approximately $1.6 million and $862,000 during the first three months of 2006 and 2005, respectively. During the three months ended March 31, 2006, our capital expenditures consisted primarily of acquisitions of gaming and computer equipment, the installation of a casino High Definition video display system, and ongoing property public area renovations and upgrades. During last year's first three months, capital expenditures consisted primarily of acquisitions of gaming and computer systems equipment.

Future cash needed to finance ongoing maintenance capital spending is expected to be made available from operating cash flow, the New Credit Facility (see "THE CREDIT FACILITY" below) and, if necessary, additional borrowings.

STATEMENT ON FORWARD-LOOKING INFORMATION

Certain information included herein contains statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, such as statements relating to anticipated expenses, capital spending and financing sources. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made herein. These risks and uncertainties include, but are not limited to, those relating to competitive industry conditions, expansion of Indian casinos in California, Reno-area tourism and convention business conditions, the scheduling of major Reno area bowling tournaments, dependence on existing management, leverage and debt service (including sensitivity to fluctuations in interest rates), the regulation of the gaming industry (including actions affecting licensing), outcome of litigation, domestic or global economic conditions including those affected by the events of September 11, 2001 and the ongoing situation in Iraq, and changes in federal or state tax laws or the administration of such laws.

RESULTS OF OPERATIONS

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2006 and 2005

For the three-month period ended March 31, 2006, the Company?s net income was $4.8 million, or $0.25 per diluted share, on net revenues of $35.6 million, an increase from net income of $3.9 million, or $0.20 per diluted share, on net revenues of $31.6 million for the three months ended March 31, 2005. Income from operations for the three months ended March 31, 2006 totaled $7.4 million, an 18.8% increase when compared to $6.2 million for the same period in 2005. Both net revenues and net income for the first quarter of 2006 represent new first quarter records for the Company. Net revenues increased 12.8%, and net income increased 23.7% when compared to last year's first quarter.

Casino revenues totaled $24.1 million in the first quarter of 2006, a 15.4% increase from $20.9 million in the first quarter of 2005, which was primarily due to increases in slot, table games, poker and Keno revenues. Casino operating expenses amounted to 33.2% of casino revenues in the first quarter of 2006, compared to 36.0% in the first quarter of 2005, with the

difference due primarily to reduced payroll and benefit expenses, reduced

direct operating costs, and reduced complimentaries as a percentage of casino revenues.

Food and beverage revenues totaled $9.7 million in the first quarter of 2006, an 8.0% increase from $9.0 million in the first quarter of 2005, due primarily to a 10.3% increase in the average revenue per food cover partially offset by an approximate 2.4% decrease in the number of food covers served during the quarter. Food and beverage operating expenses amounted to 49.2% of food and beverage revenues during the first quarter of 2006, unchanged relative to the first quarter of 2005.

Hotel revenues were $6.0 million for the first quarter of 2006, an increase of 8.0% from the $5.6 million reported in the 2005 first quarter. This increase was the result of increases in both the average daily room rate (?ADR?) and hotel occupancy. Both first quarters' 2006 and 2005 revenues also included a $3 per occupied room energy surcharge. During the first quarter of 2006, the Atlantis experienced a 91.9% occupancy rate, as compared to 91.4% during the same period in 2005. The Atlantis' ADR was $64.68 in the first quarter of 2006 compared to $60.25 in the first quarter of 2005. Hotel operating expenses as a percent of hotel revenues decreased to 34.9% in the 2006 first quarter, compared to 36.3% in the 2005 first quarter. The improved margin is primarily due to the increased ADR and more efficient operations resulting in reduced payroll and benefit expenses and reduced direct operating costs as a percentage of hotel revenues.

Promotional allowances increased to $5.4 million in the first quarter of 2006 compared to $5.0 million in the first quarter of 2005. The dollar increase is attributable to continued promotional efforts to generate additional revenues. Promotional allowances as a percentage of gross revenues decreased to 13.1% during the first quarter of 2006, from 13.7% in the first quarter of 2005.

