

United States
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

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)

3800 S. Virginia Street
Reno, Nevada
(Address of Principal Executive Offices)

88-0300760
(I.R.S. Employer
Identification No.)

89502
(ZIP Code)

Registrant's telephone number, including area code: (775) 335-4600

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	MCRI	The Nasdaq Stock Market LLC (Nasdaq-GS)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). YES NO

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

Large Accelerated Filer
Non-Accelerated Filer

Smaller Reporting Company

Accelerated Filer
Emerging Growth Company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of voting and non-voting common equity held by nonaffiliates as of June 30, 2020 (the last business day of the registrant's most completed second fiscal quarter), based on the closing price as reported on The Nasdaq Stock Market (SM) of \$34.08 per share, was approximately \$483.8 million.

As of March 6, 2021, the registrant had 18,436,129 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Registrant's 2021 Annual Meeting of Stockholders, which Proxy Statement shall be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

Item	Page Number
<u>PART I</u>	
Item 1. Business	3
Item 1A. Risk Factors	16
Item 1B. Unresolved Staff Comments	30
Item 2. Properties	31
Item 3. Legal Proceedings	31
Item 4. Mine Safety Disclosures	32
<u>PART II</u>	
Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	32
Item 6. Selected Financial Data	34
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	35
Item 8. Financial Statements and Supplementary Data	51
Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018	52
Consolidated Balance Sheets at December 31, 2020 and 2019	53
Consolidated Statements of Stockholder’s Equity for the years ended December 31, 2020, 2019 and 2018	54
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018	55
Monarch Casino & Resort, Inc. and Subsidiaries Notes to Consolidated Financial Statements	56
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	75
Item 9A. Controls and Procedures	75
Item 9B. Other Information	79
<u>PART III</u>	
Item 10. Directors, Executive Officers and Corporate Governance	80
Item 11. Executive Compensation	80
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	80
Item 13. Certain Relationships and Related Transactions, and Director Independence	80
Item 14. Principal Accounting Fees and Services	80
<u>PART IV</u>	
Item 15. Exhibits, Financial Statement Schedules	81
Item 16. Form 10-K Summary	84
Signatures	85

PART I

ITEM 1. BUSINESS

Monarch Casino & Resort, Inc. was incorporated in Nevada in 1993 and, along with its consolidated subsidiaries, is referred to collectively in this Annual Report on Form 10-K as “Monarch,” “the Company,” “we,” “our,” and “us.” Monarch owns and operates the Atlantis Casino Resort Spa, a hotel and casino in Reno, Nevada (the “Atlantis”) and the Monarch Casino Resort Spa Black Hawk (the “Monarch Black Hawk”), a hotel and casino in Black Hawk, Colorado. In addition, we own separate parcels of land located next to the Atlantis and a parcel of land with an industrial warehouse located between Denver, Colorado and Monarch Black Hawk. We also own Chicago Dogs Eatery, Inc. and Monarch Promotional Association Inc., both of which were formed in relation to licensure requirements for extended hours of liquor operation in Black Hawk, Colorado.

Our business strategy is to maximize revenues, operating income and cash flow primarily through our casino, food and beverage and hotel operations. We focus on delivering exceptional service and value to our guests. Our hands-on management style focuses on customer service and cost efficiencies.

The Atlantis Casino Resort Spa

The Atlantis is located approximately three miles south of downtown in the generally more affluent area of Reno, Nevada. The Atlantis features approximately 61,000 square feet of casino space; 818 guest rooms and suites; eight food outlets; two gourmet coffee and pastry bars and one snack bar; a 30,000 square-foot health spa and salon with an enclosed year-round pool; two retail outlets offering clothing and traditional gift shop merchandise; an 8,000 square-foot family entertainment center; and approximately 52,000 square feet of banquet, convention and meeting room space. The casino features approximately 1,400 slot and video poker machines; approximately 37 table games, including blackjack, craps, roulette, and others; a race and sports book; a 24-hour live keno lounge; and a poker room. The Atlantis also offers a mobile race and sports betting app which is available to patrons who are physically within the state of Nevada.

Through an enclosed skywalk, Atlantis is the only hotel facility 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.

Operations at the Atlantis are conducted 24 hours a day, every day of the year. Business is seasonal in nature, with higher revenues during the summer months and lower revenues during the winter months.

Atlantis Casino. The Atlantis offers what we believe to be higher than average payout rates on slot machines relative to other northern Nevada casinos. We seek to attract high-end players through high quality amenities and services and by extension of gaming credit after a careful credit history evaluation.

Hotel and Spa. The Atlantis includes three contiguous high-rise hotel towers with a total of 818 rooms and suites. The rooms on the top seven floors in the third tower are nearly 20% larger than the standard guest rooms and offer restricted elevator access, and a private concierge service.

The Atlantis hotel rooms feature high end design and furnishings as well as nine-foot ceilings, which create an open and spacious feel. The third hotel tower features a four-story waterfall with an adjacent year-round swimming pool in a climate controlled, five-story glass enclosure, which shares an outdoor pool deck with a seasonal outdoor swimming pool and year-round whirlpool. The Salon at Atlantis is a full-service salon overlooking the third-floor sundeck and outdoor seasonal swimming pool and offers salon-grade products and treatments for hair, nails, skincare and body services for both men and women. Our Spa Atlantis is a high-end health spa located adjacent to the swimming area that offers treatments and amenities unique to our market. The hotel rooms on the spa floor feature décor that is themed consistent with the spa. The hotel features glass elevators that rise the full 19 and 28 stories of the respective towers providing panoramic views of the Reno area and the Sierra Nevada mountain range.

The average occupancy rate, average daily room rate (“ADR”) and revenue per available room (“REVPAR”), calculated by dividing total hotel revenue by total rooms available, at the Atlantis for the following periods were:

	Year Ended December 31,		
	2020	2019	2018
Occupancy rate	71.30 %	88.44 %	89.3 %
ADR	\$ 108.44	\$ 124.94	\$ 104.61
REVPAR	\$ 86.85	\$ 117.77	\$ 101.40

We continually monitor and adjust hotel room rates based upon demand and other competitive factors.

Restaurants and Dining. The Atlantis has eight restaurants, two gourmet coffee bars and one snack bar as described below:

- The 475-seat, Toucan Charlie’s Buffet & Grill, which offers a wide variety of food selections from around the globe including a carving station, live action Pho and Mongolian Bar-b-que, made-to-order salads, artisan charcuterie with a variety of imported and domestic cheeses, and an expansive array of desserts from our in-house bakery including house-made gelato;
- The 160-seat Atlantis Steakhouse, a fine dining destination featuring Allen Brothers Prime steaks from Chicago, fresh seafood, and numerous tableside presentations of classic Steakhouse dishes;
- The Bistro Napa, featuring creative wine country cuisine served in a 140-seat main dining room with a central wine cellar and an adjacent upscale 60-seat lounge;
- The Oyster Bar on the Sky Terrace offering pan roasts made-to-order, fresh seafood, cioppino, house made chowder and bisques;
- Sushi Bar serving creative, made-to-order sushi rolls with a wide variety of raw and cooked options, all offered in all-you-care-to-eat lunch and dinner settings. Combined, the Oyster Bar and Sushi Bar can accommodate up to 137 guests;
- The 178-seat Purple Parrot coffee shop, which serves breakfast and American comfort food 24 hours a day;
- The 92-seat Red Bloom Asian kitchen, featuring a modern twist on authentic Asian crafted dishes inspired by the Far East, including tasteful dishes from China, Japan, Korea, Singapore, Thailand and Vietnam.
- The 170-seat Manhattan Deli featuring authentic New York Deli favorites like matzo ball soup, piled high sandwiches, salads, house made soups, bagels and lox, New York style pizza and famous New York cheesecake;
- Two gourmet coffee bars offering specialty coffee drinks, “grab and go” sandwiches, house made gelato and freshly baked pastries; and
- The Chicago Dogs Eatery, a snack bar, serving Chicago-style hot dogs, pizza, ice cream and arcade-style refreshments.

The Sky Terrace. The Sky Terrace is a unique structure with a diamond-shaped, blue glass body suspended approximately 55 feet, and spanning 160 feet across South Virginia Street, Reno’s main thoroughfare. The Sky Terrace connects the Atlantis with parking on our 16-acre site across South Virginia Street. The structure rests at each end on two 100-foot tall Grecian columns with no intermediate support pillars. The interior of the Sky Terrace houses the Oyster Bar, the Sushi Bar, a video poker bar, banks of slot machines and a lounge area.

The Monarch Casino Resort Spa Black Hawk

Monarch Casino Resort Spa Black Hawk, upon completion of its original building redesign, which is expected to be completed in 2021, will feature approximately 60,000 square feet of casino space; approximately 1,200 slot machines; and approximately 40 table games. A sports lounge, keno counter and poker room are expected to open later in 2021. The resort also includes 10 bars and lounges, as well as four new dining options including a twenty-four-hour full-service restaurant, 250-seat buffet-style restaurant, the Monarch Chophouse (a fine-dining steakhouse), and a specialty restaurant which is expected to open later in 2021. The resort offers 516 guest rooms and suites, banquet and meeting room space, a retail store, a concierge lounge and an upscale spa and pool facility located on the top floor of the tower. The resort is connected to a nine-story parking structure with 1,350 parking spaces, and valet parking, with total property capacity of approximately 1,500 spaces. The Monarch Black Hawk also offers a mobile sports betting app which is available to patrons who are physically within the state of Colorado.

Location. Strategically located at the entrance to Black Hawk, Colorado, Monarch Black Hawk is the first property encountered by visitors arriving from Denver and other major population centers via Highway 119.

Hotel and Spa. The Monarch Black Hawk includes a high-rise hotel tower with 516 rooms, 106 of which are suites. The tower also includes a private concierge lounge and world-class spa and pool deck on its top floor.

In 2020, the average occupancy rate at the Monarch Black Hawk was 29.6%, and ADR and REVPAR were \$177.63 and \$52.97, respectively.

Quality. Established as high quality gaming resort in Colorado for gaming, dining and lodging.

Higher Tier Play. Through its superior product and service, the property is designed to attract and retain the highest tier guests in the market.

Market Growth. With the passage of Colorado Amendment 77 on November 3, 2020, effective May 1, 2021, the Colorado market is poised for gross gaming revenue expansion when the removal of single bet limits (casinos will be allowed to set betting limits at their discretion, current bet limits are capped at \$100 per bet) and the addition of many new games (including baccarat, pai gow tiles and keno) are expected to become effective on May 1, 2021.

Restaurants and Dining. Currently, the Monarch Black Hawk has three full-service restaurants (a fourth specialty restaurant is expected to open later in 2021) and a gourmet coffee bar, as described below:

- The 250-seat Monarch Buffet, which offers a wide variety of food selections from around the globe including a carving station, live action Pho and Mongolian Bar-b-que, artisan charcuterie, and an expansive array of desserts;
- The 160-seat Twenty-Four 7 restaurant, where guests can savor contemporary American and Asian cuisine in a sophisticated yet comfortable atmosphere with an emphasis on fresh flavors and quality ingredients;
- The 110-seat Monarch Chophouse, a fine dining destination featuring 28 day aged, USDA prime cuts of beef chosen for their superior marbling and flavor, fresh seafood, and Colorado lamb in an elegant atmosphere with unsurpassed service and attention to detail; and
- Java, etc., a gourmet coffee bar offering specialty coffee drinks, “grab and go” sandwiches, house made gelato and freshly baked pastries.

Acquisition, Improvements and Additional Expansion Potential

We seek to identify and evaluate strategic expansion and acquisition opportunities through market and detailed financial analyses. We develop overall master plans and then aim to execute each phase of the master plan after re-evaluation of the current market conditions and comparison against other capital investment opportunities.

We have continuously invested in upgrading our facilities. Capital expenditures were \$46.4 million in 2020, \$134.9 million in 2019 and \$125.7 million in 2018. During the last three years, capital expenditures related primarily to the Monarch Black Hawk Expansion Plan, the major redesign and upgrade of several of the hotel suites at Atlantis, the new Red Bloom Asian kitchen at Atlantis, the redesign and upgrade of the Atrium bar at Atlantis, ongoing capital maintenance spending, and the acquisition of gaming equipment at both of our properties.

We have two potential options for expansion at our Atlantis property. First, we could further expand our existing hotel and casino, thereby providing more hotel rooms, casino floor space, restaurants and other amenities. Second, we could develop the 16-acre parcel of land that we own across South Virginia Street from the Atlantis. This site is connected to the Atlantis by the Sky Terrace and is currently used for surface parking and special events related to the Atlantis. Our 16-acre parcel of land meets all current Reno zoning requirements in the event we decide to build another resort casino or entertainment facility. We also own additional land adjacent to our two large sites that would facilitate expansion opportunities through administrative and other non-operational uses.

On August 28, 2015, we entered into a 20-year lease (the "Parking Lot Lease") with Biggest Little Investments, L.P. ("BLI") with respect to a portion of the shopping center adjacent to the Atlantis property (the "Shopping Center"). The Parking Lot Lease covering approximately 4.2 acres is used for approximately 300 additional convenient surface parking spaces for Atlantis guests. See NOTE 12. RELATED PARTY TRANSACTIONS.

Marketing Strategy

Reno/Sparks. Our marketing efforts are directed toward three broad consumer groups: leisure travelers, conventioners and northern Nevada local residents.

The Reno/Sparks region is a major gaming and leisure destination with aggregate gaming revenues of approximately \$596 million (as reported by the Nevada Gaming Control Board for the twelve months ended December 31, 2020).

Our Atlantis revenues and operating income are principally dependent on the level of gaming activity at the Atlantis casino. Our predominant marketing goal is to utilize all of the Atlantis amenities to generate additional casino play. Our secondary goal is to maximize revenues from our hotel, food and beverage, spa, convention and meeting rooms, retail and other amenities.

We believe the Atlantis' location south of downtown Reno (near the airport, near major freeway arteries and physically connected to the Reno-Sparks Convention Center) makes the facility appealing to all three groups.

Leisure Travelers: The Reno/Tahoe region is a popular gaming and vacation destination. The principal segments of Reno's leisure traveler market are independent travelers, package tour and travel guests, guests we reach through internet-based marketing and high-end players. We attempt to maximize our gaming revenues and hotel occupancy through a balanced marketing approach that addresses each market segment.

Independent travelers generally make reservations directly with hotels of their choice, through independent travel agents or through the internet. We strive to attract the middle to upper-middle income strata of this consumer segment through advertising and direct marketing. This segment represents a large portion of the Atlantis' guests.

The package tour and travel segment consists of visitors who utilize travel packages offered by wholesale operators. We market to this segment through relationships with select wholesalers, primarily to generate guest visits and supplement mid-week occupancy.

We welcome domestic and international reservations on the Atlantis' website www.atlantiscasino.com, and we are featured on major package tour and travel websites.

We market to high-end players selectively through direct marketing and hosts. We utilize complimentary rooms, food and beverage, special events and the extension of gaming credit to attract and maintain patronage from high-end players.

Conventioneers: Convention business, like package tour and travel business, supplements occupancy during lower-demand periods. Conventioneers also typically pay higher average room rates than non-conventioneers. We selectively seek convention and meeting groups that we believe will materially enhance the Atlantis' occupancy and daily room rates, as well as those we believe will be more likely to utilize our gaming products. This segment was significantly impacted by the COVID-19 pandemic and related state-imposed restrictions. We believe that the segment will normalize after the pandemic crisis subsides. We are the only hotel-casino physically connected to the Reno-Sparks Convention Center. In our view, Atlantis is uniquely positioned to capitalize on this segment. We believe the Reno-Sparks Convention Center has created, and we expect will continue to create, additional guest traffic for the Atlantis within this market segment that is presently underserved in the Reno area.

We market to all guest segments, including conventioneers, on the basis of the location, quality and ambiance of the Atlantis facility, gaming values, friendly, efficient service, and the quality and relative value of Atlantis rooms, food and beverage offerings, entertainment and promotions.

Northern Nevada Residents: We market to northern Nevada residents on the basis of the Atlantis' location and accessibility, convenient surface parking, gaming values, ambiance, friendly efficient service, quality and relative value of food and beverage offerings.

Black Hawk. Our marketing efforts are directed toward patrons from the Denver metropolitan area and Colorado mountain areas. Black Hawk is approximately 40 miles west of Denver.

The Denver metro area is an attractive market with a population of more than 3 million and a median household income above the national average.

Commercial gaming in Colorado is constitutionally restricted to three mountain towns – Black Hawk, Central City and Cripple Creek – which in 2020 represented 71%, 10% and 19% of total Colorado gaming revenue, respectively (Colorado Division of Gaming statistical summaries). These state constitutional limitations and the scarcity of available and developable land in Black Hawk create a strong barrier to new entries in the gaming market, limiting the threat of potential new competition.

Denver International Airport is the 6th highest air traffic feeder market to Las Vegas (by originating passengers only) in the United States with a 2.8% Compound Annual Growth Rate (“CAGR”) from 2015 to 2019, inspiring strong potential to attract travelers to a well-appointed Black Hawk resort with upside from upcoming changes to table game bet limits and game types.

Our Monarch Black Hawk revenues and operating income are principally dependent on the level of gaming activity in the Black Hawk market. Leveraging our premium location, product and service, we strive to continue to grow market share by attracting not only gaming guests, but by introducing our new resort to attract new guests to the market and our property. Our newly introduced superior lodging, spa and dining products are predominantly intended to drive gaming revenue.

Our cross-property players' club, “Monarch Rewards,” allows our guests to be eligible to receive rewards and privileges based on the amount of their gaming play and non-gaming spend at both properties, while allowing us to track play patterns through a computerized system. We use this information to determine appropriate levels of complimentary awards and to guide our direct marketing efforts. We believe that Monarch Rewards significantly enhances our ability to build guest loyalty and generate repeat and cross property guest visits.

Competition

Reno/Sparks. Gaming competition in the Reno area is intense. Based on information obtained from the December 31, 2020 Gaming Revenue Report published by the Nevada Gaming Control Board, there are approximately 15 casinos in the Reno-Sparks area which each generated more than \$12.0 million in annual gaming revenues.

We believe that the Atlantis' primary competition for leisure travelers comes from other large-scale casinos that offer amenities that appeal to middle to upper-middle income guests. We believe that some of our competitors have the advantage of having significantly more guest rooms available for sale than we do. We compete for leisure travelers on the basis of the desirability of our location, the quality and ambiance of the Atlantis facility, friendly and efficient service, the quality and relative value of our rooms, food and beverage offerings, entertainment offerings, promotions and gaming values. We believe that our location away from downtown Reno is appealing to first-time and more affluent guests.

We believe that the Atlantis' primary competition for conventioners comes from other large-scale hotel casinos in the Reno area that actively target the convention market segment, and from other cities in the western United States with large convention facilities and substantial hotel capacity, including Las Vegas. We believe that some of our competitors have the advantage of having significantly more guest rooms available for sale than we do. We compete for conventioners based on the desirability of our location, the quality and ambiance of the Atlantis facility, meeting and banquet rooms designed to appeal to conventions and groups, friendly and efficient service, and the quality and relative value of our rooms and food and beverage offerings. We believe that the Atlantis' proximity to the Reno-Sparks Convention Center, and the enclosed pedestrian sky bridge that connects the Atlantis directly with the Reno-Sparks Convention Center facilities, afford us a distinct competitive advantage in attracting conventioners.

We believe that the Atlantis' competition for local guests comes primarily from other large-scale casinos located outside of downtown Reno that offer amenities that appeal to middle to upper-middle income guests, and secondarily with those casinos located in downtown Reno that offer similar amenities. We compete for local guests primarily on the basis of the desirability of our location, the quality and ambiance of the Atlantis facility, friendly and efficient service, the quality and relative value of our food and beverage offerings, entertainment offerings, promotions and gaming values. We believe the Atlantis' proximity to residential areas in south Reno and its abundant surface parking provide us an advantage over the casinos located in downtown Reno in attracting local guests.

The Atlantis also competes for gaming guests with hotel casino operations located in other parts of Nevada, especially Las Vegas and Lake Tahoe, and with hotel casinos located elsewhere throughout the United States and the world. Major Native American owned facilities in central and northern California have been very successful, adversely impacting many hotel casinos in Reno. We believe that the Atlantis also competes to a lesser extent with state-sponsored lotteries, off-track wagering, card parlors and other forms of legalized gaming, particularly in northern California and the Pacific Northwest. We believe our numerous amenities, such as a wide array of restaurants, banquet facilities, spa and surface parking are key advantages in our ability to attract local guests that competitor facilities cannot easily match without significant capital expenditures.

We also believe that the legalization of additional land-based casino gaming in or near any major metropolitan area in the Atlantis' feeder markets, such as San Francisco or Sacramento, could have a material adverse impact on our business.

The legalization of internet poker and other forms of internet gaming in additional jurisdictions throughout the United States could create further competition for the Atlantis.

Black Hawk. There is strong competition in the concentrated Black Hawk/Central City area gaming market including approximately 21 casinos, which generated approximately \$456 million in gaming revenues for the twelve months ended December 31, 2020 according to the Colorado Division of Gaming.

The Black Hawk and Central City gaming markets are geographically isolated. The only other non-tribal gaming market is Cripple Creek, seventy-five miles away. There are two federally recognized tribes in southwest Colorado, both with gaming facilities, and both more than 350 miles from Denver. There have been proposals for the development of Native American racetrack and video lottery terminal casinos throughout the state over the years. On two occasions the owners of the Arapahoe Race Track, southeast of Denver, have funded state wide ballot initiatives to allow casino style gaming at the race track. On both occasions, these measures were voted down by the electorate by wide margins. As of December 31, 2020, none of the proposals have been adopted by the state's electorate or by the legislature. Should any form of additional gaming be authorized in the Denver metropolitan area, the Black Hawk and Central City markets would be adversely affected.

We believe that the Monarch Black Hawk's primary competition for visitors comes from other large-scale casinos in the market which offer amenities that appeal to the guests' entire vacation experience including hotel, broad dining choices, as well as other amenities. We compete for patrons on the basis of the desirability of our location, which is the first casino encountered when entering the area on the main thoroughfare, as well as the attractive setting, friendly and efficient service, quality of our new hotel, spa and food and beverage offerings. With the opening of our resort, we now offer 516 guest rooms and suites, additional bars and dining options, banquet and meeting room space, a retail store, a concierge lounge and an upscale spa and pool facility located on the top floor of the tower.

Regulation and Licensing

We may not own, manage or operate a gaming facility unless we obtain proper licenses, permits and approvals. Applications for a license permit or approval may generally be denied for reasonable cause. Most regulatory authorities license, investigate, and determine the suitability of any person who has a material relationship with us. Persons having material relationships include officers, directors, employees, and certain security holders. We believe that we have obtained, applied for, or are in the process of applying for all necessary registrations, approvals, permits, licenses, and findings of suitability with respect to such persons affiliated with our licensed gaming operations, although the gaming authorities, in their discretion, may require additional persons to file applications for findings of suitability.

Licenses, permits, and approvals are revocable privileges, which are not transferable. Regulatory authorities may at any time revoke, suspend, condition, limit, or restrict a license for reasonable cause. License holders may be fined and, in some jurisdictions and under certain circumstances, gaming operation revenues can be forfeited. We may be unable to obtain any licenses, permits, or approvals, or if obtained, they may not be renewed or may be revoked in the future. In addition, a rejection or termination of a license, permit, or approval in one jurisdiction may have a negative effect in other jurisdictions. Some jurisdictions require gaming operators licensed in that state to receive their permission before conducting gaming in other jurisdictions.

In each jurisdiction in which we have gaming operations, the following conditions and restrictions apply:

- Periodic license fees and taxes must be paid to state and local gaming authorities;
- Certain officers, directors, key employees, and gaming employees are required to be licensed or otherwise approved by the gaming authorities;
- Individuals who must be approved by a gaming authority must submit comprehensive personal disclosure forms and undergo an exhaustive background investigation, the costs for which must be borne by the applicant;
- Changes in any licensed or approved individuals must be reported to and/or approved by the relevant gaming authority;
- Failure to timely file the required application forms by any individual required to be approved by the relevant gaming authority may result in that individual's denial and the gaming licensee may be required by the gaming authority to disassociate with that individual; and

- If any individual is found unsuitable by a gaming authority, the gaming licensee is required to disassociate with that individual.

Nevada. The ownership and operation of casino gaming facilities in Nevada are subject to the Nevada Gaming Control Act and the regulations promulgated thereunder, referred to as the “Nevada Act,” and various local regulations. Our gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission, the Nevada Gaming Control Board, and the Reno City Council, referred to collectively as the “Nevada Gaming Authorities.”

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices and procedures;
- the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;
- the prevention of cheating and fraudulent practices; and
- the provision of a source of state and local revenues through taxation and licensing fees.

Changes in such laws, regulations and procedures could have an adverse effect on our gaming operations.

Golden Road Motor Inn, Inc. (“Golden Road”), our subsidiary which operates the Atlantis, is required to be licensed by the Nevada Gaming Authorities. We are registered by the Nevada Gaming Commission as a publicly traded corporation, or “Registered Corporation.” As such, we are required periodically to submit detailed financial and operating reports to the Nevada Gaming Commission and to furnish any other information that the Nevada Gaming Commission may require. Substantially all material loans, leases, sales of securities and similar financing transactions by us must be reported to, or approved by, the Nevada Gaming Authorities. No person may become a stockholder of, or receive any percentage of profits from Golden Road without first obtaining licenses and approvals from the Nevada Gaming Authorities.

The Nevada Act requires any person who acquires more than 5% of Monarch’s voting securities to report the acquisition to the Nevada Gaming Commission. The Nevada Act requires that beneficial owners of more than 10% of our voting securities apply to the Nevada Gaming Commission for a finding of suitability. The Nevada Gaming Commission may also, in its discretion, require any other holders of our debt or equity securities to file applications to be found suitable to own the debt or equity securities. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any investigation.

We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us, we:

- pay that person any dividend or interest upon voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities for cash at fair market value.

Under certain circumstances, an “institutional investor,” as defined in the Nevada Act, which acquires more than 10%, but not more than 25%, of our voting securities may apply to the Nevada Gaming Commission for a waiver of such finding of suitability if the institutional investor holds the voting securities for investment purposes only.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Gaming Commission or the Chair of the Nevada Gaming Control Board may be found unsuitable.

We are required to maintain a current stock ledger in Nevada, and the Nevada Gaming Authorities may examine the ledger at any time. If any securities are held in trust by an agent or a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We are also required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Gaming Commission may require our stock certificates to bear a legend indicating that the securities are subject to the Nevada Act.

We may not make a public offering of our securities without the prior approval of the Nevada Gaming Commission if the securities or proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for purposes of constructing, acquiring or financing gaming facilities. Any approval, if granted, does not constitute a finding, recommendation or approval by the Nevada Gaming Authorities as to the accuracy or adequacy of the prospectus or the investment merits of the securities offered.

Changes in our control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby that person obtains control (including foreclosure on the pledged shares), may not occur without the prior approval of the Nevada Gaming Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Nevada Gaming Authorities in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Gaming Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed or found suitable as part of the approval process relating to the transaction.

The Nevada Legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting Nevada gaming licensees, and Registered Corporations that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Nevada Gaming Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to:

- assure the financial stability of corporate gaming operators and their affiliates;
- preserve the beneficial aspects of conducting business in the corporate form; and
- promote a neutral environment for the orderly governance of corporate affairs.

We are, in certain circumstances, required to receive approval from the Nevada Gaming Commission before we can make exceptional repurchases of voting securities above their current market price and before we can consummate a corporate acquisition opposed by management. The Nevada Act also requires prior approval of a plan of recapitalization proposed by the board of directors in response to a tender offer made directly to a Registered Corporation's stockholders for the purposes of acquiring control of the Registered Corporation.

Licensee fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada and to the counties and cities in which the Nevada licensee's respective operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable monthly, quarterly or annually and are based upon either:

- a percentage of the gross revenues received;
- the number of gaming devices operated; or
- the number of table games operated.

A live entertainment tax is also paid on admission charges where entertainment is furnished. Nevada licensees that hold a license as an operator of a slot route, a manufacturer or a distributor also pay certain fees and taxes to the State of Nevada.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons, referred to as “Licensees,” and who is or proposes to become involved in a gaming venture outside of Nevada is required to deposit with the Nevada Gaming Control Board, and thereafter maintain, a revolving fund in the amount of \$10,000 to pay the expenses of investigation by the Nevada Gaming Control Board of their participation in foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Gaming Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Gaming Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

Colorado. As prescribed by the Colorado Limited Gaming Act of 1991 (the “Colorado Act”), the ownership and operation of limited stakes gaming facilities in Colorado are subject to the Colorado Gaming Regulations (the “Colorado Regulations”) and final authority of the Colorado Limited Gaming Control Commission (the “Colorado Commission”). The Colorado Act also created the Colorado Division of Gaming within the Colorado Department of Revenue to license, supervise and enforce the conduct of limited stakes gaming in Colorado.

The Colorado Act declares public policy on limited stakes gaming to be that: (1) the success of limited stakes gaming is dependent upon public confidence and trust that licensed limited stakes gaming is conducted honestly and competitively, the rights of the creditors of licensees are protected and gaming is free from criminal and corruptive elements; (2) public confidence and trust can be maintained only by strict regulation of all persons, locations, practices, associations and activities related to the operation of licensed gaming establishments and the manufacture or distribution of gaming devices and equipment; (3) all establishments where limited gaming is conducted and where gambling devices are operated, and all manufacturers, sellers and distributors of certain gambling devices and equipment, must therefore be licensed, controlled and assisted to protect the public health, safety, good order and the general welfare of the inhabitants of the state to foster the stability and success of limited stakes gaming and to preserve the economy, policies and free competition in Colorado; and (4) no applicant for a license or other affirmative Colorado Commission approval has any right to a license or to the granting of the approval sought. With limited exceptions applicable to licensees that are publicly traded entities, no person may sell, lease, purchase, convey or acquire any interest in a retail gaming or operator license or business without the prior approval of the Colorado Commission.

Pursuant to a 1999 amendment to the Colorado Constitution (the “1999 Colorado Amendment”), limited stakes gaming became lawful in the cities of Central City, Black Hawk and Cripple Creek on October 1, 1991. In 2008, Colorado voters approved Amendment 50 to the Colorado Constitution (“Amendment 50”) which, among other changes, increased the maximum allowed single bet limit from \$5 to \$100, authorized roulette and craps in addition to slot machines, blackjack and poker, and extended permitted gaming to 24 hours each day.

In November 2020, Colorado voters passed Amendment 77 to the State Constitution (“Amendment 77”) allowing voters in Central City, Black Hawk, and Cripple Creek to approve a maximum single bet of any amount and add additional game types beyond slot machines, blackjack, poker, roulette, and craps. The measure permitted each of the three towns to hold a local election on whether to change betting limits and/or add new games. Concurrently with the November 2020 election, Black Hawk voters passed such a local ballot measure, and the Black Hawk City Council followed shortly thereafter by approving unrestricted single bet limits and new popular table games. When these changes become effective on May 1, 2021, Black Hawk casinos will be without betting limit restrictions and may optionally add Pai Gow, Baccarat, Keno, and Big 6 Wheel.

Limited stakes gaming is confined to the commercial districts of these cities as defined by Central City on October 7, 1981, by Black Hawk on May 4, 1978, and by Cripple Creek on December 3, 1973. In addition, the 1990 Colorado Amendment restricts limited stakes gaming to structures that conform to the architectural styles and designs that were common to the areas prior to World War I and that conform to the requirements of applicable city ordinances regardless of the age of the structures. Under the 1990 Colorado Amendment, no more than 35% of the square footage of any building and no more than 50% of any one floor of any building may be used for limited stakes gaming. Persons under the age of 21 cannot participate in limited stakes gaming. The Colorado Constitution provides for a tax on the total amount wagered less all payouts to players at graduated annual rates. The gaming tax rates in effect as of July 1, 2008 can only be increased by amendment to the Colorado Constitution by voters in a statewide election. With respect to games of poker, the tax is calculated based on the sums wagered that are retained by the licensee as compensation, which must be consistent with the minimum and maximum amounts established by the Colorado Commission. The graduated rates effective as of July 1, 2012 are:

- 0.25% up to and including \$2 million of the subject amounts;
- 2.0% on amounts from \$2 million to \$5 million;
- 9.0% on amounts from \$5 million to \$8 million;
- 11.0% on amounts from \$8 million to \$10 million;
- 16.0% on amounts from \$10 million to \$13 million; and
- 20.0% on amounts over \$13 million.

The City of Black Hawk also assesses monthly device fees that are based on the number of gaming devices operated. These consist of an \$87.50 fee per slot device, \$350.00 per table device, and a transportation fee of \$14.72 for each slot and table device.

The Colorado Commission has enacted Rule 4.5, which imposes requirements on publicly traded corporations holding gaming licenses in Colorado and on gaming licenses owned directly or indirectly by a publicly traded corporation, whether through a subsidiary or intermediary company. Such requirements automatically apply to any ownership interest held by a publicly traded corporation, holding company or intermediary company thereof, where the ownership interest directly or indirectly is, or will be upon approval of the Colorado Commission, 5% or more of the entire licensee. In any event, if the Colorado Commission determines that a publicly traded corporation or a subsidiary, intermediary company or holding company has the actual ability to exercise influence over a licensee, regardless of the percentage of ownership possessed by such entity, the Colorado Commission may require the entity to comply with the disclosure regulations contained in Rule 4.5.

Under Rule 4.5, gaming licensees, affiliated companies and controlling persons commencing a public offering of voting securities must notify the Colorado Commission no later than 10 business days after the initial filing of a registration statement with the SEC. Licensed publicly traded corporations are also required to send proxy statements to the Division of Gaming within five days after their distribution. Licensees to whom Rule 4.5 applies must include in their charter documents provisions that restrict the rights of the licensees to issue voting interests or securities except in accordance with the Colorado Act and the Colorado Regulations; limit the rights of persons to transfer voting interests or securities of licensees except in accordance with the Colorado Act and the Colorado Regulations; and provide that holders of voting interests or securities of licensees found unsuitable by the Colorado Commission may, within 60 days of such finding of unsuitability, be required to sell their interests or securities back to the issuer at the lesser of the cash equivalent of the holders' investment or the market price as of the date of the finding of unsuitability. Alternatively, the holders may, within 60 days after the finding of unsuitability, transfer the voting interests or securities to a suitable person, as determined by the Colorado Commission. Until the voting interests or securities are held by suitable persons, the issuer may not pay dividends or interest, the securities may not be voted and may not be included in the voting or securities of the issuer, and the issuer may not pay any remuneration in any form to the holders of the securities.

Pursuant to Rule 4.5, persons who acquire direct or indirect beneficial ownership of (a) 5% or more of any class of voting securities of a publicly traded corporation that is required to include in its articles of incorporation the Rule 4.5 charter language provisions; or (b) 5% or more of the beneficial interest in a gaming licensee directly or indirectly through any class of voting securities of any holding company or intermediary company of a licensee, referred to as “qualifying persons,” shall notify the Division of Gaming within 10 days of such acquisition and submit all requested information. Such persons are subject to a finding of suitability as required by the Division of Gaming or the Colorado Commission. Licensees also must notify any qualifying persons of these requirements. A qualifying person other than an institutional investor whose interest equals 10% or more must apply to the Colorado Commission for a finding of suitability within 45 days after acquiring such securities. Licensees must also notify any qualifying persons of these requirements. Whether or not notified, qualifying persons are responsible for complying with these requirements.

A qualifying person who is an institutional investor under Rule 4.5 and who, individually or in association with others, acquires, directly or indirectly, the beneficial ownership of 20% or more of any class of voting securities must apply to the Colorado Commission for a finding of suitability within 45 days after acquiring such interests.

The Colorado Regulations provide for exemption from the requirements for a finding of suitability when the Colorado Commission finds such action to be consistent with the purposes of the Colorado Act.

The Colorado Regulations require that every officer, director and stockholder of private corporations or equivalent office or ownership holders for non-corporate applicants, and every officer, director or stockholder holding either a 5% or greater interest or controlling interest of a publicly traded corporation or owners of an applicant or licensee, shall be a person of good moral character and submit to a full background investigation conducted by the Division of Gaming and the Colorado Commission. The Colorado Commission may require any person having an interest in a license to undergo a full background investigation and pay the cost of investigation in the same manner as an applicant.

The sale of alcoholic beverages in gaming establishments is subject to strict licensing, control and regulation by state and local authorities. Alcoholic beverage licenses are revocable and nontransferable. State and local licensing authorities have full power to limit, condition, suspend for as long as six months or revoke any such licenses.

There are various classes of retail liquor licenses which may be issued under the Colorado Liquor Code. A gaming licensee may sell malt, vinous or spirituous liquors only by the individual drink for consumption on the premises. An application for an alcoholic beverage license in Colorado requires notice, posting and a public hearing before the local liquor licensing authority prior to approval. The Colorado Department of Revenue’s Liquor Enforcement Division must also approve the application. Monarch Black Hawk has been approved for a restaurant liquor license by both the local Black Hawk licensing authority and the State Division of Liquor Enforcement.

In November 2019, Proposition DD was passed with a vote of the people allowing for legalizing sports betting in Colorado, making Colorado one of many states now letting people place bets on sporting events since the Supreme Court ruling struck down a law that banned sports betting in most U.S. states. With the passage of Proposition DD, and the legislative bill passed by the Colorado General Assembly in May 2019 (the “Colorado Sports Act”), the Colorado Limited Gaming Control Commission and the Colorado Division of Gaming are the statutory authority over the regulation of the legalized sports betting in Colorado. The Colorado Sports Act establishes three categories of sports wagering licenses: (1) Master License (awarded to casinos to offer both retail and online sports betting), (2) Sports Betting Operator (awarded to the operator running an on premise sports book at the casino), and (3) Internet Sports Betting Operator. The Colorado Commission approved Sports Betting Rule 3, effective March 16, 2020, to enable applications, investigations, and licensure as related to sports betting. Rule 3 authorizes the additional license classifications Vendor Major License and Vendor Minor License. On February 20, 2020, Monarch Black Hawk was issued a Master License.

On February 20, 2020, the Colorado Commission voted unanimously to approve the new Sports Betting Rules and Regulations. Authorized sports betting includes (1) any individual or team sport or athletic event in which the outcome is not determined solely by chance, whether amateur or professional, including an Olympic or international sport or athletic event and any collegiate sports event (2) any portion of an authorized sport or athletic event, including the individual performance statistics of athletes in a sports event or combination of sports events, and (3) an authorized sanctioned motor sport. Sports' betting is prohibited on a high school sports event, a video game that is not sanctioned by a sports' governing body or equivalent as an electronic competition or proposition bets on collegiate sports. Sports' betting went live in Colorado on May 1, 2020. Sports betting is allowed in Colorado casinos as well as approved mobile apps provided the bettor is within the State of Colorado while the bet is made.

Compliance with Environmental Laws

In 2020, the Company did not incur any material capital expenses for maintaining compliance with applicable environmental laws and does not expect to incur such in 2021.

Requirements to comply with environmental laws may have an impact on capital expenditures, earnings, and our competitive position in the future. See Item 1A, "RISK FACTORS."

Human Capital

As of December 31, 2021, we employed approximately 2,300 employees.

We believe that our team is the most important asset in our organization. During 2020, our team members worked together to navigate through the unprecedented challenges of the COVID-19 pandemic. During the period our operations at both properties were suspended for approximately three months, some team members were temporary furloughed, but no team member was laid off. The Company continued to provide benefits, including medical, dental and vision insurance, throughout the suspension period. After resuming operations and welcoming our team members back to the properties, the health and wellbeing of our team members has been our priority. We set up strict protocols for sanitizing work stations, using dividers where possible, masking and social distancing, checking team members' temperatures on a regular base, and for COVID-19 testing.

Our management focus is on employee retention and we use retention rate to evaluate it. We also perform "exit interviews" for employees exiting the company, to understand better what matters most to our team members and improve our policies.

Available Information

Our principal executive offices are located at 3800 S. Virginia Street, Reno, Nevada 89502; telephone (775) 335-4600. Our website address is www.monarchcasino.com. We make available, free of charge, on or through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). The information found on, or otherwise accessible through our website is not incorporated by reference into, nor does it form a part of, this Form 10-K, or any other document that we file with the SEC.

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 annual report on Form 10-K. The risks described below are not the only ones facing us; however, they do represent all material risks currently known to us. Additional risks that are presently unknown to us or that we currently deem immaterial may also impact our business.

RISKS RELATED TO OUR BUSINESS

OUR BUSINESS IS PARTICULARLY SENSITIVE TO WEAK DISCRETIONARY CONSUMER SPENDING

Consumer demand for entertainment and other amenities at hotel-casino properties and casino properties, such as ours, are particularly sensitive to downturns in the economy and the corresponding impact on discretionary consumer spending on leisure activities and corporate spending on conventions and trade shows. We market to and rely upon the patronage of customers from the Reno and Denver metropolitan areas, as well as leisure traveler and conventioner guests. Changes in discretionary consumer spending or consumer preferences in these, and other geographic markets, brought about by factors such as perceived or actual general economic conditions, the impact of high energy and food costs, the increased cost of travel, the potential for bank failures, decreased disposable consumer income and wealth, or fears of war and future acts of terrorism could further reduce customer demand for the amenities that we offer, thus imposing practical limits on pricing and negatively impacting our results of operations and financial condition.

WE FACE RISKS RELATED TO PANDEMIC DISEASES, SUCH AS THE CORONAVIRUS, WHICH COULD MATERIALLY AND ADVERSELY AFFECT TRAVEL, CONVENTIONS, HOTEL STAYS AND/OR LOCAL VISITORS, EMPLOYEES AND OUR SUPPLY CHAIN AND RESULT IN REDUCED DEMAND FOR OUR PROPERTIES AND COULD HAVE A MATERIAL ADVERSE EFFECT ON US.

Our business could be materially and adversely affected by the effect of, or the public perception of a risk of, a pandemic disease on the travel, convention and leisure industries. The ongoing COVID-19 pandemic has disrupted and is expected to continue to disrupt our business, financial results, cash flows and liquidity for an extended period of time. We expect the impact of these disruptions, including the extent of their adverse impact on our financial results, will be dictated by the length of time that such disruptions continue. We were allowed to open the Atlantis on June 4, 2020, and Monarch Black Hawk Casino on June 17, 2020. We cannot predict whether there will be a subsequent closing order due to pandemic spikes or other reasons or whether additional or changed conditions, or restrictions may occur or continue, nor the effects of any such conditions. Once travel, social distancing and self-quarantine restrictions are modified or cease to be necessary, demand for our properties may remain weak for a significant length of time and we cannot predict if and when the gaming and non-gaming activities of our properties will return to pre-outbreak levels of volume or pricing. Future demand for properties may be negatively impacted by the adverse changes in the perceived or actual economic climate, including higher unemployment rates, declines in income levels and loss of personal wealth or reduced business spending for meetings, incentives, conventions and exhibitions resulting from the impact of the COVID-19 pandemic.