Other revenues increased 4.0% to $1.1 million in the 2006 first quarter compared to $1.0 million in the same period last year. The increase reflects an approximate 8.7% increase in gift and sundries retail shops revenues and an approximate 5.4% increase in the entertainment fun center revenues. Other revenues include a loss of approximately $55,000 on disposal of assets in the quarter ended March 31, 2006, while a $6,500 gain was recorded in the quarter ended March 31, 2005. Other expenses in the 2006 first quarter decreased to 28.8% of other revenues, from 30.7% of the revenues in the 2005 first quarter, which is the result of more efficient operations.

Depreciation and amortization expense was $2.1 million in the first quarter of 2006, an increase of 5.3% when compared to $2.0 million in the same period last year. The increase in depreciation expense was mainly due to acquisitions of property and equipment. The Company, in its ordinary course of business and as part of its ongoing capital expenditures, intends to replace old and obsolete equipment with newer, more current equipment.

SG&A expenses amounted to $10.8 million in the first quarter of 2006, a 23.1% increase from $8.8 million in the first quarter of 2005. The increase was primarily a result of increased marketing and promotional expenditures, increased payroll and benefit costs, increased energy costs, and expenses related to stock options awarded under the provisions of SFAS 123R. As a percentage of net revenues, SG&A expenses increased to 30.4% in the first quarter of 2006 from 27.9% the first quarter of 2005.

Interest expense for the 2006 first quarter totaled $59,000, a decrease

of 80.5%, from $305,000 in the 2005 first quarter. The decrease reflects the Company's reduction in debt outstanding; during the first quarter of 2006, the Company paid off the entire balance on its revolving credit facility (see "THE CREDIT FACILITY" below).

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our daily hotel and casino activities with net cash provided by operating activities.

For the three months ended March 31, 2006, net cash provided by operating activities totaled $8.6 million, an increase of 12.5% compared to the same period last year. Net cash used in investing activities totaled $1.6 million and $855,000 in the three months ended March 31, 2006 and 2005, respectively. During the first three months of 2006 and 2005, net cash used in investing activities was used primarily in the purchase of property and equipment and continued property renovations and upgrades. Net cash used in financing activities totaled $7.8 million for the first three months of 2006 compared to $9.3 million for the same period last year. Net cash used in financing activities was primarily for debt reduction in both periods. During the first three months of 2006, the Company paid off its $8.1 million December 31, 2005 bank debt balance. As a result, at March 31, 2006, the Company had a cash balance of $12.0 million compared to $9.3 million at March 31, 2005, and $12.9 million at December 31, 2005. As a result of paying off our debt, as of April 28, 2006, we have begun investing our surplus cash in stable, short-term investments, such as certificates of deposit. These investments may be subject to market risk.

The Company has a reducing revolving credit facility with a group of banks (see "THE CREDIT FACILITY" below). At March 31, 2006, the Company had no balance outstanding on the New Credit Facility (as defined below). At March 31, 2006, we had $24 million available to be drawn down under the New Credit Facility should we require such funds.

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 directly adjacent to the Atlantis. The shopping center is controlled by our controlling stockholders (the "Shopping Center"). 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 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; 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. The Company paid approximately $75,000 for its leased driveway space at the Shopping Center during the three months ended March 31, 2006.

On September 23, 2003, the Company entered into an option agreement with an affiliate of its controlling stockholders to purchase property in South Reno for development of a new hotel casino. The Company, through the current property owner, filed an application with the City of Reno for both master plan and zoning changes for 13 acres of the property. On January 20, 2005, the City of Reno Planning Commission approved the application for zoning change on the property; the Reno City Council would next have to approve the application. On April 13, 2005, the Reno City Council rejected the application for master plan and zoning change. As a result of the City Council?s decision, the Company expensed during 2005, a charge of approximately $289,000 in gaming development costs related to the potential new hotel casino. The option agreement was set to expire on September 15, 2005, and the Company?s Board of Directors voted to let the agreement expire on such date without exercising the Company?s option to purchase.

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, 2005 (?2005 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 2005 Form 10-K filed on March 16, 2006.