The COVID-19 pandemic has resulted in travel restrictions and extended shutdowns of certain businesses and cancellations or postponements of public events, including conventions, trade shows and sporting events around the world. The convention business at Atlantis has been affected by state-mandated gathering limits. We have experienced hotel stay and convention booking cancellations, and since the reopening, guest visitation and hotel and convention bookings have been lower than prior to the state-mandated closures, and are expected to remain lower for the near future.

Our businesses would also be impacted should the disruptions from the COVID-19 pandemic lead to prolonged changes in consumer behavior. There are certain limitations on our ability to mitigate the adverse financial impact of these matters, such as the fixed costs at our properties. The COVID-19 pandemic also makes it more challenging for management to estimate the future performance of our businesses, particularly over the near to medium term. These events may continue to disrupt our ability to staff our business, could continue to disrupt our operations or construction projects and, if the global response to contain the COVID-19 pandemic escalates or is unsuccessful, would have a material adverse effect on our business, financial condition, results of operations and cash flows. If we are required to raise capital in the future, our access to and cost of financing will depend on, among other things, global economic conditions, conditions in the global financing markets, the availability of sufficient financing, our prospects and our credit ratings. If our credit ratings were to be downgraded, or general market conditions were to ascribe higher risk to our rating levels, our industry, or us, our access to capital and the cost of debt financing would be negatively impacted. In addition, the terms of future debt agreements could include more restrictive covenants, or require incremental collateral, which may restrict our business operations or be unavailable due to our covenant restrictions then in effect. There is no guarantee that our current debt financings will be enough to fund our obligations, or that they will be available on terms consistent with our expectations. Our current facility contains restrictive covenants that impose significant operating and financial restrictions and various financial covenants. We cannot assure you that the impact of the COVID-19 pandemic will not impact our ability to comply with the financial covenants in the future, nor can we assure you that we would be able to obtain waivers or modifications from our lenders in the event of noncompliance in the future.

WE ARE ENTIRELY DEPENDENT ON TWO RESORTS FOR ALL OF OUR CASH FLOW, WHICH SUBJECTS US TO GREATER RISKS THAN A GAMING COMPANY WITH MORE OPERATING PROPERTIES

We are currently entirely dependent upon our Atlantis Casino Resort and our Monarch Black Hawk for all of our operating cash flow. As a result, we are subject to a greater degree of risk than a gaming company with more operating properties or greater geographic diversification. The risks to which we have a greater degree of exposure include the following:

- changes in local economic and competitive conditions;
- labor supply disruptions or shortages;
- disruptions in our supply chain;
- changes in local and state governmental laws and regulations, including gaming laws and regulations, and the way in which those laws and regulations are applied;
- natural and other disasters, including pandemics, epidemics, or outbreaks of infectious or contagious diseases such as the COVID-19 pandemic;
- continuing actions by government officials at the federal, state and/or local level with respect to steps to be taken in connection with the COVID-19 outbreak, including, without limitation, temporary or extended shutdowns, travel restrictions, social distancing and shelter-in-place orders;
- an increase in the cost of maintaining our properties;
- a decline in the number of visitors to Reno or Black Hawk; and
- a decrease in gaming and non-casino activities at our resorts.

Any of the factors outlined above could negatively affect our results of operations and our ability to generate sufficient cash flow to make payments or maintain our covenants with respect to our debt.

CERTAIN OF OUR STOCKHOLDERS OWN LARGE INTERESTS IN OUR CAPITAL STOCK AND MAY SIGNIFICANTLY INFLUENCE OUR AFFAIRS

John Farahi and Bob Farahi, our officers and directors, David Farahi, John Farahi's son and an officer, together with John's and Bob's brother Ben Farahi, beneficially own in the aggregate approximately 34% of our outstanding common stock, inclusive of options held by them which are exercisable within 60 days. As such, members of the Farahi family, if voting together, have the ability to significantly influence our affairs, including the election of the board of directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation, or sale of assets.

TO SERVICE OUR INDEBTEDNESS, WE WILL REQUIRE A SIGNIFICANT AMOUNT OF CASH. OUR ABILITY TO GENERATE CASH DEPENDS ON MANY FACTORS BEYOND OUR CONTROL

Our ability to make payments on and to refinance our indebtedness and to fund future capital expenditures and expansion efforts will depend upon our ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. On September 3, 2020, we entered into the Fourth Amended and Restated Credit Agreement with Wells Fargo Bank, N.A., as administrative agent and certain banks (the "Fourth Amended Credit Facility"), which amended and restated our \$250.0 million credit facility, dated as of July 20, 2016 (the "Prior Credit Facility"). On September 29, 2020, we executed an Amendment to the Fourth Amended Credit Facility, which amends the definition of "Financial Covenant Start Date". Our failure to generate sufficient cash flows from operations or to obtain future borrowings may impact our ability to repay our indebtedness as it matures and to fund our other liquidity needs. In such cases, we may have to adopt alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets or obtaining additional equity or debt financing or joint venture partners. These financing strategies may not be affected on satisfactory terms, if at all.

COVENANT RESTRICTIONS UNDER OUR FOURTH AMENDED CREDIT FACILITY MAY LIMIT OUR ABILITY TO OPERATE OUR BUSINESS AND ADVERSELY AFFECT OUR RESULTS OF OPERATIONS

Our Fourth Amended Credit Facility contains covenants that restrict our ability to, among other things, incur additional debt, make distributions, make investments, grant liens on our assets to secure debt, enter into transactions with affiliates and effect mergers or acquisitions, as well as covenants that relate to our Monarch Black Hawk Expansion. Although the covenants in our Fourth Amended Credit Facility are subject to various exceptions, we cannot assure you that these covenants will not adversely affect our ability to finance future operations or capital needs or to engage in other activities that may be in our best interest. In addition, our long-term debt requires us to maintain specified financial ratios and satisfy certain financial condition tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. A breach of any of the covenants in the agreement governing our Fourth Amended Credit Facility could result in a default under such agreement. Our ability to comply with these covenants may be affected by general economic conditions, industry conditions, and other events beyond our control, including difficulties or delay in the completion of our Monarch Black Hawk Expansion. As a result, we cannot assure you that we will be able to comply with these covenants. If an event of default under the agreement governing our Fourth Amended Credit Facility occurs, the lenders thereunder could elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. In addition, our Fourth Amended Credit Facility is secured by first priority security interests in substantially all of our assets. If we are unable to pay all amounts declared due and payable in the event of a default, the lenders could foreclose on these assets.

OUR VARIABLE RATE INDEBTEDNESS SUBJECTS US TO INTEREST RATE RISK, WHICH COULD CAUSE OUR DEBT SERVICE OBLIGATIONS TO INCREASE SIGNIFICANTLY

An increase in market interest rates would increase our interest expense arising on our indebtedness. The interest rate under our Fourth Amended Credit Facility is a base rate plus a margin ranging from 0.75% to 2.25%, the Prime Rate or LIBOR plus a margin ranging from 1.75% to 3.25%. As a result, we are exposed to interest rate risk. If interest rates increase, our debt service obligations under the Fourth Amended Credit Facility will increase even when the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease.

UNCERTAINTY RELATING TO THE LIKELY PHASING OUT OF LIBOR MAY RESULT IN OUR PAYING INCREASED INTEREST UNDER OUR CREDIT FACILITIES.

In July 2017, the U.K. Financial Conduct Authority, which regulates LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. As a result, the continuation of LIBOR on its current basis is not guaranteed after 2021. The administrator of LIBOR has announced it will consult on its intention to cease the publication of the one week and two-month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. Extending the publication of certain USD LIBOR tenors until June 30, 2023 would allow most legacy USD LIBOR contracts to mature before LIBOR experiences disruptions.

Borrowings under our Fourth Amended Credit Facility bears interest at a rate determined using LIBOR as the reference rate. At this time, it is not possible to predict the effect that any discontinuance, modification or other reform of LIBOR or any other reference rate, or the establishment of alternative reference rates, may have on LIBOR, other benchmarks, or LIBOR-based debt instruments such as our Fourth Amended Credit Facility. However, the use of alternative reference rates or other reforms could cause the interest rates payable under our Fourth Amended Credit Facility to be substantially higher than we would otherwise have expected.

INTENSE COMPETITION EXISTS IN THE GAMING INDUSTRY, AND WE EXPECT COMPETITION TO CONTINUE TO INTENSIFY

The gaming industry is highly competitive for both customers, employees and management. We compete with numerous casinos and hotel-casinos, with other non-gaming resorts and vacation destinations, with various other entertainment businesses, and with any new forms of gaming, including internet gaming, that has been or may be legalized. The casino entertainment business is characterized by competitors that vary considerably in their size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. We compete directly with other casino facilities operating in the immediate and surrounding market areas in which we operate. In some markets, we also face competition from nearby markets. In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including shopping, athletic events, television, movies, concerts, and travel.

As competitive pressures increase, other casinos may intensify their marketing efforts. Increased competitive pressures in our local markets could adversely impact our ability to continue to attract local residents to the Atlantis and the Monarch Black Hawk or require us to use more expensive, and therefore, less profitable, promotions to compete.

With fewer new markets opening for development, competition in existing markets has intensified. We have invested in expanding the Atlantis and renovating and expanding the Monarch Black Hawk. Our competitors have also expanded their facilities and developed new facilities. These expansions, the increases in the number of properties and aggressive marketing strategies of our competitors have increased competition in our markets, and this intense competition can be expected to continue. In addition, competition may intensify if our competitors implement aggressive pricing and promotional activities in order to attract customers.

If our competitors operate more successfully than we do, if they attract customers away from us, if they are more successful than us in attracting and retaining employees, if their properties are enhanced or expanded, if they operate in jurisdictions that give them operating advantages from differences or changes in gaming regulations or taxes, or if additional hotels and casinos are established in and around our markets, we may lose market share or the ability to attract or retain employees. In particular, the expansion of casino gaming in or near any geographic area from which we attract or expect to attract a significant number of our customers could have a significant adverse effect on our business, financial condition and results of operations.

We also believe that the legalization of additional casino gaming in or near any major metropolitan area in the Atlantis' or Monarch Black Hawk's key marketing areas could have a material adverse impact on our business. In addition, there have been proposals for the development of Native American, racetrack and video lottery terminal casinos throughout the state of Colorado over the years, although none of the proposals has been adopted by the state's electorate or legislature. Twice, the owners of the Arapahoe Race Track, southeast of Denver, have funded state wide ballot initiatives to allow casino style gaming at the race track. Both measures were voted down by wide margins. As of December 31, 2020, none of the proposals have been adopted by the state's electorate or by the legislature. Should any form of additional gaming be authorized in the Denver metropolitan area, Monarch Black Hawk could be adversely affected.

In addition, Native American gaming facilities in some instances operate under less stringent regulatory requirements than those imposed on our properties, which could provide them a competitive advantage in our markets. Moreover, we face competition from internet and other account wagering gaming services, which would allow their guests to wager on a wide variety of sporting events and play Las Vegas-style casino games from home, and this could have a material adverse effect on our business, financial condition, operating results and prospects. The legalization of internet poker and other forms of internet gaming could create further competition for our operations.

OUR EXPANSION AND RENOVATION PROJECTS MAY FACE SIGNIFICANT RISKS INHERENT IN CONSTRUCTION PROJECTS

Our Monarch Black Hawk expansion and any other development projects we may undertake will be subject to the many risks inherent in the expansion or renovation of an existing enterprise or construction of a new enterprise, including unanticipated design, construction, regulatory, environmental and operating problems and lack of demand for our projects.

We have not entered into a guaranteed maximum price ("GMP") amendment as contemplated in the construction contract with our Monarch Black Hawk general contractor. We have numerous disagreements with our Monarch Black Hawk general contractor, including disagreements over costs, schedule delays, and other construction related matters. Such disagreements have resulted in litigation with our Monarch Black Hawk general contractor, as discussed in this annual report.

The disputes with the Monarch Black Hawk Expansion general contractor have resulted in and may continue to result in:

- delays in completing the Monarch Black Hawk Expansion and exiting facility renovation;
- disputes and claims over the quality and management of the construction;
- disputes and claims over payments, construction costs, staffing costs, damages and other financial responsibility; and
- disruptions of relationships with the general contractor, subcontractors, vendors and others.

In addition, our current and future projects could also experience:

- delays and significant cost increases;
- delays in obtaining or inability to obtain necessary permits, licenses and approvals;

- lack of sufficient, or delays in the availability of, financing;
- shortages of materials;
- shortages of skilled labor, work stoppages or labor disputes;
- poor performance or nonperformance by any third parties on whom we place reliance;
- unforeseen construction scheduling, engineering, environmental, permitting, construction or geological problems, including defective plans and specifications;
- weather interference, floods, fires or other casualty losses; and
- COVID-19 related delays.

The completion dates of any of our projects could differ significantly from expectations for construction-related or other reasons.

In connection with the expansion of the Monarch Black Hawk and the related disputes described above, our general contractor PCL and certain subcontractors have provided Monarch with purported notice of their intent to file a liens against the Monarch Black Hawk some subcontractors have recorded such liens Any action to enforce such liens against the Monarch Black Hawk may impact our operations on the property and result in us incurring significant expenses relating to defending against such actions.

In addition, actual costs and construction periods for any of our projects can differ significantly from initial expectations. Our initial project costs and construction periods are based upon budgets, conceptual design documents and construction schedule estimates prepared at inception of the project in consultation with architects and contractors. Many of these costs can increase over time as the project is built to completion.

We may have a limited amount of capital resources to fund cost overruns. If we cannot pay cost overruns through cash sources or financing on a timely basis, the completion of one or more projects may be delayed until adequate funding is available. We can provide no assurance that any project will be completed on time, if at all, or within established budgets, or that any project will result in increased earnings to us. Significant delays, cost overruns, or failures of our projects to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations.

WE MAY BE UNABLE TO OBTAIN THE NECESSARY GOVERNMENT APPROVALS FOR OUR EXPANSION AND RENOVATION PROJECTS ON A TIMELY BASIS, OR AT ALL

We have not yet obtained certain permits, licenses and approvals necessary for some of our anticipated projects. The scope of the approvals required can be extensive and may include gaming approvals, state and local land-use permits and building and zoning permits. Unexpected changes or concessions required by governmental authorities could involve significant additional costs and delay the scheduled openings of facilities.

OUR EXPANSION AND RENOVATION ACTIVITIES MAY DISRUPT OUR OPERATIONS

Although we plan our expansion and renovation projects to minimize disruption of our existing business operations, these projects require, from time to time, all or portions of affected existing operations to be closed or disrupted. Any significant disruption in operations of a property could have a significant adverse effect on our business, financial condition and results of operations.

FAILURE OF THE RENO-SPARKS CONVENTION CENTER TO BOOK AND ATTRACT CONVENTION BUSINESS COULD ADVERSELY IMPACT OUR BUSINESS AT THE ATLANTIS

The Atlantis is the closest hotel-casino to the Reno-Sparks Convention Center and the enclosed pedestrian sky bridge, that connects the Atlantis directly with the Reno-Sparks Convention Center, has afforded us a distinct competitive advantage in attracting its conventioners, who typically pay higher average room rates than non-conventioners. However, if the Reno-Sparks Convention Center does not succeed in booking the anticipated level of conventions, we will not, in turn, benefit from the patronage of such conventioners. As a result, our results of operations could be adversely impacted.

IF WE ARE UNABLE TO OBTAIN FINANCING FOR OUR EXPANSION AND RENOVATION PROJECTS AND OTHER CAPITAL EXPENDITURES, SUCH PROJECTS WILL BE JEOPARDIZED

We intend to finance our future expansion and renovation projects, as well as our other capital expenditures, primarily with cash flow from operations and borrowings under our Fourth Amended Credit Facility. If we are unable to finance our future expansion and renovation projects, or our other capital expenditures, we will have to adopt one or more alternatives, such as reducing, delaying or abandoning planned expansion and renovation projects as well as other capital expenditures, selling assets, restructuring debt, considering obtaining equity financing or joint venture partners, or modifying our Fourth Amended Credit Facility. These sources of funds may not be sufficient to finance our expansion, development, investment and renovation projects, and other financing may not be available on acceptable terms, in a timely manner, or at all. In addition, our existing indebtedness contains certain restrictions on our ability to incur additional indebtedness.

RISING OPERATING COSTS AT OUR GAMING PROPERTIES COULD HAVE A NEGATIVE IMPACT ON OUR BUSINESS

The operating expenses associated with our properties could increase due to, among other reasons, the following factors:

- changes in federal, state or local tax or regulations, including state gaming regulations or gaming taxes, could impose additional restrictions or increase our operating costs;
- aggressive marketing and promotional campaigns by our competitors for an extended period of time could force us to increase our expenditures for marketing and promotional campaigns in order to maintain our existing customer base or attract new customers;
- increases in costs of labor;
- expenditures for repairs, maintenance, and to replace equipment necessary to operate our business;
- our reliance on slot play revenues and any additional costs imposed on us from vendors;
- availability and cost of the products and services we provide our customers, including food, beverages, retail items, entertainment, hotel rooms and spa;
- availability and costs associated with insurance; and
- our properties use significant amounts of electricity, natural gas and other forms of energy, and energy price increases may adversely affect our cost structure.
- continuing adverse impacts of the COVID-19 outbreak on our business, construction projects, financial condition and operating results;
- continuing actions by government officials at the federal, state and/or local level with respect to steps to be taken, including, without limitation, temporary or extended shutdowns, travel restrictions, social distancing and shelter-in-place orders, in connection with the COVID-19 outbreak;
- our ability to manage guest safety concerns caused by COVID-19;
- our ability to effectively manage and control expenses during temporary or extended shutdown periods;
- impact of temporary or extended shutdowns on our ability to maintain compliance with the terms and conditions of our credit facilities and other material contracts;
- construction factors, including delays, disruptions, availability of labor and materials, increased costs of labor and materials, contractor disagreements, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters, building permit issues and other regulatory approvals or issues;
- ongoing disagreements over costs of and responsibility for delays and other construction related matters with our Monarch Black Hawk general contractor, PCL Construction Services, Inc., including, as previously reported, the litigation against us and threatened liens by such contractor;
- claims for construction defects, breach of contract, breach of warranty, fraud, fraudulent inducement, negligence or other construction related claims that we may have against our contractors in connection with construction and completion of Monarch Black Hawk and any adverse impacts on operations required to correct the same;

- our filing of affirmative defenses and extensive counterclaims against the Monarch Black Hawk contractor, PCL Construction Services, Inc., in the above-mentioned litigation in which litigation the parties are currently conducting discovery, and investigation of the claims by and against us is therefore ongoing;
- our potential need to post bonds or other forms of surety to support our legal remedies;
- risks related to development and construction activities (including disputes with and defaults by contractors and subcontractors; construction, equipment or staffing problems and delays; shortages of materials or skilled labor; environmental, health and safety issues; weather and other hazards, site access matters, and unanticipated cost increases);
- our ability to generate sufficient operating cash flow to help finance our expansion plans and subsequent debt reduction;
- changes in laws mandating increases in minimum wages and employee benefits;
- changes in laws and regulations permitting expanded and other forms of gaming in our key markets;
- the effects of local and national economic, credit and capital market conditions on the economy in general and on the gaming industry and our business in particular;
- the effects of labor shortages on our market position, growth and financial results;
- the potential of increases in state and federal taxation to address budgetary and other impacts of the COVID-19 pandemic;
- the potential of increased regulatory and other burdens to address the direct and indirect impacts of COVID-19 pandemic;
- guest acceptance of our expanded facilities once completed and the resulting impact on our market position, growth and financial results; and

If our operating expenses increase without any offsetting increase in our revenues, our results of operations would suffer.

FAILURE TO MAINTAIN THE INTEGRITY OF OUR INFORMATION TECHNOLOGY SYSTEMS, PROTECT OUR INTERNAL AND CUSTOMER INFORMATION FROM CYBERSECURITY OR OTHER RISKS, OR COMPLY WITH APPLICABLE PRIVACY AND DATA SECURITY REGULATIONS COULD ADVERSELY AFFECT US

We rely extensively on our computer systems to process customer transactions, manage customer data, manage employee data and communicate with third-party vendors and other third parties, and we may also access the internet to use our computer systems. Our operations require that we collect and store customer data, including credit card numbers and other personal information, for various business purposes, including marketing and promotional purposes. We also collect and store personal information about our employees. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. Breaches of our security measures or information technology systems or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive personal information or confidential data about us, or our customers, or our employees including the potential loss or disclosure of such information as a result of hacking or other cyber-attack, computer virus, fraudulent use by customers, employees or employees of third party vendors, trickery or other forms of deception or unauthorized use, or due to system failure, could expose us, our customers, our employees or other individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our casino or brand names and reputations or otherwise harm our business. We rely on proprietary and commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of customer information, such as payment card, employee information and other confidential or proprietary information. Our data security measures are reviewed and evaluated regularly, however they might not protect us against increasingly sophisticated and aggressive threats. The cost and operational consequences of implementing further data security measures could be significant.

Additionally, the collection of customer and employee personal information imposes various privacy compliance related obligations on our business and increases the risks associated with a breach or failure of the integrity of our information technology systems. The collection and use of personal information is governed by privacy laws and regulations enacted in the United States and other jurisdictions around the world. Privacy regulations continue to evolve and on occasion may be inconsistent from one jurisdiction to another. Compliance with applicable privacy laws and regulations may increase our operating costs and/or adversely impact our ability to market our products, properties and services to our customers. In addition, non-compliance with applicable privacy laws and regulations by us (or in some circumstances non-compliance by third party service providers engaged by us) may also result in damage of reputation, result in vulnerabilities that could be exploited to breach our systems and/or subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of personal information.

OUR GAMING OPERATIONS RELY HEAVILY ON TECHNOLOGY SERVICES AND AN UNINTERRUPTED SUPPLY OF ELECTRICAL POWER

Any unscheduled disruption in our technology services or interruption in the supply of electrical power could result in an immediate, and possibly substantial, loss of revenues due to a shutdown of our gaming operations. Such interruptions may occur as a result of, for example, a failure of our information technology or related systems, catastrophic events or rolling blackouts. Our systems are also vulnerable to damage or interruption from earthquakes, floods, fires, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks and similar events.

OUR BUSINESS IS SUBJECT TO RESTRICTIONS AND LIMITATIONS IMPOSED BY GAMING AND OTHER REGULATORY AUTHORITIES THAT COULD ADVERSELY AFFECT US

The ownership and operation of casino gaming facilities are subject to extensive state and local regulation. The State of Nevada, the State of Colorado and the applicable local authorities require various licenses, registrations, permits and approvals to be held by us and our subsidiaries. The Nevada Gaming Commission and the Colorado Commission may, among other things, limit, condition, suspend, revoke or decline to renew a license or approval to own the stock of our subsidiaries for any cause deemed reasonable by such licensing authority. If we violate gaming laws or regulations, substantial fines could be levied against us, our subsidiaries and the persons involved, and we could be forced to forfeit a portion of our assets. The suspension, revocation or non-renewal of any of our licenses or the levy on us of substantial fines or forfeiture of assets would have a material adverse effect on our business, financial condition and results of operations.

To date, we have obtained all governmental licenses, findings of suitability, registrations, permits and approvals necessary for the operation of our current gaming activities. However, gaming licenses and related approvals are deemed to be privileges under Nevada and Colorado law. We cannot assure you that our existing licenses, permits and approvals will be maintained or extended.

In addition to gaming regulations, we are also subject to various federal, state, and local laws and regulations affecting businesses in general. These laws and regulations include, but are not limited to, environmental matters, employment, currency transactions, taxation, construction, zoning, construction and land-use laws, marketing and advertising, smoking, and regulations governing the serving of alcoholic beverages.

The Bank Secrecy Act, enforced by the Financial Crimes Enforcement Network (“FinCEN”) of the U.S. Treasury Department, requires us to report currency transactions in excess of \$10,000 occurring within a gaming day, including identification of the guest by name and social security number, to the Internal Revenue Service (“IRS”). This regulation also requires us to report certain suspicious activity, including any transaction that exceeds \$5,000 that we know, suspect or have reason to believe involves funds from illegal activity or is designed to evade federal regulations or reporting requirements. Periodic audits by the IRS and our internal audit function assess compliance with the Bank Secrecy Act, and substantial penalties can be imposed against us if we fail to comply with this regulation. In recent years, the U.S. Treasury Department has increased its focus on Bank Secrecy Act compliance throughout the gaming industry. Recent public comments by FinCEN suggest that casinos should make efforts to obtain information on each customer’s sources of income. This could adversely impact our ability to attract and retain casino guests.

CLIMATE CHANGE, CLIMATE CHANGE REGULATIONS AND GREENHOUSE GAS EFFECTS MAY ADVERSELY IMPACT OUR OPERATIONS.

There is a growing consensus that greenhouse gas (“GHG”) emissions continue to alter the composition of the global atmosphere in ways that are affecting and are expected to continue affecting the global climate. We may become subject to legislation and regulation regarding climate change, and compliance with any new rules could be difficult, burdensome and costly. Concerned parties, such as legislators and regulators, stockholders and nongovernmental organizations, as well as companies in many business sectors, are considering ways to reduce GHG emissions. Many states have announced or adopted programs to stabilize and reduce GHG emissions and in the past federal legislation has been proposed in Congress. If such legislation is enacted, we could incur increased energy, environmental and other costs and capital expenditures to comply with the limitations. Unless and until legislation is enacted and its terms are known, we cannot reasonably or reliably estimate its impact on our financial condition, results of operations, or ability to compete. Further, regulation of GHG emissions may limit our guests’ ability to travel to our properties as a result of increased fuel costs or restrictions on transport related emissions. Climate change could have a material adverse effect on our financial condition, results of operations and cash flow. We have described the risks to us associated with extreme weather events in the risk factors below.

OUR BUSINESS MAY BE ADVERSELY AFFECTED BY LEGISLATION PROHIBITING TOBACCO SMOKING.

Legislation in various forms to ban indoor tobacco smoking has been enacted or introduced in jurisdictions in which we operate. Colorado imposes such restrictions; our Nevada gaming areas are not currently subject to tobacco restrictions. If additional restrictions on smoking are enacted in jurisdictions in which we operate, we could experience a decrease in gaming revenue. This is particularly the case if such restrictions are not applicable to all competitive facilities in that gaming market.

IF GAMING TAXES AND FEES INCREASE, OUR RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED

The federal government has, from time to time, considered a federal tax on casino revenues and may consider such a tax in the future. State and local authorities raise a significant amount of revenue through taxes and fees on gaming activities. From time to time, legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, an economic downturn could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes or other fees. If the state and/or local governments where our properties are located were to increase gaming taxes and fees, our results of operations could be adversely affected.

IF WE LOSE OUR KEY PERSONNEL, OUR BUSINESS COULD BE MATERIALLY ADVERSELY AFFECTED

We depend on the continued performances of John Farahi and Bob Farahi, our Chief Executive Officer and our President, respectively, and their management team. If we lose the services of the Farahi brothers, or other senior Atlantis or Monarch Black Hawk management personnel, and cannot replace such persons in a timely manner with competent and experienced personnel, our business could be materially adversely affected.

OUR BUSINESS MAY BE ADVERSELY IMPACTED IF WE ARE UNABLE TO ADEQUATELY STAFF OUR OPERATIONS

From time to time, the competition for employees increases. During such times, new and growing business in the area may create job opportunities that at times have exceeded the area's supply of qualified employees. If we are unable to attract and retain qualified employees, or if competition for employees results in materially increased wages, our ability to maintain and grow our business could be adversely impacted.

WE OWN FACILITIES THAT ARE LOCATED IN AREAS THAT EXPERIENCE EXTREME WEATHER CONDITIONS

Extreme weather or weather-related conditions, including snowstorms and forest or range fires may interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in the affected areas. If there is a prolonged disruption at either our Atlantis or Monarch Black Hawk properties due to extreme weather or weather-related conditions, our results of operations and financial condition could be materially adversely affected. For example, extreme snow in and around the Black Hawk area often leads to closure of US 6 and I-70, the roads between Denver and Black Hawk. An excessive number of snow days in a fiscal period has, in the past, and would, in the future, have a negative effect on our guest visitations and adversely affect our revenue, results of operation and financial results for the reporting period.

While we maintain insurance coverage that may cover certain of the costs and loss of revenue that we incur as a result of some extreme weather or weather-related conditions, our coverage is subject to deductibles and limits on maximum benefits. We cannot assure you that we will be able to fully collect, if at all, on any claims resulting from extreme weather or weather-related conditions. If any of our properties are damaged or if their operations are disrupted as a result of extreme weather or weather-related conditions in the future, or if extreme weather or weather-related conditions adversely impacts general economic or other conditions in the areas in which our properties are located or from which they draw their patrons, our business, financial condition and results of operations could be materially adversely affected.

WE ARE SUBJECT TO ENVIRONMENTAL LAWS AND POTENTIAL EXPOSURE TO ENVIRONMENTAL LIABILITIES

We are subject to various federal, state and local environmental laws and regulations that govern our operations, including emissions and discharges into the environment, and the handling and disposal of hazardous and nonhazardous substances and wastes. Failure to comply with such laws and regulations could result in costs for corrective action, penalties or the imposition of other liabilities or restrictions. As we acquire properties, we may not know the full level of exposure that we may have undertaken despite appropriate due diligence.

We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating contaminated soil or groundwater on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. The presence of contamination, or failure to remediate it properly, may adversely affect our ability to use, sell or rent property. The Monarch Black Hawk is located within an area of historic mining activity and near superfund sites that have been the subject of state and federal clean-up actions. Although the Monarch Black Hawk is not part of a superfund site, the fact that such sites are in the vicinity and that mining activities occurred throughout the area, it is possible that as a result of our ownership and operation of Monarch Black Hawk (on which mining may have occurred in the past), we may incur costs related to this matter in the future. Furthermore, there may have been soil or groundwater contamination at certain of our properties resulting from current or former operations. We cannot assure that these matters or other matters arising under environmental laws will not have a material adverse effect on our business, financial condition, or results of operations in the future.

CHANGES IN REGULATIONS ON LAND USE REQUIREMENTS COULD ADVERSELY IMPACT OUR BUSINESS

Changes in regulations on land use requirements with regard to development of new hotel casinos in the proximity of the Atlantis and the Monarch Black Hawk could have an adverse impact on our business, results of operations, and financial condition. A relaxation in such regulations could make it easier for competitors to enter our markets. A tightening of such regulations could adversely impact our future expansion opportunities.

OUR RESULTS OF OPERATIONS MAY BE ADVERSELY AFFECTED BY HIGH-END PLAYERS' WINNINGS OR THEIR FAILURE TO REPAY FUNDS EXTENDED ON CREDIT

Although not the major focus of our marketing efforts, we have selectively targeted high-end players. Should one or more of these high-end players win large sums in our casino, or should a material amount of credit extended to such players not be repaid, our results of operations could be adversely impacted.

WE FACE THE RISK OF FRAUD AND CHEATING

Our gaming customers may attempt or commit fraud or cheat in order to increase winnings. Acts of fraud or cheating could involve the use of counterfeit chips or other tactics, possibly in collusion with our employees. Internal acts of cheating could also be conducted by employees through collusion with dealers, surveillance staff, floor managers or other casino or gaming area staff. Failure to discover such acts or schemes in a timely manner could result in losses in our gaming operations. In addition, negative publicity related to such schemes could have an adverse effect on our reputation, potentially causing a material adverse effect on our business, financial condition, results of operations and cash flows.

RISKS RELATING TO OWNERSHIP OF COMMON STOCK

OUR COMMON STOCK PRICE MAY FLUCTUATE SUBSTANTIALLY, AND A STOCKHOLDER'S INVESTMENT COULD DECLINE IN VALUE

The market price of our common stock may fluctuate substantially due to many factors, such as those described in the Risk Factors described herein and others, including:

- actual or anticipated fluctuations in our results of operations;
- announcements of significant acquisitions or other agreements by us or by our competitors;
- our sale of common stock or other securities in the future;
- trading volume of our common stock;
- conditions and trends in the gaming and destination entertainment industries;
- changes in the estimation of the future size and growth of our markets;
- general economic conditions, including, without limitation, changes in the cost of fuel and air travel; and
- fears of impact on leisure and general travel due to pandemic concerns, include the coronavirus.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to companies' operating performance. Broad market and industry factors may materially harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, stockholder derivative lawsuits and/or securities class action litigation has often been instituted against that company. Such litigation, if instituted against us, could result in substantial costs and a diversion of management's attention and resources.

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

If we issue additional equity securities or securities convertible into equity securities, it 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.

If our holders of outstanding options and rights to purchase shares of our common stock exercise their options or rights, and sell the underlying shares of common stock we issue upon such exercise, our stockholders may experience substantial dilution and the market price of our shares of common stock could decline. Further, the perception that such securities might be exercised could adversely affect the trading price of our shares of common stock. In addition, during the time that such securities are outstanding, they may adversely affect the terms on which we could obtain additional capital.

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.

THE CONCENTRATION AND EVOLUTION OF THE SLOT MACHINE MANUFACTURING INDUSTRY COULD IMPOSE ADDITIONAL COSTS ON OUR OPERATIONS

A majority of our gaming revenue is attributable to slot machines operated at our gaming facilities. It is important, for competitive reasons, that we offer popular and technologically advanced slot machine games to our customers.

In recent years, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participation lease arrangements. Participation slot machine leasing arrangements typically often require the payment of a fixed daily rental or a percentage payment of coin-in or net win. Generally, a participation lease is substantially more expensive over the long term than the cost to purchase a new machine.

For competitive reasons, we may be forced to purchase new slot machines or enter into participation lease arrangements that are more expensive than our current costs associated with the continued operation of our existing slot machines. If the newer slot machines do not result in sufficient incremental revenues to offset the increased investment and participation lease costs, it could hurt our profitability.

GENERAL RISKS

OUR CAPITAL EXPENDITURES MAY NOT RESULT IN THE EXPECTED IMPROVEMENTS IN OUR BUSINESS OR FINANCIAL RESULTS

We have expended a significant amount of capital on our multi-phased Monarch Black Hawk Expansion. We continuously invest in the upgrade and maintenance of our facilities to present a fresh, high quality product to our guests. Our ability to realize the expected returns on these capital investments depends on a number of factors, including, general economic conditions, changes to construction plans and specifications, delays in obtaining or inability to obtain necessary permits, licenses and approvals, disputes with contractors, disruptions to our business caused by construction and other unanticipated circumstances or cost increases.

While we believe that the overall budgets for our planned capital expenditures are reasonable, these costs are estimates and the actual costs may be higher than expected. In addition, we cannot assure you that these investments will be sufficient or that we will realize our expected returns on our capital investments, or any returns at all. If we fail to realize our expected returns on capital investments, it could materially adversely affect our business, financial condition and results of operations.

CHANGES IN LEGISLATION AND REGULATION OF OUR BUSINESS COULD HAVE AN ADVERSE EFFECT ON OUR FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

Regulations governing the conduct of gaming activities and the obligations of gaming companies in any jurisdiction in which we have or in the future may have gaming operations are subject to change and could impose additional operating, financial, competitive or other burdens on the way we conduct our business.

In particular, certain areas of law governing new gaming activities, such as the federal and state law applicable to sports betting, are new or developing in light of emerging technologies. New and developing areas of law may be subject to the interpretation of the government agencies tasked with enforcing them. In some circumstances, a government agency may interpret a statute or regulation in one manner and then reconsider its interpretation at a later date. No assurance can be provided that government agencies will interpret or enforce new or developing areas of law consistently, predictably, or favorably. Moreover, legislation to prohibit, limit or add burdens to our business may be introduced in the future in states where gaming has been legalized. In addition, from time to time, legislators and special interest groups have proposed legislation that would expand, restrict or prevent gaming operations or which may otherwise adversely impact our operations in the jurisdictions in which we operate. Any expansion of gaming or restriction on or prohibition of our gaming operations or enactment of other adverse regulatory changes could have a material adverse effect on our operating results.

OUR INSURANCE COVERAGE MAY NOT BE ADEQUATE TO COVER ALL POSSIBLE LOSSES THAT OUR PROPERTIES COULD SUFFER. IN ADDITION, OUR INSURANCE COSTS MAY INCREASE AND WE MAY NOT BE ABLE TO OBTAIN THE SAME INSURANCE COVERAGE IN THE FUTURE

Although we have general property insurance covering damage caused by a casualty loss (such as fire and natural disasters), each such policy has certain exclusions. In addition, our property insurance is in an amount that may be less than the expected replacement cost of rebuilding the applicable complex if there was a total loss. Our level of insurance coverage may not be adequate to cover all losses in the event of a major casualty. In addition, certain casualty events, such as public health emergencies, including pandemics such as the COVID-19, labor strikes, nuclear events, acts of war, loss of income due to cancellation of room reservations or conventions due to fear of terrorism, deterioration or corrosion, insect or animal damage and pollution, might not be covered at all under our policies. Therefore, certain acts, events or conditions could expose us to heavy, uninsured losses.

In addition, although we currently have insurance coverage for occurrences of terrorist acts and for certain losses that could result from these acts, our terrorism coverage is subject to the same risks and deficiencies as those described above for our general property coverage. The lack of sufficient insurance for these types of acts could expose us to heavy losses in the event that any damages occur, directly or indirectly, as a result of terrorist attacks or otherwise, which could have a significant negative impact on our operations.

In addition to the damage caused to our property by a casualty loss (such as fire, natural disasters, acts of war or terrorism), we may suffer business disruption as a result of these events or be subject to claims by third parties injured or harmed. While we carry business interruption insurance and general liability insurance, this insurance may not be adequate to cover all losses in such event.

We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to reduce our policy limits or agree to certain exclusions from our coverage. Among other factors, it is possible that homeland security concerns, other catastrophic events or any change in government legislation governing insurance coverage for acts of terrorism could materially adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause us to elect to reduce our policy limits) and additional exclusions from coverage. Among other potential future adverse changes, in the future we may elect not to, or may not be able to, obtain any coverage for losses due to acts of terrorism.

Our debt instruments and other material agreements require us to maintain a certain minimum level of insurance. Failure to satisfy these requirements could result in an event of default under these debt instruments or material agreements, which would have a material adverse effect on our financial condition, results of operations or cash flows.

NATURAL OR MAN-MADE DISASTERS, AN OUTBREAK OF HIGHLY INFECTIOUS DISEASE, TERRORIST ACTIVITY, GUN VIOLENCE OR WAR MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, RESULTS OF OPERATIONS AND CASH FLOWS

Natural disasters, man-made disasters and outbreaks of highly infectious diseases such as the COVID-19 may result in decreases in travel to and from, and economic activity in, areas in which we operate, and may adversely affect the number of visitors to our properties. In addition, catastrophic events, such as terrorist and war activities in the United States and elsewhere, have had a negative effect on travel and leisure expenditures, including lodging, gaming and tourism. If any of the foregoing events occur in the future, they could disrupt our operations, including our ability to staff our business adequately, damage our reputation and have a material adverse effect on our business, results of operations and cash flows. Although we have insurance coverage with respect to some of these disasters or events, we cannot assure you that any such coverage will be sufficient to indemnify us fully against all direct and indirect costs, including any loss of business that could result from substantial damage to, or partial or complete destruction of, any of our properties.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There were no unresolved comments from the SEC staff at the time of filing this Form 10-K.

ITEM 2. PROPERTIES

As of December 31, 2020, our properties consist of:

Reno, Nevada Properties:

(a) An approximately 13-acre site on which the Atlantis is situated, including the hotel towers, casino, restaurant facilities and surrounding parking.

(b) An approximately 16-acre site, adjacent to the Atlantis and connected to the Atlantis by the Sky Terrace, which includes approximately 11 acres of paved parking used for customer, employee and valet parking. The remainder of the site is undeveloped. This site is compliant with all casino zoning requirements and is suitable and available for future expansion of the Atlantis facilities, parking, or complementary resort casino and/or entertainment amenities. We have not determined the ultimate use of this site.

(c) An approximately 2.6-acre site across Virginia Street from the Atlantis which is utilized as administrative offices (“the Administrative Site”) for Atlantis staff.

(d) An approximately 5.3-acre site with a 14,376 square foot building across Coliseum Way from the Atlantis. The building is currently rented and the land is unused.

(e) Approximate 2.3-acre, 0.45-acre and 0.23-acre sites adjacent to the Administrative Site which are currently unused.

(f) Leased land consisting of approximately 37,400 square-feet adjacent to the Atlantis serving as a driveway entrance to the Atlantis. For a further description of the lease terms, see Notes to Consolidated Financial Statements, Notes 5 and 12.”

(g) Leased land consisting of approximately 4.2 acres adjacent to the Atlantis serving as a surface parking lot for the Atlantis. The lease term ends in 2035. For a further description of the lease terms, see Notes to Consolidated Financial Statements, Notes 5 and 12.”

Black Hawk, Colorado Properties:

(h) An approximate 3.4-acre site on which the Monarch Black Hawk is situated including the hotel tower, casino, conference facilities, resort facilities, restaurant facilities and surrounding parking.

(a) An approximate 9.0-acre parcel of land with an industrial building, located between Denver and Monarch Casino Resort Spa Black Hawk, in Clear Creek County, Colorado, which is used as a warehouse.

Our Fourth Amended Credit Facility is secured by liens on substantially all of our real and personal property.

ITEM 3. LEGAL PROCEEDINGS

On August 30, 2019, PCL Construction Services, Inc. (“PCL”) filed a complaint in District Court, City and County of Denver, Colorado, against the Company and its Colorado subsidiaries, in connection with the Company’s expansion plans for Monarch Casino Resort Spa Black Hawk. The complaint alleges, among other things, the defendants breached the construction contract with PCL and certain implied warranties. On December 5, 2019, the Company filed its answer and counterclaim, which alleges, among other items, that PCL breached the construction contract, duties of good faith and fair dealing, and implied and express warranties, made fraudulent or negligent misrepresentations on which the Company and its Colorado subsidiaries relied, and included claims for monetary damages as well as equitable and declaratory relief.

The trial date for this matter has been rescheduled for March 21, 2022. Discovery in the action is ongoing, and we are currently unable to determine the probability of the outcome or reasonably estimate the loss or gain, if any.

In connection with the expansion of the Monarch Black Hawk described above, our general contractor PCL and certain subcontractors have provided Monarch with purported notice of their intent to file a lien against the real property on which the Monarch Black Hawk is situated, for sums allegedly owed for construction of the expansion. Some of the subcontractors have recorded such liens in the property records of Gilpin County, Colorado. We are not aware of any such lien claimant having initiated an action to foreclose its alleged lien. If such an action is filed by one or more lien claimant, Monarch intends to defend against such a claim and seek to expunge or reduce the liens.