OTHER FACTORS AFFECTING CURRENT AND FUTURE RESULTS

The constitutional amendment approved by California voters in 1999 allowing the expansion of Indian 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. The extent of this continued impact is difficult to predict, but the Company believes that the impact on the Company will continue to be mitigated to some extent due to the Atlantis' emphasis on Reno-area residents as a significant base of its business, as well as its proximity to the Reno-Sparks Convention Center. However, if other Reno-area casinos continue to suffer business losses due to increased pressure from California Indian casinos, they may intensify their marketing efforts to Reno-area residents as well.

The Company also believes that unlimited land-based casino gaming in or near any major metropolitan area in the Atlantis' key non-Reno marketing areas, such as San Francisco or Sacramento, could have a material adverse effect on its business.

In June 2004, five California Indian tribes signed compacts with the state that allows the tribes to increase the number of slot machines beyond the previous 2,000-per-tribe limit in exchange for higher fees from each of the five tribes. The State of California hopes to sign similar compacts with more Indian tribes.

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 the 2005 Form 10-K.

COMMITMENTS AND CONTINGENCIES

Contractual cash obligations for the Company as of March 31, 2006 over the next five years are as follows:

	Payments Due by Period				
Contractual Cash Obligations	Total	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Long-Term debt	$ -	$ -	$ -	$ -	$ -
Operating Leases (1)	4,995,000	370,000	740,000	740,000	3,145,000
Purchase Obligations (2)	1,471,000	1,471,000	-	-	-
Total Contractual Cash Obligations	$ 6,466,000	$ 1,841,000	$ 740,000	$ 740,000	$ 3,145,000

(1) Operating leases include $370,000 per year in lease and common expense payments to the shopping center adjacent to the Atlantis (see ?OFF BALANCE SHEET ARRANGEMENTS?).

(2) Our open purchase order commitments total approximately $1.5 million. Of the total purchase order commitments, approximately $1.1 million are cancelable by the Company upon providing a 30-day notice.

The Company believes that its existing cash balances, cash flow from operations, reducing revolving credit facility and availability of equipment financing, if necessary, will provide the Company with sufficient resources to fund its operations, meet its existing debt obligations, and fulfill its capital expenditure requirements; however, the Company's operations are subject to financial, economic, competitive, regulatory, and other factors, many of which are beyond its control. If the Company is unable to generate sufficient cash flow, it 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 that was to expire on June 30, 2004, and in the original amount of $80 million but that had been reduced to $46 million at payoff (the "Original Credit Facility").

On February 20, 2004, the Original Credit Facility was refinanced (the "New Credit Facility") for $50 million, which included the $46 million payoff of the unpaid balance of the Original Credit Facility. The amount of the New Credit Facility, which is also a reducing revolving facility, may be increased by up to $30 million on a one-time basis and, if requested by us, before the second anniversary of the closing date, as defined. We did not make this request, and, therefore, the $30 million increase is currently not available to us. At our option, borrowings under the New Credit Facility will accrue interest at a rate designated by the agent bank at its base rate (the "Base Rate") or at the London Interbank Offered Rate ("LIBOR") for one, two, three or six month periods. The rate of interest paid by us will include a margin added to either the Base Rate or to LIBOR that is tied to our ratio of funded debt to EBITDA (the "Leverage Ratio"). Depending on our Leverage Ratio, this

margin can vary between 0.25 percent and 1.25 percent above the Base Rate, and between 1.50 percent and 2.50 percent above LIBOR (under the Original Credit Facility, this margin varied between 0.00 percent and 2.00 percent above the Base Rate, and between 1.50 percent and 3.50 percent above LIBOR). At March 31, 2006, the Company had had no Base Rate loans outstanding and had no LIBOR loans outstanding. At March 31, 2006, we had $24 million available to be drawn down under the New Credit Facility should we require such funds.

We may utilize proceeds from the New Credit Facility for working capital needs and general corporate purposes relating to the Atlantis and for ongoing capital expenditure requirements at the Atlantis.

The New Credit Facility is secured by liens on substantially all of the real and personal property of the Atlantis, and is guaranteed by Monarch. The Original Credit Facility was guaranteed individually by certain controlling stockholders of the Company. These individuals were not required to provide any personal guarantees for the New Credit Facility and, therefore, going forward, we will no longer incur guarantee fee expenses.

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 also contains covenants requiring us to maintain certain financial ratios and provisions restricting transfers between Monarch and its affiliates. The New Credit Facility also contains provisions requiring the achievement of certain financial ratios before we can repurchase our common stock. We currently meet such ratio requirements.

The maturity date of the New Credit Facility is February 23, 2009. Beginning June 30, 2004, the maximum principal available under the Credit Facility will be reduced over five years by an aggregate of $30.875 million in equal increments of $1.625 million per quarter with the remaining balance due at the maturity date. 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 under the New Credit Facility may be re-borrowed so long as the total borrowings outstanding do not exceed the maximum principal available. We may also permanently reduce the maximum principal available under the New Credit Facility at any time so long as the amount of such reduction is at least $500,000 and a multiple of $50,000. We also benefited from a reduced loan amortization schedule, from $3 million per quarter under the Original Credit Facility to $1.625 million per quarter under the New Credit Facility.

As of March 31, 2006, our Leverage Ratio had been equal to or less than one-to-one for the second consecutive quarter. Per the New Credit Facility, if we achieve a Leverage Ratio equal to or less than one-to-one for two consecutive quarters, our scheduled reduction of the next consecutive fiscal quarter is waived. Management has assumed that we will maintain a leverage ratio equal to or less than one-to-one for the remaining term of the New Credit Facility and, therefore, no principal reductions will be due until the New Credit Facility matures in 2009.

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 term of the New Credit Facility using the straight-line method.

SHORT-TERM DEBT.

At March 31, 2006, we had no short-term debt outstanding.

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 March 31, 2006, that are subject to market risks. As of April 28, 2006, we began investing excess cash in stable, short-term investments, such as certificates of deposit, which may be subject to market risk.

A one-point increase in interest rates would have resulted in an increase in interest expense of approximately $9,000 in the first quarter of 2006 and $69,000 in the first quarter of 2005.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure 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.

Management?s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

Management assessed the effectiveness of our internal control over financial reporting as of March 31, 2006. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (?COSO?) in Internal Control-Integrated Framework. Based on our assessment we believe that, as of March 31, 2006, the Company?s internal control over financial reporting is effective based on those criteria. No changes were made to our internal control over financial reporting (as defined by Rule 13a-15(e) under the Securities Exchange Act of 1934) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II ? OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Monarch has made previous disclosure of class action litigation cases: William Poulos v. Caesar's World, Inc. et. al., Case No. 94-478-Civ-Orl-22; William H Ahern v. Caesars World, Inc. et. al., Case No. 94-478-Civ-Orl-22; and Larry Schrier v. Caesars World Inc., et. al, Case No. 95-923-LDG (RJJ) which were consolidated for purposes of litigation, and in which Monarch is one of numerous named defendants. The Complaints allege that manufacturers, distributors and casino operators of video poker and electronic slot machines, including Monarch, have engaged in a course of conduct intended to induce persons to play such games based on a false belief concerning how the gaming machines operate, as well as the extent to which there is an opportunity to win on a given play. The Complaints charge Defendants with violations of the Racketeer Influenced and Corrupt Organizations Act, as well as claims of common law fraud, unjust enrichment and negligent misrepresentation, and seek damages in excess of $1 billion without any substantiation of that amount. On September 7, 2005, U.S. District Judge Roger L. Hunt granted the Defendants' Motion for Summary Judgment on all claims made by Plaintiffs, and dismissed Plaintiffs' claims in their entirety. On October 14, 2005, Plaintiffs William Poulos and Brenda McElmore lodged a Notice of Appeal with the U.S. Court of Appeals for the Ninth Circuit, seeking to appeal from the District Court's order of summary judgment in favor of defendants and two discovery orders also issued by the district court. Most recently the parties have reached a global settlement agreement which will dispose of all litigation and place final closure on this lawsuit. Documentation of the settlement is in the process of being formalized. The anticipated settlement will not generate any material financial impact on Monarch.