The Company recognized \$1.6 million and \$0.3 million in construction litigation expense relating to this lawsuit for the twelve months ended December 31, 2020 and 2019, respectively, which are included in Other operating items, net on the Consolidated Statements of Operations.

From time to time, we may be subject to other legal proceedings and claims in the ordinary course of business. Management believes that the amount of any reasonably possible or probable loss for such other known matters would not have a material adverse impact on our financial conditions, cash flows or results of operations; however, the outcome of these actions is inherently difficult to predict.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information. Our common stock trades on The Nasdaq Stock Market under the symbol MCRI.

Stockholders. As of March 4, 2021, there were approximately 63 holders of record of our common stock, and approximately 5,215 beneficial stockholders.

Dividends. We have never paid dividends on our common stock. We intend to retain earnings and use free cash flow to finance our operating activities, for capital expenditures and to pay down our debt. We do not anticipate paying cash dividends on our common stock in the foreseeable future. Our Fourth Amended Credit Facility also contains provisions that require the achievement of certain financial ratios before we can pay or declare dividends to our stockholders. See Item 8, "FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA, Notes to Consolidated Financial Statements, Note 7."

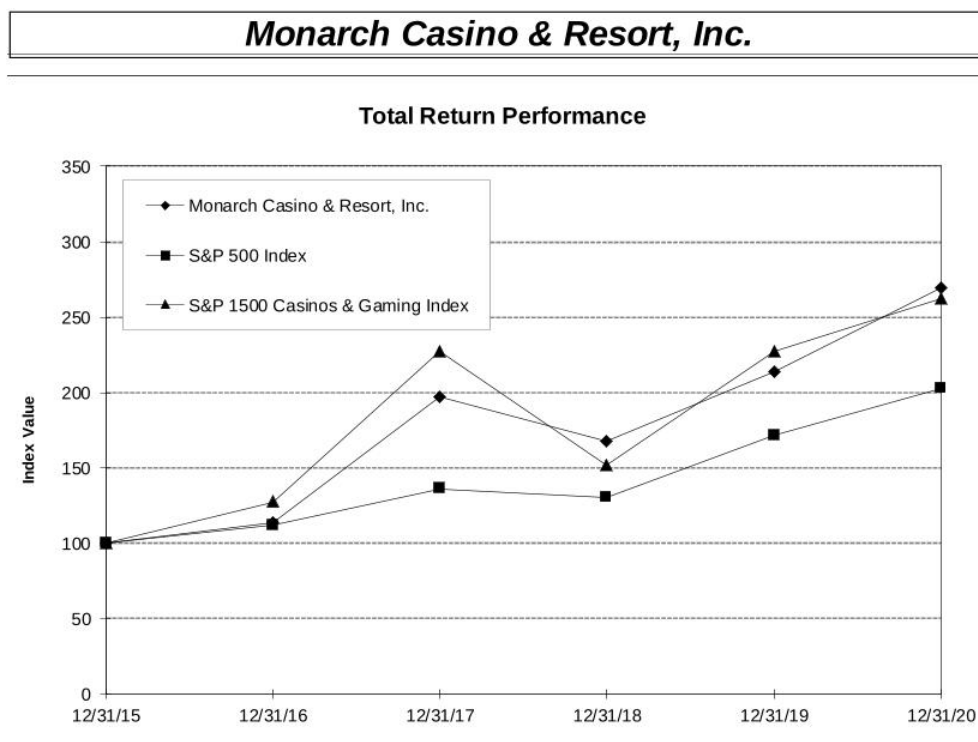
Unregistered Sales of Equity Securities.

None.

STOCK PERFORMANCE GRAPH

The following chart reflects the cumulative total shareholder return (change in stock price plus reinvested dividends) of a \$100 investment in our common stock from the five-year period from December 31, 2015 through December 31, 2020, in comparison to the Standard & Poor's 500 Composite Stock Index and the Standard & Poor's 1500 Casinos & Gaming Index. The comparisons are not intended to forecast or be indicative of possible future performance of our common stock.

The following performance graph shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, nor shall this information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into a filing.



Index	Period Ending					
	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Monarch Casino & Resort, Inc.	100.00	113.47	197.27	167.87	213.69	269.45
S&P 500 Index	100.00	111.96	136.40	130.42	171.49	203.04
S&P 1500 Casinos & Gaming Index	100.00	127.44	226.87	151.43	227.61	262.83

Repurchases

On October 22, 2014, the board of directors of Monarch authorized a stock repurchase plan (the “Repurchase Plan”). Under the Repurchase Plan, the board of directors authorized the repurchase of up to 3,000,000 shares of our common stock in the open market or in privately negotiated transactions from time to time, in compliance with Rule 10b-18 of the Securities and Exchange Act of 1934, as amended, subject to market conditions, applicable legal requirements and other factors. The Repurchase Plan does not obligate us to acquire any particular amount of common stock and the Repurchase Plan may be suspended at any time at our discretion, and it will continue until exhausted. The actual timing, number and value of shares repurchased under the Repurchase Plan will be determined by management at its discretion and will depend on a number of factors, including the market price of our common stock, general market economic conditions and applicable legal requirements. We have made no purchases under the Repurchase Plan since the date of its authorization.

ITEM 6. SELECTED FINANCIAL DATA

No longer required as the Company has adopted certain provisions within the amendments to Regulation S-K that eliminate Item 301.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to assist in the understanding of our results of operations and our present financial condition. The consolidated financial statements and the accompanying notes contain additional detailed information that should be referred to when reviewing this material.

Cautionary Note on Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) regarding our expectations and beliefs concerning the timing for completion, cost, financing and impact of our Monarch Black Hawk Expansion; additional revenue opportunities as a result of project and budget modifications for our Monarch Black Hawk Expansion; additional capital projects; future expansion and acquisition opportunities; positioning of our properties to benefit from future macro and local economic growth; business prospects; business strategies and outlook; competitive advantages and sources of competition; marketing strategy; approvals and licensing requirements; employee relations; capital requirements; anticipated source of funds and adequacy of such funds to meet our debt obligations and capital requirements; financial condition, legal matters and other matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. We note that many factors could cause our actual results and experience to change significantly from the anticipated results or expectations expressed in our forward-looking statements. When words and expressions such as “believes,” “expects,” “anticipates,” “estimates,” “plans,” “intends,” “objectives,” “goals,” “aims,” “projects,” “forecasts,” “possible,” “seeks,” “may,” “could,” “should,” “might,” “likely,” “enable,” or similar words or expressions are used in this Form 10-K, as well as statements containing phrases such as “in our view,” “we cannot assure you,” “although no assurance can be given,” or “there is no way to anticipate with certainty,” forward-looking statements are being made. Example of forward-looking statements include, among others, statements we make regarding: (i) our belief that we have sufficient liquidity to fund all remaining construction and litigation costs and ongoing capital expenditures; (ii) our belief that our business is well-positioned to benefit from any post-pandemic recovery; (iii) our expectation regarding the availability of future acquisition opportunities; (iv) our beliefs regarding the quality of our products and guest services in Reno and Black Hawk; (v) our current plans to redesign part of the legacy building at Monarch Black Hawk to add a specialty restaurant, poker room and a sports lounge, and the expected completion of such construction; (vi) our expectations regarding our guests’ acceptance of the expanded casino, new hotel and enhanced amenities at Monarch Casino Resort Spa Black Hawk; (vii) our expectations regarding our future position in, and share of, the high-end segment of the market and the quality of service we provide to our guests; (viii) our expectations regarding the impact of the passage of Amendment 77 to the Colorado Constitution and the actions of the Black Hawk City Council in respect thereof on gaming revenue at Monarch Black Hawk; and (ix) our expectations regarding the litigation relating to the construction of the Monarch Black Hawk expansion and related liens recorded by the general contractor and certain subcontractors against the Monarch Black Hawk. Actual results and future events and conditions may differ materially from those described in any forward-looking statements. Therefore, you should not rely on any of these forward-looking statements.

Various risks and uncertainties may affect the operation, performance, development and results of our business and could cause future outcomes to change significantly from those set forth in our forward-looking statements, including the following factors:

- our ability to successfully implement our business and growth strategies;
- our ability to successfully defend against and remove the liens recorded against the Monarch Black Hawk by the general contractor and certain subcontractors with respect to the expansion and renovation of the property;
- continuing adverse impacts of the COVID-19 outbreak on our business, construction projects, financial condition and operating results;

- continuing actions by government officials at the federal, state and/or local level with respect to steps to be taken, including, without limitation, temporary or extended shutdowns, travel restrictions, social distancing and shelter-in-place orders, in connection with the COVID-19 outbreak;
- our ability to manage guest safety concerns caused by COVID-19;
- our ability to effectively manage and control expenses during temporary or extended shutdown periods;
- impact of temporary or extended shutdowns on our ability to maintain compliance with the terms and conditions of our credit facilities and other material contracts;
- our ability to negotiate relief options and necessary amendments to our Amended Credit Facility;
- access to available and reasonable financing on a timely basis
- our ability to maintain strong working relationships with our regulators, employees, lenders, suppliers, insurance carriers, customers, and other stakeholders;
- impact of any uninsured losses;
- changes in guest visitation or spending patterns due to health or other concerns;
- construction factors, including delays, disruptions, availability of labor and materials, increased costs of labor and materials, contractor disagreements, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters, building permit issues and other regulatory approvals or issues;
- ongoing disagreements over costs of and responsibility for delays and other construction related matters with our Monarch Black Hawk general contractor, PCL Construction Services, Inc., including, as previously reported, the litigation against us by such contractor;
- claims for construction defects, breach of contract, breach of warranty, fraud, fraudulent inducement, negligence or other construction related claims that we may have against our contractors in connection with construction and completion of Monarch Black Hawk and any adverse impacts on operations required to correct the same;
- our filing of affirmative defenses and extensive counterclaims against the Monarch Black Hawk contractor, PCL Construction Services, Inc., in the above-mentioned litigation in which litigation the parties are currently conducting discovery, and investigation of the claims by and against us is therefore ongoing;
- our potential need to post bonds or other forms of surety to support our legal remedies;
- risks related to development and construction activities (including disputes with and defaults by contractors and subcontractors; construction, equipment or staffing problems and delays; shortages of materials or skilled labor; environmental, health and safety issues; weather and other hazards, site access matters, and unanticipated cost increases);
- our ability to generate sufficient operating cash flow to help finance our expansion plans and subsequent debt reduction;
- changes in laws mandating increases in minimum wages and employee benefits;
- changes in laws and regulations permitting expanded and other forms of gaming in our key markets;
- the effects of local and national economic, credit and capital market conditions on the economy in general and on the gaming industry and our business in particular;
- the effects of labor shortages on our market position, growth and financial results;
- the potential of increases in state and federal taxation to address budgetary and other impacts of the COVID-19 pandemic;
- the potential of increased regulatory and other burdens to address the direct and indirect impacts of COVID-19 pandemic;
- guest acceptance of our expanded facilities once completed and the resulting impact on our market position, growth and financial results;
- competition in our target market areas;
- our dependence on two resorts;
- our ability to realize the anticipated benefits of our expansion and renovation projects, including the Monarch Black Hawk Expansion;
- ongoing disagreements over costs of and responsibility for delays and other construction related

- we have not entered into a GMP Amendment as contemplated in the contract with our Monarch Black Hawk general contractor. We have numerous disagreements with our Monarch Black Hawk general contractor, including disagreements over costs, schedule delays, and other construction related matters;
- components of our Monarch Black Hawk construction project will be outside the scope of the construction contract;
- risks of construction defects, unacceptable construction quality and failure of the general contractor to deliver Monarch Black Hawk Expansion in a state equal to industry standards;
- our ability to effectively manage expenses to optimize our margins and operating results;
- risks related to our present indebtedness and future borrowings;
- adverse trends in the gaming industries;
- changes in patron demographics;
- general market and economic conditions, including but not limited to, the effects of local and national economic, housing and energy conditions on the economy in general and on the gaming and lodging industries in particular;
- access to capital and credit, including our ability to finance future business requirements;
- our ability to meet our debt obligations;
- our ability to generate sufficient operating cash flow to finance our expansion plans and fund working capital;
- the impact of rising interest rates and our ability to refinance debt as it matures at commercially reasonable rates or at all;
- the impact that any discontinuance, modification or other reform of LIBOR, or the establishment of alternative reference rates, may have on our LIBOR-based debt instruments such as our Fourth Amended Credit Facility;
- our ability to continue to comply with the covenants and terms of our credit instruments;
- ability of large stockholders to influence our affairs;
- our dependence on key personnel;
- the availability of adequate levels of insurance;
- changes in federal, state, and local laws and regulations, including environmental and gaming licenses or legislation and regulations;
- our ability to comply with existing laws and regulations to which we are subject;
- our ability to obtain and maintain gaming and other governmental licenses and regulatory approvals;
- any violations by us of the anti-money laundering laws;
- cybersecurity risks, including misappropriation of customer information or other breaches of information security;
- impact of natural disasters, severe weather, terrorist activity and similar events;
- competitive environment, including increased competition in our target market areas;
- increases in the effective rate of taxation at any of our properties or at the corporate level;
- our ability to successfully estimate the impact of accounting, tax and legal matters;
- risks, uncertainties and other factors described from time to time in this and our other Securities and Exchange Commission (“SEC” or “Commission”) filings and reports;
- the effects of macro and micro economic conditions on employment growth in the economy in general;
- the effects of labor shortages on our ability to grow our business and to expand our market share in each of our key markets;
- our ability to generate sufficient cash flow and manage our expenses to deleverage the Company; and
- guest acceptance of our expanded facilities at Monarch Black Hawk once completed and the resulting impact on our market position, growth and future financial results.

For a more detailed description of certain Risk Factors affecting our business, see Item 1A, “Risk Factors.”

We undertake no obligation to publicly update or revise any forward-looking statements as a result of future developments, events or conditions, except as required by law. New risks emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ significantly from those forecast in any forward-looking statements.

OVERVIEW

Monarch owns and operates the Atlantis Casino Resort Spa, a hotel and casino in Reno, Nevada (the “Atlantis”) and Monarch Casino Resort Spa Black Hawk, a hotel and casino in Black Hawk, Colorado (the “Monarch Black Hawk”). In addition, we own separate parcels of land located next to the Atlantis and a parcel of land with an industrial warehouse located between Denver, Colorado and Monarch Casino Resort Spa Black Hawk. We also own Chicago Dogs Eatery, Inc. and Monarch Promotional Association, both of which were formed in relation to licensure requirements for extended hours of liquor operation in Black Hawk, Colorado.

Our business strategy is to maximize revenues, operating income and cash flow primarily through our casino, food and beverage, and hotel operations at the Atlantis and Monarch Black Hawk. We focus on delivering exceptional service and value to our guests. Our hands-on management style focuses on customer service and cost efficiencies.

FACTORS IMPACTING OUR RESULTS OF OPERATIONS

Our operating results may be affected by, among other things, competitive factors, gaming tax increases, mandated minimum wages, the commencement of new gaming operations, construction at our facilities, general public sentiment regarding travel, overall economic conditions and governmental policies affecting the disposable income of our patrons, widespread public health emergencies including pandemics such as the global coronavirus (COVID-19) pandemic, terrorism and weather conditions affecting our properties, as well as those matters discussed in Item 1A. “RISK FACTORS” above.

The following significant factors and trends should be considered in analyzing our operating performance:

Atlantis: Our business strategy is to maximize revenues, operating income and cash flow primarily through our casino, food and beverage operations and hotel operations. We focus on delivering exceptional service and value to our guests. Our hands-on management style focuses on customer service and cost efficiencies. We continuously upgrade our property. With quality gaming, hotel and dining products, we believe the Atlantis is well positioned to benefit from future macro and local economic growth. Reno remains a very healthy local-oriented market. The market’s employment growth is broad based and we expect this positive indicator will support the continued strength of our business at Atlantis. At the same time, the tight employment environment, with the local unemployment rate below the national average, has created labor challenges, including wage inflation, which we continue to actively manage. We expect this to be a recurring trend for the market and Atlantis in the years ahead but we remain confident that our operating strategies will allow Atlantis to grow revenue as our market share continues to expand. The increase in the labor costs, combined with continued aggressive marketing programs by our competitors, has applied upward pressure on Atlantis operating costs and reduction in profit margins.

Monarch Casino Resort Spa Black Hawk: Since the acquisition of the Monarch Black Hawk property in April 2012, our focus has been to maximize casino and food and beverage revenues while upgrading the existing facility and working on the major expansion. In August 2015, we completed the redesign and upgrade of the existing Monarch Black Hawk property. In November 2016, we opened for guest use a new nine-story parking structure with approximately 1,350 spaces (which is now directly connected to our new hotel and expanded casino), and additional valet parking, with total property capacity of approximately 1,500 spaces. In the fourth quarter of 2020 we opened to the public our hotel tower and expanded casino floor. Construction at the property is currently underway to redesign and upgrade part of the original building, which will complete the transformation of the property into a full-scale casino resort. This last stage of the project, which includes converting the existing buffet to a specialty restaurant and adding a poker room, a sports lounge, a keno counter and additional slot machines, is expected to open in 2021. Upon completion of the remaining portion of the project, the property will feature approximately 60,000 square feet of casino space, approximately 1,200 slot machines, approximately 40 table games, a sports lounge and poker room, 10 bars and lounges, and four new dining options, including a twenty-four-hour full-service restaurant, 250-seat buffet-style restaurant, the Monarch Chophouse (a fine-dining steakhouse), and a specialty restaurant. The resort offers 516 guest rooms and suites, banquet and meeting room space, a retail store, a concierge lounge and an upscale spa and pool facility located on the top floor of the tower. We believe that the quality of our expanded product and exceptional guest service will meet the demand of the high-end segment of the market and will accelerate market share and grow revenue.

KEY PERFORMANCE INDICATORS

We use certain Key Performance Indicators (“KPI”) to manage our operation and measure our performance.

Gaming revenue KPI: Our management reviews on a consistent basis the volume metrics and hold percentage metrics for each gaming area. The main volume measurements are slot coin-in, table games drop, sportsbook write and keno write. Slot coin-in represents the dollar amount wagered in slot machines, including free promotional wagers. Table games drop represents the total amount of cash and net markers deposited in the table drop box. Keno write and sportsbook write represents the dollar amount wagered at our counters, along with sportsbook write made through our mobile wagering system. Volume metrics are important in managing the business, as our gaming win is affected by actual hold percentage, which in general varies from the expected hold percentage and historical hold percentage. Gaming win represents the amount of wagers retained by us. Hold percentage represents win as a percentage of slot coin-in, table game drop, sportsbook write, or keno write. Our win and hold percentages are calculated before discounts, commissions, deferring revenue associated with our loyalty programs and allocating casino revenues related to goods and services provided to patrons on a complimentary basis.

Food and Beverage revenue KPI: The main KPIs in managing our food and beverage operations are covers and average revenue per cover. A cover represents the number of guests served and is an indicator of volume. Average revenue per cover represents the average amount spent per food and beverage outlets’ served guests. Changes in the average revenue per cover might be an indicator for changes in menu offerings, changes in menu prices or may indicate changes in our guests’ preferences and purchasing habits.

Hotel revenue KPI: The main KPIs used in managing our hotel operation are the occupancy rate (a volume indicator), which is the average percentage of available hotel rooms occupied during a period, and the average daily rate (“ADR”, a price indicator), which is the average price per sold room. Available rooms exclude those rooms unavailable for occupancy during the period due to renovation, development, or other requirements. Sold rooms include rooms where the guests do not show up for their stay and lose their deposit. The calculations of the occupancy rate and ADR include the impact of rooms provided on a complimentary basis. Revenue per available room (“RevPAR”) represents total hotel revenue per available room and is a representation of the occupancy rate, ADR and miscellaneous hotel sales.

Operating margins: Our management is consistently focused on controlling expenses and finding cost savings, without affecting the quality of the product we offer and our guests' services and experience. We measure our performance using expense margin, which is a percentage of direct expenses, including labor cost of product and any other operating expenses related to the gaming, food and beverage, or hotel operation to the net gaming, food and beverage, or hotel revenues. Selling, general and administrative ("SG&A") margin represents SG&A expenses for a period as a percentage of total net revenue for a period. In managing the food and beverage operation we use Cost Of Goods Sold ("COGS") percentage, which represents a percentage of product cost to the food and beverage revenue and is a measurement of commodity prices and menu sales prices.

Our management evaluates the KPIs as compared to prior periods, the peer group, or market, as well as for any trends.

RESULTS OF OPERATIONS

Comparison of Operating Results for the Years Ended December 31, 2020 and 2019

The operating results for 2020 reflect the government-mandated closures of our operations for approximately three months, as well as the effect of continuing regulatory limitations relating to the ongoing pandemic, which remained in force after the partial reopening of our properties.

In addition, the operating results for 2020 were impacted by the addition of hotel operations and an expanded casino floor at our Black Hawk property, which opened to the public in November 2020 as part of the phased opening of our expanded Monarch Casino Resort Spa Black Hawk.

For the year ended December 31, 2020, our net income totaled \$23.7 million, or \$1.25 per diluted share, compared to net income of \$31.8 million, or \$1.70 per diluted share for the same period of 2019, reflecting a 25.6% decrease in net income and 26.5% in diluted earnings per share. Net revenue for the years ended December 31, 2020 and 2019 were \$184.4 million and \$249.2 million, respectively, reflecting a decrease of \$64.8 million, or 26.0%. Income from operations for the year ended December 31, 2020 totaled \$15.3 million compared to \$39.6 million for the same period in 2019, representing a decrease of \$24.3 million, or 61.4%.

Casino revenue decreased 12.9% in the year ended December 31, 2020 compared to the same period of 2019 and was driven by the COVID-19 outbreak, which culminated in a suspension of our operations in mid-March 2020 through beginning/mid-June 2020. In addition, table games re-opened at our Black Hawk property on September 11, 2020 and were subsequently closed again on November 13, 2020 through the end of the year. This decrease was partially offset by an increase in gaming volume, as a result of guest' spend per visit, during the periods the properties were open and gaming operations were active. Casino operating expense as a percentage of casino revenue decreased to 30.5% for the year ended December 31, 2020, compared to 35.4% in 2019 primarily as a result of targeted cost cutting measures combined with the increased spend per visit.

Food and beverage revenue decreased 40.5% in the year ended December 31, 2020 over the same period in 2019, due to a 51.2% decrease in covers, partially offset by a 21.9% increase in average revenue per cover. In addition to the COVID-19 pandemic and the shutdown of our properties for approximately three months, 2020 food and beverage covers were also impacted by the closure for remodeling of one of our restaurants and one of our bars at Atlantis for approximately six months. Food and beverage operating expense as a percentage of food and beverage revenue in the year ended December 31, 2020 was 83.7% compared to 79.0% over the same period in 2019. Food and beverage operating expense as a percentage of food and beverage revenue increased as a result of additional labor cost to comply with COVID-19 protocols, partially offset by a decrease in cost of goods sold.

Hotel revenue decreased 42.8% due to lower hotel occupancy of 69.8% for the period hotel was open in 2020 compared to 88.4% in 2019 and a lower ADR of \$109.46 for the year ended December 31, 2020 compared to \$124.94 for the year ended December 31, 2019 and REVPAR was \$82.06 for the period hotel was open in 2020 and \$117.77 for the year ended December 31, 2019. Hotel operating expense as a percent of the hotel revenue for the year ended December 31, 2020 was 50.2% compared to 37.3% for the same period in 2019. The increase in the hotel expense margin was primarily due to the increase in labor and operating supplies expenses to comply with the COVID protocol, as well as lower ADR.

Other revenue decreased 28.4% in 2020 compared to 2019 driven by decrease in Atlantis' spa and salon revenue, arcade revenue and retail revenue, as the properties were closed for approximately three months and under limited operations due to COVID-19 related state restrictions after opening.

SG&A Expense decreased to \$60.4 million in the year ended December 31, 2020 from \$69.3 million in the same period of 2019 due to: i) a \$5.4 million decrease in sales and marketing expenses; ii) a \$2.2 million decrease in salaries, wages and related employee benefits expense, as top management took pay reduction during the properties' COVID-19 closure; iii) a \$0.6 million decrease in travel expense; and iv) a \$0.4 million decrease in utility expense and v) a \$0.3 million decrease in repair and maintenance expense. As a percentage of net revenue, SG&A expense increased to 32.7% in 2020 from 27.8% in 2019.

Depreciation and amortization expense increased to \$17.3 million for the year ended December 31, 2020 as compared to \$14.9 million for the same period in 2019 primarily due to the addition of the hotel building and furniture, fixtures and equipment assets with the completion of the expansion project in Monarch Black Hawk.

During the year ended December 31, 2020, we recognized \$2.8 million in pre-opening expense related to the opening of the new hotel and expanded casino in Black Hawk, \$1.6 million in construction litigation expense related to the lawsuit filed by the Monarch Black Hawk Expansion construction project general contractor against the Company and our countersuit against the general contractor, \$1.4 million in Colorado legislation lobbying expenses, \$0.7 million in equipment, supplies and employee testing expenses directly attributable to the pandemic for reopening of the properties and incremental to normal operations and \$0.2 million in unamortized debt issuance cost write off and loss on disposition of assets. During the year ended December 31, 2019, we recognized \$2.5 million in pre-opening expense related to the upcoming opening of the new hotel and expanded casino in Black Hawk, \$0.3 million in construction litigation expense related to the lawsuit filed by the Monarch Black Hawk Expansion construction project general contractor against the Company and our countersuit against the general contractor, and \$0.3 million in acquisition opportunity expense. These expenses are included in Other operating items, net in the Consolidated Statement of Operations.

During the year ended December 31, 2020, we decreased the outstanding balance under our credit facility by \$11.3 million to \$182.5 million as of December 31, 2020. During 2020, we capitalized a majority of the interest paid and accrued, as most of the draws were used to finance the Monarch Black Hawk expansion plan. Interest expense, net of amounts capitalized, was \$0.3 million. During 2019, we capitalized all interest paid and accrued, as the draws were strictly used to finance the Monarch Black Hawk expansion plan. See further discussion of our Fourth Amended Credit Facility in the LIQUIDITY AND CAPITAL RESOURCES section below.

Comparison of Operating Results for the Years Ended December 31, 2019 and 2018

For the year ended December 31, 2019, our net income totaled \$31.8 million, or \$1.70 per diluted share, compared to net income of \$34.1 million, or \$1.83 per diluted share for the same period of 2018, reflecting a 6.7% decrease in net income and 7.1% in diluted earnings per share. Net revenue for the years ended December 31, 2019 and 2018 were \$249.2 million and \$240.3 million, respectively, reflecting an increase of \$8.9 million, or 3.7%. Income from operations for the year ended December 31, 2019 totaled \$39.6 million compared to \$42.8 million for the same period in 2018, representing a decrease of \$3.3 million, or 7.6%.

Casino revenue increased 1.7% in the year ended December 31, 2019 compared to the same period of 2018 due to an increase in gaming volume, as a result of an increase in guests spend per visit and partially offset by an increase in promotional allowances (primarily hotel), recognized at the stand-alone selling price and recorded as casino contra revenue. Casino operating expense as a percentage of casino revenue increased to 35.4% for the year ended December 31, 2019, compared to 34.8% in 2018 due to an increase in labor expense and promotional expense.

Food and beverage revenue increased 1.9% in the year ended December 31, 2019 over the same period in 2018, due to a 3.5% increase in average revenue per cover partially offset by a 1.5% decrease in covers served. Food and beverage operating expense as a percentage of food and beverage revenue in the year ended December 31, 2019 was 79.0% compared to 75.8% over the same period in 2018. Food and beverage operating expense as a percentage of food and beverage revenue increased as a result of labor cost increase partially offset by a decrease in cost of goods sold.

Hotel revenue increased 15.5% due to a higher ADR of \$124.17 for the year ended December 31, 2019 compared to \$104.61 for the year ended December 31, 2018. The increase in ADR is primarily due to an increase in the complimentary ADR, recognized at the stand-alone dynamic selling price. Hotel occupancy of 88.4% in 2019 was slightly lower compared to 89.3% in 2018. REVPAR was \$117.77 and \$101.40 for the years ended December 31, 2019 and 2018, respectively. Hotel operating expense as a percent of hotel revenue for the year ended December 31, 2019 was 37.3% compared to 42.8% for the same period in 2018. The decrease in the hotel expense margin was primarily due to the increase in the complimentary ADR.

Other revenue increased 4.7% in 2019 compared to 2018 driven primarily by increased Atlantis' spa and salon revenues and recoveries of bad debt.

SG&A Expense increased to \$69.3 million in the year ended December 31, 2019 from \$65.8 million in the same period of 2018 due to: i) a \$2.8 million increase in salaries, wages and related employee benefits expense; ii) a \$0.3 million increase in employee acquisition and retention expense; iii) a \$0.2 million increase in information systems maintenance expense; and iv) a \$0.2 million increase in travel expense. As a percentage of net revenue, SG&A expense increased to 27.8% in 2019 from 27.4% in 2018.

Depreciation and amortization expense increased to \$14.9 million for the year ended December 31, 2019 as compared to \$14.6 million for the same period in 2018 primarily due to the increase in property and equipment, as we continually strive to add to and upgrade our property and equipment assets.

During 2019, we recognized \$2.5 million in pre-opening expense related to the upcoming opening of the new hotel and expanded casino in Black Hawk, \$0.3 million in construction litigation expense related to the lawsuit filed by the Monarch Black Hawk Expansion construction project general contractor against the Company and our countersuit against the general contractor and \$0.3 million acquisition opportunity related professional service fees. We had no such expenses in 2018.

During the year ended December 31, 2019, we drew \$105.5 million from the Amended Credit Facility and paid \$3.8 million of mandatory principal payment, which resulted in an increase in our outstanding balance thereunder to \$196.3 million as of December 31, 2019. During 2019, we capitalized all interest paid and accrued, as the draws were strictly used to finance the Monarch Black Hawk Expansion Plan. During 2018, we capitalized a majority of the interest paid and accrued, as most of the draws were used to finance the Monarch Black Hawk Expansion Plan, which resulted in interest expense, net of amounts capitalized, of \$0.2 million. See further discussion of our Amended Credit Facility in the LIQUIDITY AND CAPITAL RESOURCES section below.

CAPITAL SPENDING AND DEVELOPMENT

We seek to continuously upgrade and maintain our facilities in order to present a fresh, high quality product to our guests. In addition, we have invested, and continue to invest, in our Monarch Black Hawk Expansion Plan. Capital expenditures during the years ended December 31, 2020 and 2019 were as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Atlantis	\$ 7,548	\$ 10,061
Monarch Black Hawk	38,255	124,930
Corporate	621	—
	<u>\$ 46,424</u>	<u>\$ 134,991</u>

During the years ended December 31, 2020 and 2019, capital expenditures related primarily to the work on the Monarch Black Hawk Expansion Plan, the introduction of Red Bloom Asian Kitchen restaurant and Atrium bar and lounge at Atlantis, as well as the acquisition of gaming equipment to upgrade and replace existing equipment at both properties.

Monarch Black Hawk Expansion Plan

In 2013, we began work to convert the Monarch Black Hawk into a full-scale casino resort. The multi-phased expansion of the Monarch Casino Resort Spa Black Hawk involves construction of a new parking structure, demolition of the existing parking structure and construction of a new hotel tower and casino expansion.

In November 2016, the new nine-story parking structure, offering approximately 1,350 parking spaces, was completed and became available for use by Monarch Black Hawk guests. The demolition and removal of the old parking structure, which included a controlled implosion of the old garage, was completed in the first quarter of 2017.

On February 8, 2017, we broke ground on the hotel tower and casino expansion.

In the fourth quarter of 2020, we began the phased opening of our new hotel tower and casino expansion, which increased the casino space and added a 23-story hotel tower with 516 guest rooms and suites, banquet and meeting room space, a retail store, a concierge lounge, an upscale spa and pool facility located on the top floor of the tower, three new restaurants, and additional bars and lounges. We are currently working on converting the existing buffet to a specialty restaurant, and adding a poker room, a keno counter, a sports lounge, as well as additional slot machines, in the existing facility. We expect this work to be completed later in 2021.

We are confident that the quality of our expanded product and exceptional guest service will meet the demand of the high-end segment of the market and will derive accelerated market share and revenue growth.

We expect to continue to finance the cost through a combination of operating cash flow and funds from our money market account. We can provide no assurance that any project will be completed on schedule, if at all, or within established budgets, or that any project will result in increased earnings.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash provided by operations and, for capital expansion projects, borrowings available under our Fourth Amended Credit Facility.

Operating Activities

For the year ended December 31, 2020, net cash provided by operating activities totaled \$31.4 million, a decrease of \$31.8 million, or 50.3%, compared to the same period of the prior year. This decrease was primarily due to: i) a \$24.8 million increase in income tax receivable, offset by a \$14.4 million increase in deferred tax, both as a result of an accelerated depreciation for tax purposes on the assets put in service in 2020 with the opening of a hotel tower and expanded casino in Monarch Black Hawk; ii) a \$8.1 million decrease in net income; iii) a \$4.3 million decrease in stock-based compensation expense, including the excess tax benefit; iv) a \$11.7 million change in working capital, all offset by a \$2.7 million increase in depreciation and amortization.

Investing Activities

Net cash used in investing activities totaled \$46.4 million and \$134.9 million in the years ended December 31, 2020 and 2019, respectively. Net cash used in investing activities during the years ended December 31, 2020 and 2019 consisted primarily of cash used for the new hotel tower and casino expansion at Monarch Casino Resort Spa Black Hawk, for renovation projects at Atlantis, and for the acquisition of gaming and other equipment at both properties.

Financing Activities

Net cash used in financing activities of \$17.3 in 2020 represented \$13.7 million principal payments, net of the borrowings under the credit facility, \$2.9 million long-term debt refinancing cost and \$0.7 million of proceeds from stock options exercise. Net cash provided by financial activities in 2019 was \$101.8 million and represented borrowing under our Fourth Amended Credit Facility, net of the mandatory principal payments.

We expect that the Company's cash position in the next several quarters will be negatively impacted by the outstanding construction retention and other payments related to the Monarch Black Hawk Expansion project of \$49.8 million, which are reflected in "Construction Accounts Payable" on the balance sheet as of December 31, 2020.

We expect that the Company's cash position in the next few quarters will be positively impacted by the expected tax refund for 2020 fiscal year of \$24.9 million, which is reflected in "Income taxes receivable" on the balance sheet as of December 31, 2020.

Purchase obligations of materials and supplies used in the normal operation of our business represent approximately \$10.3 million at December 31, 2020 and all are cancelable by us upon providing a 30-day notice.

Fourth Amended Credit Facility

On September 3, 2020, the Company entered into the Fourth Amended and Restated Credit Agreement with Wells Fargo Bank, N.A., as administrative agent and certain banks (the "Fourth Amended Credit Facility"). The Fourth Amended Credit Facility amends and restates our \$250.0 million credit facility, dated as of July 20, 2016 (the "Prior Credit Facility"). On September 29, 2020, the Company and its lender executed an Amendment to the Fourth Amended Credit Facility, which amends the definition of "Financial Covenant Start Date".

The Fourth Amended Credit Facility extends the maturity date of the Prior Credit Facility from July 20, 2021 to September 3, 2023. In addition, the Fourth Amended Credit Facility increases the aggregate principal amount of the credit facilities to \$270.0 million, which consist of \$200.0 million term loan ("Term Loan Facility") and \$70.0 million revolving credit facility ("Revolving Credit Facility").

We are required to make quarterly principal payments under the Term Loan Facility on each Term Loan Installment Date, commencing on December 31, 2020, in an amount equal to (x) the percentage set forth opposite the applicable period during which such Term Loan Installment Date occurs (i.e., 1.25% for the period from December 31, 2020 to September 30, 2021, and 2.50% for the period from December 31, 2021 and thereafter) multiplied by (y) \$200.0 million. The estimated amount of the mandatory principal payments due in the next twelve months is \$12.5 million.

Commencing with the delivery of the compliance certificate for fiscal year 2021, we may be required to prepay borrowings under the Fourth Amended Credit Facility using excess cash flows for each fiscal year, depending on the Company's leverage ratio.

As of December 31, 2020, we had an outstanding principal balance of \$182.5 million under the Term Loan Facility, a \$0.6 million letter of credit and no borrowings under the Revolving Credit Facility; all \$70.0 million remained available for borrowing.

Borrowings are secured by liens on substantially all of the Company's real and personal property.

In addition to other customary covenants for a facility of this nature, as of September 30, 2020, we are required to maintain a Total Leverage Ratio (as defined in the Fourth Amended Credit Facility) of no more than 4.75:1 and Fixed Charge Coverage Ratio (as defined in the Fourth Amended Credit Facility) of at least 1.15:1. As of December 31, 2020, our Total Leverage Ratio and Fixed Charge Coverage Ratio were 2.6:1 and 5.6:1.

The interest rate under the Amended Credit Facility is LIBOR plus a margin ranging from 1.75% to 3.25%, or a base rate (as defined in the Fourth Amended Credit Facility) plus a margin ranging from 0.75% to 2.25%, or the Prime Rate. The applicable margins vary depending on Company's leverage ratio. There is a LIBOR floor of 0.50%. Commitment fees are equal to the daily average unused revolving commitment multiplied by the commitment fee percentage, ranging from 0.35% to 0.575%, based on our leverage ratio.

At December 31, 2020, our interest rate was based on LIBOR and our leverage ratio was such that pricing for borrowings under the Amended Credit Facility was LIBOR plus 2.25%. At December 31, 2020, the Term loan interest rate was 2.75%, computed as LIBOR floor of 0.50% plus interest margin of 2.25%. The carrying value of the debt outstanding under the Amended Credit Facility approximates fair value because the interest fluctuates with the lender's prime rate or other market rates of interest.

On the terms and subject to some conditions, the Company may, at any time before the Maturity Date, request an increase of Revolving Credit Facility, provided that each such increase is equal to \$15.0 million or an integral multiple of \$1.0 million in excess and, after giving effect to the requested increase, the aggregate amount of the increases in the total revolving loan commitment shall not exceed \$75.0 million.

We may prepay borrowings under the Fourth Amended Credit Facility revolving loan without penalty (subject to certain conditions and certain charges applicable to the prepayment of LIBOR borrowings prior to the end of the applicable interest period). Once reduced or cancelled, the Revolving Credit Facility may not be increased or reinstated without the prior written consent of all lenders.

As of December 31, 2020, \$167.2 million "Long-term debt, net" in the Company's consolidated balance sheets represents the \$182.5 million outstanding loan amount under the Amended Credit facility, net of \$2.8 million unamortized debt issuance costs and \$12.5 million mandatory principal payment that are due in next twelve months and are presented as "Current portion of long-term debt" in the Current liabilities section of the Company's consolidated balance sheets.

The Company believes that the \$2.0 million cash in its interest-bearing money market fund, the \$70.0 million available under its Fourth Amended Credit Facility as of December 31, 2020 and the expected cash flows from operating activities will be sufficient to support its current operations, meet its debt obligations and fulfill its capital expenditure plans for the twelve months from filing of Form 10-K for the year ended December 31, 2020; however, the Company is surrounded by uncertainty about COVID-19 and the restricted reopening of its operations, as well as financial, economic, competitive, regulatory, and other factors, many of which are beyond its control. If the Company is unable to generate sufficient cash flow in the upcoming months or if its cash needs exceed the Company's borrowing capacity under the Fourth Amended Credit Facility, it could be required to adopt one or more alternatives, such as reducing, delaying or eliminating planned capital expenditures, selling assets, restructuring debt or issuing additional equity capital.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States ("GAAP"). Certain of our policies, including the estimated useful lives assigned to our assets and the calculation of the capitalized interest, the determination of the allowance for doubtful accounts and allowance for unredeemed gift certificates, self-insurance reserves, deferred revenue, the calculation of income tax liabilities and the calculation of stock-based compensation, require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. Our judgments are based on historical experience, terms of existing contracts, observation of trends in the industry, information provided by customers and information available from other outside sources, as appropriate. There can be no assurance that actual results will not differ from our estimates. To provide an understanding of the methodologies applied, our significant accounting policies are discussed where appropriate in this discussion and analysis and in the Notes to Consolidated Financial Statements.

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

Allowance for Doubtful Accounts

We extend short-term credit to our gaming customers. Such credit is non-interest bearing and is due on demand. In addition, we also have receivables due from hotel guests and convention groups and events, which are primarily secured with a credit card at the time a customer makes reservation or checks in. An allowance for doubtful accounts is established for all of our receivables based upon our historical collection and write-off experience, and taking in consideration the current economic conditions and management's expectations of future economic conditions. The allowance is applied even when the risk of credit loss is remote. When a situation warrants, the Company may create a specific identification reserve for a high collection risk receivable. We write off our 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.

Goodwill and Long-lived assets:

The Company accounts for goodwill in accordance with ASC Topic 350, Intangibles-Goodwill and Other ("ASC Topic 350"). ASC Topic 350 gives companies the option to perform a qualitative assessment that may allow them to skip the quantitative test as appropriate. The Company tests its goodwill for impairment annually during the fourth quarter of each year, or whenever events or circumstances make it more likely than not that impairment may have occurred. Impairment testing for goodwill is performed at the reporting unit level, and each of the Company's casino properties is considered to be a reporting unit.

Goodwill consists of the excess of the acquisition cost over the fair value of the net assets acquired in business combinations in April 2012. As of December 31, 2020, we had goodwill totaling \$25.1 million related to the purchase of Monarch Casino Resort Spa Black Hawk, Inc.

Due to the COVID-19 pandemic related government orders to suspend operations at our properties and the continued adverse effect of the pandemic on our business, after reopening of our properties, we performed a qualitative assessment for each quarter in 2020 to determine if the Company's goodwill was impaired. The impairment assessment, resulted in the recognition of no impairment loss. Based upon the financial performance of the Company during the year and taking in consideration the growth opportunity at Monarch Black Hawk after opening the new hotel and expanded casino at the end of 2020, management determined that there was no indicator of impairment. The evaluations used to assess the Company's goodwill for impairment incorporate inherent uncertainties that are difficult to predict in the current economic environment. When evaluating for impairment, we make numerous highly subjective and judgmental estimates and assumptions, all of which are subject to a variety of risks and uncertainties, and many of which are based on significant unobservable inputs. The most significant assumptions and inputs used in evaluating for impairment are projected short-term and long-term operating results and cash flows, projected capital expenditures, estimated long-term growth rates and the weighted-average cost of capital of market participants, adjusted for the risk profile of the assets being evaluated. The timing and trajectory of the expected post-pandemic economic recovery is unknown, and accordingly, estimates and assumptions are likely to change as more information becomes available.