Additionally, Monarch previously has disclosed litigation filed against it 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, Case No. 2:06-cv-00102, seeking declaratory judgment prohibiting Monarch from using the name ?Atlantis? in connection with offering casino services other than at Monarch?s Atlantis Casino Resort 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 declaratory relief on these issues. On April 17, 2006 the court issued an order granting Monarch?s motion to transfer venue of the lawsuit to the unofficial Northern District of Nevada. The new case number assigned to the matter is 3:06-cv-00232-ECR(RAM). Litigation currently is in the discovery phase.

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.

ITEM 1A. RISK FACTORS

Our business prospects are subject to various risks and uncertainties that impact our business. You should carefully consider the following discussion of risks, and the other information provided in this quarterly report on Form 10-Q. The risks described below are not the only ones facing us. Other risk factors are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005. Furthermore, additional risks that are presently unknown to us or that we currently deem immaterial may also impact our business.

WE HAVE THE ABILITY TO ISSUE ADDITIONAL EQUITY SECURITIES, WHICH WOULD LEAD TO DILUTION OF OUR ISSUED AND OUTSTANDING COMMON STOCK.

The issuance of additional equity securities or securities convertible into equity securities would result in dilution of our existing stockholders? equity interests in us. Our Board of Directors has the authority to issue, without vote or action of stockholders, preferred stock in one or more series, and has the ability to fix the rights, preferences, privileges and restrictions of any such series. Any such series of preferred stock could contain dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences or other rights superior to the rights of holders of our common stock. If we issue convertible preferred stock, a subsequent conversion may dilute the current common stockholders? interest. In addition, as of March 31, 2006, we were authorized to issue, without stockholder approval, up to 10,927,450 shares of common stock. Of that amount, 228,286 shares of our common stock were issuable upon the exercise of vested options.

WE DO NOT INTEND TO PAY CASH DIVIDENDS. AS A RESULT, STOCKHOLDERS WILL BENEFIT FROM AN INVESTMENT IN OUR COMMON STOCK ONLY IF IT APPRECIATES IN VALUE.

We have never paid a cash dividend on our common stock, and we do not plan to pay any cash dividends on our common stock in the foreseeable future. We currently intend to retain any future earnings to finance our operations and further expansion and growth of our business, including acquisitions. As a result, the success of an investment in our common stock will depend upon any future appreciation in its value. We cannot guarantee that our common stock will appreciate in value or even maintain the price at which stockholders have purchased their shares.

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 Ben Farahi, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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: May 10, 2006

By: /s/ BEN FARAHI

Ben Farahi, Co-Chairman of the Board, Secretary, Treasurer, and Chief Financial Officer(Principal Financial Officer and Duly Authorized Officer)

EXHIBIT INDEX

Exhibit Number	Description	Page Number
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	28
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	29
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	30
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	31

-27-

EXHIBIT 31.1

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Farahi, Chief Executive Officer of Monarch Casino & Resort, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Monarch Casino & Resort, Inc., a Nevada Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's

first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control and reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2006

By: /s/ John Farahi

John Farahi
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ben Farahi, Chief Financial Officer of Monarch Casino & Resort, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Monarch Casino & Resort, Inc., a Nevada Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the

registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control and reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2006

By: /s/ Ben Farahi

Ben Farahi
Chief Financial Officer, Secretary and Treasurer

EXHIBIT 32.1

MONARCH CASINO & RESORT, INC.
CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Monarch Casino & Resort, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Farahi, Chief Executive Officer of the Company certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2006

By: /s/ JOHN FARAHI

John Farahi
Chief Executive Officer

EXHIBIT 32.2

MONARCH CASINO & RESORT, INC.
CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Monarch Casino & Resort, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ben Farahi, Chief Financial Officer of the Company certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2006

By: /s/ BEN FARAHI

Ben Farahi
Chief Financial Officer