The Company believes that it has made reasonable estimates and judgments in performing its analysis in light of the risks and uncertainties surrounding the COVID-19 pandemic. However, if the excess of fair value over the carrying amount declines by a significant amount in the future as a result of changes in actual and projected operating results or other internal or external economic factors, the Company could be required to recognize goodwill impairment charges in future periods.

Self-insurance Reserves

We are currently self-insured up to certain stop loss amounts for Atlantis workers' compensation and for certain medical benefit costs provided to our Monarch Black Hawk employees. We are also self-insured for certain medical benefit costs provided to our Atlantis employees. As required by the state of Colorado, we are fully insured for Monarch Black Hawk workers' compensation costs. We review self-insurance reserves at least quarterly. The reserve is determined by reviewing the actual expenditures for the previous twelve-month period and reports prepared by the third party plan administrator for any significant unpaid claims. We engage third party actuaries at least once per year for a more precise reserves review and calculation. The reserve is an amount estimated to pay both reported and unreported claims as of the balance sheet date. We believe changes in medical costs, trends in claims of our employee base, accident frequency and severity and other factors could materially affect the estimate for this reserve. Unforeseen developments in existing claims, or the possibility that our estimate of unreported claims differs materially from the actual amount of unreported claims, could result in the over or under estimation of our self-insurance reserve.

Capitalized Interest

We capitalize interest costs associated with debt incurred in connection with major construction projects. When no debt is specifically identified as being incurred in connection with a construction project, we capitalize interest on amounts expended on the project at our average borrowing cost. Interest capitalization is ceased when the project is substantially complete. We capitalized \$6.8 million during the year ended December 31, 2020, \$5.8 million during the year ended December 31, 2019 and \$2.3 million during the year ended December 31, 2018 in interest. Capitalized interest of \$16.5 million, related to the Monarch Black Hawk expansion project, was allocated to the fixed assets placed in service at the project completion date in the fourth quarter of 2020 and is amortized over the respective assets' recovery period.

Casino Revenues

Casino revenues represent the net win from gaming activity, which is the difference between the amounts won and lost, which represents the transaction price. Jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. Funds deposited by customers in advance and outstanding chips and slot tickets in the customers' possession are recognized as a liability until such amounts are redeemed or used in gaming play by the customer. Additionally, net win is reduced by the performance obligations for the players' club program, progressive jackpots and any pre-arranged marker discounts. The players club performance obligations result in recognition of deferred revenue at the standalone selling prices ("SSP") of the goods and services that the points are expected to be redeemed for. Progressive jackpot provisions are recognized in two components: 1) as wagers are made for the share of players' wagers that are contributed to the progressive jackpot award, and 2) as jackpots are won for the portion of the progressive jackpot award contributed by us. Cash discounts and other cash incentives to guests related to gaming play are recorded as a reduction to gaming revenue.

Income Taxes

Income taxes are recorded in accordance with the liability method pursuant to authoritative guidance. 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.

Our income tax returns are subject to examination by tax authorities. We assess potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes. Under the accounting guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50.0% likelihood of being realized upon ultimate settlement. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods and disclosure.

Stock-based Compensation

We account for stock-based compensation in accordance with authoritative guidance which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services or incurs a liability in exchange for goods and services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. It requires an entity to measure the costs of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognize that cost over the service period. We calculate the grant-date fair value using the Black-Scholes valuation model.

The Black-Scholes valuation model requires the input of highly subjective assumptions which include the expected term of options granted, risk-free interest rates, expected volatility, and expected rates of dividends. We estimate an expected term for each stock option grant based on the weighted-average time between grant date and exercise date and the risk-free interest rate assumption was based on U.S. Treasury rates appropriate for the expected term. We use historical data and projections to estimate expected volatility and expected employee behaviors related to option exercises and forfeitures.

RECENTLY ISSUED ACCOUNTING STANDARDS

A variety of proposed or otherwise potential accounting standards are currently under review and study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, the implementation of any such proposed or revised standards would have on the Company's Consolidated Financial Statements.

Financial Instruments - Credit Losses: In June 2016, the FASB issued amended accounting guidance for the measurement of credit losses on financial instruments. The Accounting Standards Update ("ASU") 2016-13 significantly changes the way entities account for credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The amended accounting guidance replaces the incurred loss impairment model with a forward-looking expected loss model, and is applicable to most financial assets, including trade receivables other than those arising from operating leases. In the first quarter of 2020, we adopted ASU 2016-13. The adoption of this ASU did not have a material impact on the Company's Consolidated Financial Statements.

We extend short-term credit to its gaming customers. Such credit is non-interest bearing and is due on demand. In addition, the Company also has receivables due from hotel guests and convention groups and events, which are primarily secured with a credit card. An allowance for doubtful accounts is set up for all Company receivables based upon the Company's historical collection and write-off experience and taking in consideration the current economic conditions and management's expectations of future economic conditions. The allowance is applied even when the risk of credit loss is remote. When a situation warrants, we may create a specific identification reserve for a high collection risk receivables. We write off 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.

Cloud Computing Arrangement ("CCA") Implementation Costs: In August 2018, the FASB issued ASU 2018-15 to align the requirements for capitalizing implementation costs incurred in a hosting arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The implementation costs incurred for setup fees in a hosting arrangement that is a service contract should be presented as a prepaid asset in the balance sheet and expensed over the term of the hosting arrangement to the same line item in the statement of income as the costs related to the hosting fees, with costs incurred for integration with on premise software being capitalized as intangible assets and being amortized over the term of the arrangement. The Company adopted the guidance effective January 1, 2020. In 2020 we capitalized \$622 thousand CCA implementation costs. The adoption of this ASU did not have a material impact on the Company's Consolidated Financial Statements.

Goodwill Impairment: In January 2017, the FASB issued ASU 2017-04 that simplifies the accounting for goodwill impairment for all entities by eliminating the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of today's goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (i.e., measure the charge based on today's Step 1). The standard does not change the guidance on completing Step 1 of the goodwill impairment test. An entity will still be able to perform today's optional qualitative goodwill impairment assessment before determining whether to proceed to Step 1. The standard will be applied prospectively and is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. The adoption did not have a material impact on the Company's Consolidated Financial Statements.

Reference Rate Reform: In March 2020, the FASB issued temporary accounting guidance to ease the accounting effects of reform to the London Interbank Offered Rate ("LIBOR") and other reference rates. The guidance contains optional expedients and exceptions that apply to accounting for contract modifications, hedging relationships, and other transactions affected by reference rate reform. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022 and may be applied from the beginning of an interim period or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020. The Company does not expect the adoption to have a material impact on its Consolidated Financial Statements.

Simplifying the Accounting for Income Taxes: In December 2019, the FASB issued amended accounting guidance to simplify the accounting for income taxes. The amendment eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The amendment also simplifies other aspects of the accounting for income taxes. The amended guidance is effective for fiscal years beginning after December 15, 2020 and interim periods within those years, and early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its financial position and results of operations.

A variety of proposed or otherwise potential accounting standards are currently under review and study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, the implementation of any such proposed or revised standards would have on our Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates and commodity prices. Our current primary market risk exposure is interest rate risk relating to the impact of interest rate movements under our Fourth Amended Credit Facility. As of December 31, 2020, we had \$182.5 million of outstanding debt under our Fourth Amended Credit Facility which bears interest at variable rates. A hypothetical 1% increase in the interest rate on the balance outstanding under the Amended Credit Facility at December 31, 2020 would result in an increase in our annual interest cost of approximately \$1.8 million.

We do not have any cash or cash equivalents as of December 31, 2020 subject to market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
Monarch Casino & Resort, Inc. and subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Monarch Casino & Resort, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) (2) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2020 and 2019, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 12, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. We determined that there are no critical audit matters.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2003.
Las Vegas, Nevada
March 12, 2021

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Year Ended December 31,		
	2020	2019	2018
Revenues			
Casino	\$ 111,550	\$ 128,010	\$ 125,844
Food and beverage	43,162	72,578	71,212
Hotel	20,133	35,222	30,497
Other	9,568	13,356	12,762
Net revenues	<u>184,413</u>	<u>249,166</u>	<u>240,315</u>
Operating expenses			
Casino	34,020	45,259	43,791
Food and beverage	36,123	57,367	54,002
Hotel	10,104	13,123	13,059
Other	4,465	6,543	6,206
Selling, general and administrative	60,395	69,312	65,802
Depreciation and amortization	17,324	14,875	14,617
Other operating items, net	6,711	3,112	12
Total operating expenses	<u>169,142</u>	<u>209,591</u>	<u>197,489</u>
Income from operations	<u>15,271</u>	<u>39,575</u>	<u>42,826</u>
Other (expense) income			
Interest (expense) income, net of amounts capitalized	(273)	1	(177)
Income before income taxes	14,998	39,576	42,649
Benefit (provision) for income taxes	8,680	(7,760)	(8,551)
Net income	<u>\$ 23,678</u>	<u>\$ 31,816</u>	<u>\$ 34,098</u>
Earnings per share of common stock			
Net income			
Basic	\$ 1.30	\$ 1.77	\$ 1.91
Diluted	\$ 1.25	\$ 1.70	\$ 1.83
Weighted average number of common shares and potential common shares outstanding			
Basic	18,218	18,025	17,846
Diluted	18,877	18,684	18,574

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

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except shares)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 28,310	\$ 60,539
Receivables, net	3,736	5,458
Income taxes receivable	24,894	185
Inventories	7,823	6,735
Prepaid expenses	8,393	6,238
Total current assets	<u>73,156</u>	<u>79,155</u>
Property and equipment		
Land	32,986	30,769
Land improvements	9,847	7,842
Buildings	471,819	193,235
Buildings improvements	33,681	31,986
Furniture and equipment	229,052	152,461
Construction in progress	6,257	285,789
Right of use assets	14,784	15,574
Leasehold improvements	3,848	3,848
	<u>802,274</u>	<u>721,504</u>
Less accumulated depreciation and amortization	<u>(229,767)</u>	<u>(220,021)</u>
Net property and equipment	572,507	501,483
Other assets		
Goodwill	25,111	25,111
Intangible assets, net	973	1,538
Deferred income taxes	130	2,683
Other assets, net	—	908
Total other assets	<u>26,214</u>	<u>30,240</u>
Total assets	<u>\$ 671,877</u>	<u>\$ 610,878</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 12,500	\$ 20,000
Accounts payable	11,655	17,037
Construction accounts payable	49,771	7,528
Accrued expenses	34,705	34,109
Short-term lease liability	813	791
Total current liabilities	<u>109,444</u>	<u>79,465</u>
Deferred income taxes	13,220	—
Long-term lease liability	13,984	14,797
Long-term debt, net	167,162	175,415
Total liabilities	<u>303,810</u>	<u>269,677</u>
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; 18,426,130 outstanding at December 31, 2020; 18,141,383 outstanding at December 31, 2019	191	191
Additional paid-in capital	34,498	35,215
Treasury stock, 670,170 shares at December 31, 2020; 954,917 shares at December 31, 2019	(8,872)	(12,777)
Retained earnings	<u>342,250</u>	<u>318,572</u>
Total stockholders' equity	<u>368,067</u>	<u>341,201</u>
Total liabilities and stockholders' equity	<u>\$ 671,877</u>	<u>\$ 610,878</u>

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

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except shares)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
	Shares Outstanding	Amount				
Balance, December 31, 2017	17,759,446	\$ 191	\$ 26,890	\$ 257,516	\$ (18,123)	\$ 266,474
Net exercise of stock options	159,575	—	90	—	2,247	2,337
Stock-based compensation expense	—	—	3,131	—	—	3,131
Adjustment to beginning retained earnings for accounting changes in accordance with the new revenue recognition standard				(4,858)		(4,858)
Net income	—	—	—	34,098	—	34,098
Balance, December 31, 2018	17,919,021	\$ 191	\$ 30,111	\$ 286,756	\$ (15,876)	\$ 301,182
Net exercise of stock options	222,362	—	979	—	3,099	4,078
Stock-based compensation expense	—	—	4,125	—	—	4,125
Net income	—	—	—	31,816	—	31,816
Balance, December 31, 2019	18,141,383	\$ 191	\$ 35,215	\$ 318,572	\$ (12,777)	\$ 341,201
Net exercise of stock options	284,747	—	(4,650)	—	3,905	(745)
Stock-based compensation expense	—	—	3,855	—	—	3,855
Capital contribution	—	—	78	—	—	78
Net income	—	—	—	23,678	—	23,678
Balance, December 31, 2020	<u>18,426,130</u>	<u>\$ 191</u>	<u>\$ 34,498</u>	<u>\$ 342,250</u>	<u>\$ (8,872)</u>	<u>\$ 368,067</u>

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

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income	\$ 23,678	\$ 31,816	\$ 34,098
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	17,324	14,875	14,617
Amortization of deferred loan costs	764	538	538
Stock-based compensation	3,855	8,203	5,468
Provision for bad debts	159	189	93
Loss on disposition of assets	63	—	12
Write off of unamortized debt issuance costs	95	—	—
Non cash operating lease expense	(1)	14	—
Deferred income taxes	15,774	1,344	(483)
Changes in operating assets and liabilities:			
Receivables	1,563	1,093	92
Income taxes	(24,709)	94	1,729
Inventories	(1,088)	(3,043)	(357)
Prepaid expenses	(1,247)	(730)	(896)
Accounts payable	(5,382)	5,855	2,998
Accrued expenses	596	2,998	847
Net cash provided by operating activities	<u>31,444</u>	<u>63,246</u>	<u>58,756</u>
Cash flows from investing activities:			
Proceeds from sale of assets	31	72	—
Change in construction payable	42,243	(9,624)	11,329
Acquisition of property and equipment	(88,667)	(125,367)	(137,074)
Net cash used in investing activities	<u>(46,393)</u>	<u>(134,919)</u>	<u>(125,745)</u>
Cash flows from financing activities:			
Payroll taxes from net exercise of stock options	(4,428)	—	—
Proceeds from exercise of stock options	3,760	—	—
Loan issuance cost	(2,862)	—	—
Principal payments on long-term debt	(24,563)	(3,750)	—
Long-term debt borrowings	10,813	105,500	68,300
Net cash (used in) provided by financing activities	<u>(17,280)</u>	<u>101,750</u>	<u>68,300</u>
Change in cash and cash equivalents	(32,229)	30,077	1,311
Cash and cash equivalents at beginning of period	60,539	30,462	29,151
Cash and cash equivalents at end of period	<u>\$ 28,310</u>	<u>\$ 60,539</u>	<u>\$ 30,462</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	\$ 380	\$ —	\$ 186
Cash paid for income taxes	\$ —	\$ 6,322	\$ 7,305
Conversion of long term deposit to short term deposit	\$ 908	\$ —	\$ —
Accrued expenses - adjustment to beginning retained earnings for accounting changes in accordance with the new revenue recognition standard	—	—	4,858

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

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Monarch Casino & Resort, Inc. was incorporated in 1993. Through its wholly-owned subsidiary Golden Road Motor Inn, Inc. (“Golden Road”), Monarch owns and operates the Atlantis Casino Resort Spa, a hotel and casino in Reno, Nevada (the “Atlantis”). In addition, Monarch’s wholly owned subsidiaries, High Desert Sunshine, Inc. (“High Desert”), Golden East, Inc. (“Golden East”) and Golden North, Inc. (“Golden North”), each owns separate parcels of land located proximate to the Atlantis. Monarch’s wholly owned subsidiary Monarch Growth Inc. (“Monarch Growth”), formed in 2011, owns and operates Monarch Casino Resort Spa Black Hawk, a hotel and casino in Black Hawk, Colorado (the “Monarch Black Hawk”). Monarch owns a parcel of land with an industrial warehouse located between Denver, Colorado and Monarch Casino Resort Spa Black Hawk. Monarch also owns Chicago Dogs Eatery, Inc. and Monarch Promotional Association, both of which were formed in relation to licensure requirements for extended hours of liquor operation in Black Hawk, Colorado.

The consolidated financial statements include the accounts of Monarch and its subsidiaries. Intercompany balances and transactions are eliminated. Reference to the number of square feet or acreage are unaudited and considered outside the scope of our independent registered public accounting firm’s audit of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

Unless otherwise indicated, “Monarch,” “Company,” “we,” “our,” and “us,” refer to Monarch Casino & Resort, Inc. and its subsidiaries.

Impact of COVID-19:

In March 2020, a global pandemic was declared due to an outbreak of a new strain of coronavirus (“COVID-19”). In an effort to contain the virus, on March 16th the state of Colorado mandated a temporary shutdown of all casinos including Monarch Black Hawk and on March 17th the state of Nevada mandated the temporary closure of all casinos including Atlantis Casino Resort Spa in Reno. The COVID-19 outbreak has had, and will continue to have, an adverse effect on the Company’s results of operations.

Our Nevada and Colorado properties reopened with limited operations on June 4, 2020 and June 17, 2020, respectively. The poker room and buffet at Atlantis resumed operations at the beginning of August. Table games at our Colorado property resumed operation on September 11, 2020 and were closed again on November 13, 2020. State-imposed COVID-19 operating restrictions reduced our permitted casino floor, restaurant and meeting space capacity at Monarch Black Hawk from 50% to 25% on November 13th through the end of the year, and our permitted occupancy was reduced at Atlantis from 50% to 25% on November 24 through the end of the year. The buffet at our Colorado property was temporarily being operated as a table-service restaurant. Additionally, changes were made from routine operations relating to restrictions in occupancy and social distancing requirements, which include reduced seating at table games and in all restaurants, and a decreased number of active slot machines on the casino floors. The convention business at Atlantis was affected by the state-mandated gathering limits, which at this time are the lesser of 100 persons or 35% of the listed fire code capacity. We have experienced hotel stay and convention booking cancellations, and since the reopening, guest visitation and hotel and convention bookings have been lower than prior to the state-mandated closures, and are expected to remain lower for the near future. In addition, we have incurred additional expenses to comply with the COVID-19 state -mandated and company -implemented protocols.

The Company has taken steps to mitigate the effects of the economic downturn and uncertainty by reducing operating expenses, taking advantage of federal and state government programs that support companies affected by the COVID-19 pandemic and their employees, and entering into an amended and restated credit agreement with its lender, which extended the maturity date of the Company's credit facility to September 3, 2023 and increased the aggregated principal amount of the facility from \$241.3 million to \$270.0 million with an option to increase the facility by up to an additional \$75.0 million revolving line of credit. See NOTE 6. LONG-TERM DEBT.

The Company believes that the \$2.0 million of cash in our interest-bearing money market fund and the \$70.0 million available under our Fourth Amended Credit Facility as of December 31, 2020, as well as the anticipated operating cash flows, will be sufficient to fund its operations, meet its debt obligations and fulfill its capital expenditure plans for the next twelve months.

Goodwill:

The Company accounts for goodwill in accordance with ASC Topic 350, Intangibles-Goodwill and Other ("ASC Topic 350"). ASC Topic 350 gives companies the option to perform a qualitative assessment that may allow them to skip the quantitative test as appropriate. The Company tests its goodwill for impairment annually during the fourth quarter of each year, or whenever events or circumstances make it more likely than not that impairment may have occurred. Impairment testing for goodwill is performed at the reporting unit level, and each of the Company's casino properties is considered to be a reporting unit.

Goodwill consists of the excess of the acquisition cost over the fair value of the net assets acquired in business combinations in April 2012. As of December 31, 2020, we had goodwill totaling \$25.1 million related to the purchase of Monarch Casino Resort Spa Black Hawk, Inc.

Due to the COVID-19 pandemic related government orders to suspend operations at our properties and the continued adverse effect of the pandemic on our business, after reopening of our properties, we performed a qualitative assessment for each quarter in 2020 to determine if the Company's goodwill was impaired. The impairment assessment, resulted in the recognition of no impairment loss. Based upon the financial performance of the Company during the year and taking in consideration the growth opportunity at Monarch Black Hawk after opening the new hotel and expanded casino at the end of 2020, management determined that there was no indicator of impairment. The evaluations used to assess the Company's goodwill for impairment incorporate inherent uncertainties that are difficult to predict in the current economic environment. When evaluating for impairment, we make numerous highly subjective and judgmental estimates and assumptions, all of which are subject to a variety of risks and uncertainties, and many of which are based on significant unobservable inputs. The most significant assumptions and inputs used in evaluating for impairment are projected short-term and long-term operating results and cash flows, projected capital expenditures, estimated long-term growth rates and the weighted-average cost of capital of market participants, adjusted for the risk profile of the assets being evaluated. The timing and trajectory of the expected post-pandemic economic recovery is unknown, and accordingly, estimates and assumptions are likely to change as more information becomes available.

The Company believes that it has made reasonable estimates and judgments in performing its analysis in light of the risks and uncertainties surrounding the COVID-19 pandemic. However, if the excess of fair value over the carrying amount declines by a significant amount in the future as a result of changes in actual and projected operating results or other internal or external economic factors, the Company could be required to recognize goodwill impairment charges in future periods.

Use of Estimates

In preparing 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 year. Actual results could differ from those estimates.

Segment Reporting

The accounting guidance for disclosures about segments of an enterprise and related information requires separate financial information to be disclosed for all reporting segments of a business. The Company determined that the Company's two operating segments, Atlantis and Monarch Black Hawk, meet all of the aggregation criteria stipulated by ASC 280-10-50-11. The Company views each property as an operating segment and the two operating segments have been aggregated into one reporting segment.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in bank, as well as money market funds with an original maturity of 90 days or less.

Inventories

Inventories, consisting primarily of food, beverages, and retail merchandise, are stated at the lower of cost and net realizable value. Cost is determined by the weighted average and specific identification methods. Net realizable value is defined by the Financial Accounting Standards Board ("FASB") as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Property and equipment is depreciated principally on a straight line basis over the estimated useful lives as follows:

Land improvements	15 - 40 years
Buildings	30 - 40 years
Building improvements	5 - 40 years
Furniture	5 - 10 years
Equipment	3 - 20 years

The Company evaluates property and equipment and other long-lived assets for impairment in accordance with the guidance for accounting for the impairment or disposal of long-lived assets. For assets to be disposed of, the Company recognizes the asset to be sold at the lower of carrying value or fair value less costs of disposal. Fair value for assets to be disposed of is generally estimated based on comparable asset sales, solicited offers or a discounted cash flow model.

For assets to be held and used, the Company reviews fixed assets for impairment annually during the fourth quarter of each year or whenever indicators of impairment exist. If an indicator of impairment exists, we compare the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, the impairment is measured based on fair value compared to carrying value, with fair value typically based on a discounted cash flow model or market comparables, when available. For the years ended December 31, 2020, 2019 and 2018, there were no impairment charges.

Capitalized Interest

The Company capitalizes interest costs associated with debt incurred in connection with major construction projects. When no debt is specifically identified as being incurred in connection with a construction project, the Company capitalizes interest on amounts expended on the project at the Company's average borrowing cost. Interest capitalization is ceased when the project is substantially complete. The Company capitalized \$6.8 million during the year ended December 31, 2020, \$5.8 million during the year ended December 31, 2019 and \$2.3 million during the year ended December 31, 2018 in interest. Capitalized interest of \$16.5 million, related to the Monarch Black Hawk expansion project, was allocated to the fixed assets placed in service at the project completion date in the fourth quarter of 2020 and is amortized over the respective assets' recovery period.

Debt Issuance Costs

Costs incurred in connection with the issuance of long-term debt are amortized to interest expense over the term of the related debt agreement utilizing the effective interest rate method. Unamortized amounts of debt issuance costs are recorded as a reduction of the outstanding debt and included in "Long-term debt, net".

On September 3, 2020, the Company refinanced its credit facility. The unamortized costs related to the existing credit facility as of August 31, 2020 were \$476 thousand. As the credit facility is a loan syndication with separate debt instruments existing between the debtor and the individual creditors participating in the syndication, in accordance to ASC 470-50, the Company expensed \$95 thousand, representing a portion of unamortized debt issuance cost, allocated to the lenders that left the syndication and deferred the rest of the unamortized debt issuance cost of the existing credit facility, together with the issuance costs of the new facility.

As of December 31, 2020, debt issuance costs, net of amortization, were \$2.8 million.

Self-insurance Reserves

We are currently self-insured up to certain stop loss amounts for Atlantis workers' compensation and certain medical benefit costs provided to all of our employees. As required by the state of Colorado, we are fully-insured for Monarch Black Hawk workers' compensation costs. The Company reviews self-insurance reserves at least quarterly. The reserve is determined by reviewing the actual expenditures for the previous twelve-month period and reports prepared by the third-party plan administrator for any significant unpaid claims. The company engages a third party actuarial at least once per year for a more precise reserves review and calculation. The reserve is an amount estimated to pay both reported and unreported claims as of the balance sheet date, which management believes is adequate.

Revenue Recognition:

The majority of the Company's revenue is recognized when products are delivered or services are performed. For certain revenue transactions (when a patron uses a club loyalty card), in accordance with accounting standard update No. 2014-09 ("ASC 606"), a portion of the revenue is deferred until the points earned by the patron are redeemed or expire.

Casino revenue: Casino revenues represent the net win from gaming activity, which is the difference between the amounts won and lost, which represents the transaction price. Jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. Funds deposited by customers in advance and outstanding chips and slot tickets in the customers' possession are recognized as a liability until such amounts are redeemed or used in gaming play by the customer. Additionally, net win is reduced by the performance obligations for the players' club program, progressive jackpots and any pre-arranged marker discounts. Progressive jackpot provisions are recognized in two components: 1) as wagers are made for the share of players' wagers that are contributed to the progressive jackpot award, and 2) as jackpots are won for the portion of the progressive jackpot award contributed by the Company. Cash discounts and other cash incentives to guests related to gaming play are recorded as a reduction to gaming revenue.

Players' Club Program: The Company operates a players' club program under which as players perform gaming activities they earn and accumulate points, which may be redeemed for a variety of goods and services. Given the significance of the players' club program and the ability for members to bank such points based on their past play, the Company has determined that players' club program points granted in conjunction with gaming activity constitute a material right and, as such, represent a performance obligation associated with the gaming contracts. At the time points are earned, the Company recognizes deferred revenue at the standalone selling prices ("SSP") of the goods and services that the points are expected to be redeemed for, with a corresponding decrease in gaming revenue. The points estimated SSP is computed as the cash redemption value of the points expected to be redeemed, which is determined through an analysis of all redemption activity over the preceding twelve-month period.

As of December 31, 2020, and 2019, the Company had estimated the obligations related to the players' club program at \$9.8 million and \$9.4 million, respectively, which is included in Accrued Expenses in the Liabilities and Stockholders' Equity section in the Consolidated Balance Sheet.

Food and Beverage, Hotel and Other (retail) Revenues: Food and Beverage, Hotel and Other Revenues in general are recognized when products are delivered or services are performed. The Company recognizes revenue related to the products and services associated with the players points' redemptions at the time products are delivered or services are performed, with corresponding reduction in the deferred revenue, at SSP. Other complimentarys in conjunction with the gaming and other business are also valued at SSP. Hotel revenue is presented net of non-third-party rebates and commissions. The cost of providing these complimentary goods and services are included as expenses within their respective categories.

Other Revenues: Other revenues (excluding retail) primarily consist of commissions received on ATM transactions and cash advances, which are recorded on a net basis as the Company represents the agent in its relationship with the third-party service providers, and commissions and fees received in connection with pari-mutuel wagering, which are also recorded on a net basis.

Sales and other taxes: Sales taxes and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in revenues or operating expenses. In addition, tips and other gratuities, excluding service charges, collected from customers on behalf of the Company's employees are also accounted for on a net basis and are not included in revenues or operating expenses.

Casino Jackpots

The Company does not accrue a liability for base jackpots because it has the ability to avoid such payment as gaming devices can legally be removed from the gaming floor without payment of the base amount. When the Company is unable to avoid payment of a jackpot such as the incremental jackpot amounts of progressive-type slot machines, due to legal requirements, the jackpot is accrued as the obligation becomes unavoidable. This liability is accrued over the time period in which the incremental progressive jackpot amount is generated commensurate with a corresponding reduction in casino revenue.

Gaming Taxes

The Company is subject to taxes based on gross gaming revenue in the jurisdictions in which it operates, subject to applicable jurisdictional adjustments. These gaming taxes are an assessment on the Company's gaming revenue and are recorded as casino expense in the accompanying Consolidated Statements of Income. These taxes totaled \$17.2 million, \$23.0 million and \$22.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Advertising Costs

All advertising costs are expensed as incurred. Advertising expense, which is included in selling, general and administrative expense, was \$4.5 million, \$5.0 million and \$4.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Other Operating items, net

Other operating items, net, in general consist of miscellaneous operating charges. For the year ended December 31, 2020, Other operating items, net, was \$6.7 million and included: \$2.8 million in pre-opening expenses relating to the Monarch Black Hawk Expansion project; \$1.6 million in professional service fees relating to our construction litigation; \$1.4 million in Colorado legislation lobbying expenses; \$0.7 million in equipment, supplies and employee testing expenses directly attributable to the pandemic for reopening of the properties and incremental to normal operations; and \$0.2 million in unamortized debt issuance cost write off and loss on disposal of assets. For the year ended December 31, 2019, Other operating items, net, was \$3.1 million, which includes \$2.5 million in pre-opening expenses relating to the Monarch Black Hawk Expansion project, \$0.3 million in professional service fees relating to our construction litigation and \$0.3 million in professional service fees relating to a due diligence on an acquisition opportunity.

Income Taxes

Income taxes are recorded in accordance with the liability method pursuant to authoritative guidance. 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, carryback 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.

Under the accounting guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50.0% likelihood of being realized upon ultimate settlement. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods and disclosure.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with the authoritative guidance requiring that compensation cost relating to stock-based payment transactions be recognized in the Company's consolidated statements of income. The cost is measured at the grant date, based on the calculated fair value of the award using the Black-Scholes option pricing model for stock options, and based on the closing share price of the Company's stock on the grant date for restricted stock awards. The cost is recognized as an expense over the employee's requisite service period (the vesting period of the equity award). The Company's stock-based employee compensation plan is more fully discussed in NOTE 10.

Earnings Per Share

Basic earnings per share are 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.

[Table of Contents](#)

The following is a reconciliation of the number of shares (denominator) used in the basic and diluted earnings per share computations (in thousands, except per share data):

	Years ended December 31,					
	2020		2019		2018	
	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount
Basic	18,218	\$ 1.30	18,025	\$ 1.77	17,846	\$ 1.91
Effect of dilutive stock options	659	(0.05)	659	(0.07)	728	(0.08)
Diluted	<u>18,877</u>	<u>\$ 1.25</u>	<u>18,684</u>	<u>\$ 1.70</u>	<u>18,574</u>	<u>\$ 1.83</u>

The following options were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the December 31 closing market price of the common shares and their inclusion would be antidilutive:

	Years ended December 31,		
	2020	2019	2018
Options to purchase shares of common stock	1,086,244	843,980	697,968
Weighted Average Proceeds per Share	\$ 43.09 - \$ 85.68	\$ 44.55 - \$ 59.07	\$ 39.82 - \$ 47.81
Expiration dates (month/year)	11/27-12/30	11/27-12/29	11/27-12/28

Fair Value of Financial Instruments

The estimated fair value of the Company's financial instruments has been determined by the Company, using available market information and valuation methodologies. However, considerable judgment is required to develop the estimates of fair value; thus, the estimates provided herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The carrying amounts of cash, account receivables, accounts payable and accrued expenses approximate fair value because of the short-term nature of these instruments. Additionally, the carrying value of our long-term debt approximates fair value due to the variable nature of applicable interest rates and relative short-term maturity.

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 surplus cash in bank 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. Accounts are written off when management determines that an account is uncollectible. Recoveries of accounts previously written off are recorded when received. An allowance for doubtful accounts is determined to reduce the Company's receivables to their carrying value, which approximates fair value. The allowance is estimated based on historical collection experience, specific review of individual customer accounts, and current economic and business conditions. Historically, the Company has not incurred any significant credit-related losses.

Certain Risks and Uncertainties

The Company's operations are dependent on its continued licensing by the Nevada and Colorado gaming regulatory bodies. The loss of a license could have a material adverse effect on future results of operations.

The Company is dependent on the Northern Nevada and Denver, Colorado markets for a significant number of its patrons and revenues. If economic conditions in these areas deteriorate or additional gaming licenses are awarded, the Company's results of operations could be adversely affected.

The Company is dependent on the U.S. economy in general, and any deterioration in the national economic, energy, credit and capital markets could have a material adverse effect on future results of operations.

The Company is dependent on the travel industry and any disruption or restriction on national or international travel and entertainment, like a pandemic disease or a risk of pandemic disease, could materially and adversely affect our future results of operations.

The Company is dependent upon a stable gaming and admission tax structure in the locations in which it operates. Any change in the tax structure could have a material adverse effect on future results of operations.

Impact of Recently Issued Accounting Standards

Financial Instruments - Credit Losses: In June 2016, the FASB issued amended accounting guidance for the measurement of credit losses on financial instruments. The Accounting Standards Update ("ASU") 2016-13 significantly changes the way entities account for credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The amended accounting guidance replaces the incurred loss impairment model with a forward-looking expected loss model, and is applicable to most financial assets, including trade receivables other than those arising from operating leases. In the first quarter of 2020, the Company adopted ASU 2016-13. The adoption of this ASU did not have a material impact on the Company's Consolidated Financial Statements.

The Company extends short-term credit to its gaming customers. Such credit is non-interest bearing and is due on demand. In addition, the Company also has receivables due from hotel guests and convention groups and events, which are primarily secured with a credit card. An allowance for doubtful accounts is set up for all Company receivables based upon the Company's historical collection and write-off experience and taking in consideration the current economic conditions and management's expectations of future economic conditions. The allowance is applied even when the risk of credit loss is remote. When a situation warrants, the Company may create a specific identification reserve for a high collection risk receivables. The Company writes 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.

Cloud Computing Arrangement ("CCA") Implementation Costs: In August 2018, the FASB issued ASU 2018-15 to align the requirements for capitalizing implementation costs incurred in a hosting arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The implementation costs incurred for setup fees in a hosting arrangement that is a service contract should be presented as a prepaid asset in the balance sheet and expensed over the term of the hosting arrangement to the same line item in the statement of income as the costs related to the hosting fees, with costs incurred for integration with on premise software being capitalized as intangible assets and being amortized over the term of the arrangement. The Company adopted the guidance effective January 1, 2020. In 2020 we capitalized \$622 thousand CCA implementation costs. The adoption of this ASU did not have a material impact on the Company's Consolidated Financial Statements.

Reference Rate Reform: In March 2020, the FASB issued temporary accounting guidance to ease the accounting effects of reform to the London Interbank Offered Rate ("LIBOR") and other reference rates. The guidance contains optional expedients and exceptions that apply to accounting for contract modifications, hedging relationships, and other transactions affected by reference rate reform. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022 and may be applied from the beginning of an interim period or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020. The Company does not expect the adoption to have a material impact on its Consolidated Financial Statements.

Simplifying the Accounting for Income Taxes: In December 2019, the FASB issued amended accounting guidance to simplify the accounting for income taxes. The amendment eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The amendment also simplifies other aspects of the accounting for income taxes. The amended guidance is effective for fiscal years beginning after December 15, 2020 and interim periods within those years, and early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its financial position and results of operations.

A variety of proposed or otherwise potential accounting standards are currently under review and study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, the implementation of any such proposed or revised standards would have on the Company's Consolidated Financial Statements.

NOTE 2. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following (in thousands):

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Casino	\$ 2,701	\$ 3,599
Hotel	510	1,445
Other	636	514
	<u>3,847</u>	<u>5,558</u>
Less allowance for doubtful accounts	(111)	(100)
	<u>\$ 3,736</u>	<u>\$ 5,458</u>

The Company calculates an allowance for doubtful accounts by applying a percentage, estimated by management based on historical aging experience, current economic conditions and management's expectations of future economic conditions, to the accounts receivable balance. The Company recorded bad debt expense of \$159 thousand, \$189 thousand and \$93 thousand in 2020, 2019 and 2018, respectively.

The decrease in accounts receivable in 2020 year-over-year is primarily a result of the decrease in net revenue and especially the revenue from groups and convention events.

NOTE 3. GOODWILL AND INTANGIBLE ASSETS

Goodwill was \$25.1 million at December 31, 2020 and 2019. The Company's goodwill is related to the acquisition of Monarch Black Hawk in 2012.

The Company's finite-lived intangible assets consist of assets related to its customer relationships and assets related to Cloud Computing Arrangement (CCA). Intangible assets at December 31 are (in thousands except years):

	<u>2020</u>	<u>2019</u>
Customer list		
Total intangible assets	\$ 11,111	\$ 10,490
Less accumulated amortization:	(10,138)	(8,952)
Intangible assets, net	<u>\$ 973</u>	<u>\$ 1,538</u>
Weighted-average life in years	<u>0.6</u>	<u>1.3</u>

Customer relationships were valued at \$10.5 million, representing the value associated with the future potential customer revenue production and are being amortized on a straight-line basis over nine years. Should events or changes in circumstances cause the carrying value of the customer relationship intangible asset to exceed its estimated fair value, an impairment charge in the amount of the excess would be recognized. As of December 31, 2020, and 2019, the customer relationships net intangible asset balance was \$0.4 million and \$1.5 million, respectively.

On January 1, 2020, the Company adopted ASU 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain for internal-use software. In the fourth quarter of 2020, the Company installed a new hotel management system and capitalized as intangible assets \$622 thousand, representing costs for coding, testing, integration with other software and activities in the development stage. The CCA intangible assets are amortized over 5 years.

Amortization expense of \$1.2 million was recognized for each of the years ended December 31, 2020, 2019 and 2018. Estimated amortization expenses for the years ending December 31, 2021 through 2025 are as follows (in thousands):

Year	Expense
2021	\$ 497
2022	\$ 124
2023	\$ 124
2024	\$ 124
2025	\$ 104
Total	\$ 973

The Company periodically evaluates the remaining useful lives of its finite-lived intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization.

NOTE 4. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	December 31,	
	2020	2019
Accrued salaries, wages and related benefits	\$ 9,833	\$ 8,772
Progressive slot machine and other gaming accruals	16,699	16,634
Accrued gaming taxes	2,774	2,999
Accrued interest	14	125
Other accrued liabilities	5,385	5,579
	<u>\$ 34,705</u>	<u>\$ 34,109</u>

NOTE 5. ACCOUNTING FOR LEASES

The Company adopted Accounting Standards Update (“ASU”) No. 2016-02, “Leases (Topic 842), (“ASC 842”)” which requires leases with durations greater than twelve months to be recognized on the balance sheet. The Company adopted the standard using the modified retrospective approach with an effective date as of the beginning of its fiscal year, January 1, 2019. At January 1, 2019, the Company recorded a transition adjustment for the right of use assets of \$16.4 million offset by short- and long-term lease liabilities of \$0.9 million and \$15.5 million, respectively, properly treated as a non-cash item in the Consolidated Statement of Cash Flows. The Company elected the package of transition provisions available for expired or existing contracts, which allowed it to carryforward its historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. In addition, we have elected the short-term lease recognition exemption, under which we will not recognize right-of-use assets or lease liabilities for leases with a term of twelve months or less, and have elected not to apply the use-of-hindsight practical expedient.

For leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of the lease payments over the lease term. Many of the Company’s leases include rental escalation clauses, renewal options and/or termination options that are factored into its determination of lease payments when appropriate. As permitted by ASC 842, the Company elected not to separate non-lease components from their related lease components.

When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of its leases do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

As of December 31, 2020, the Company’s right of use assets consisted of the Parking Lot Lease, the Driveway Lease (as defined and discussed in NOTE 12. RELATED PARTY TRANSACTIONS), as well as certain billboard leases.

The table below presents information related to the lease costs for operating leases during 2020 and 2019 (in thousands):

	Year ended December 31, 2020	Year ended December 31, 2019
Short-term lease costs	\$ 451	\$ 339
Long-term lease costs	1,444	1,485
Total lease costs	<u>\$ 1,895</u>	<u>\$ 1,824</u>

Upon adoption of the new lease standard, incremental borrowing rates used for existing leases were established using the rates in effect as of the lease inception or modification date. The weighted-average incremental borrowing rate of the leases presented in the lease liability as of December 31, 2020 and 2019 was 4.33%.

The weighted-average remaining lease term of the leases presented in the lease liability as of December 31, 2020 and 2019 was 21.2 and 21.7 years, respectively.

Following is the undiscounted cash flow for the next five years and total of the remaining years to the operating lease liabilities recorded on the balance sheet (in thousands):

Year ending December 31,	<u>Operating Leases</u>
2021	\$ 1,432
2022	1,078
2023	1,072
2024	1,072
2025	1,072
Thereafter	16,940
Total minimum lease payments	22,666
Less: amount of lease payment representing interest	(7,869)
Present value of future minimum payments	14,797
Less: current obligations under leases	(813)
Long-term lease obligations	<u>\$ 13,984</u>

Cash paid related to the operating leases presented in the lease liability for the twelve months ended December 31, 2020 and 2019 were \$1.4 million and \$1.5 million, respectively.

NOTE 6. LONG-TERM DEBT

On September 3, 2020, the Company entered into the Fourth Amended and Restated Credit Agreement with Wells Fargo Bank, N.A., as administrative agent and certain banks (the "Fourth Amended Credit Facility"). The Fourth Amended Credit Facility amends and restates the Company's \$250.0 million credit facility, dated as of July 20, 2016 (the "Prior Credit Facility").

The Fourth Amended Credit Facility extends the maturity date of the Amended Credit Facility from July 20, 2021 to September 3, 2023. In addition, the Fourth Amended Credit Facility increases the aggregate principal amount of the credit facilities to \$270.0 million. The \$270.0 million Fourth Amended Credit Facility consists of: \$200.0 million term loan ("Term Loan Facility") and \$70.0 million revolving credit facility ("Revolving Credit Facility").

The Company is required to make quarterly principal payments under the Term Loan Facility on each Term Loan Installment Date, commencing on December 31, 2020, in an amount equal to (x) the percentage set forth opposite the applicable period during which such Term Loan Installment Date occurs (i.e., 1.25% for the period from December 31, 2020 to September 30, 2021, and 2.50% for the period from December 31, 2021 and thereafter) multiplied by (y) \$200.0 million. The estimated amount of the mandatory principal payments due in the next twelve months is \$12.5 million.

Commencing with the delivery of the compliance certificate for fiscal year 2021, the Company may be required to prepay borrowings under the Fourth Amended Credit Facility using excess cash flows for each fiscal year, depending on the Company's leverage ratio.

As of December 31, 2020, the Company had an outstanding principal balance of \$182.5 million under the Term Loan Facility and \$0.6 million letter of credit. As of December 31, 2020, the Company had no borrowings under the Revolving Credit Facility, therefore all \$70.0 million remained available for borrowing.

Borrowings are secured by liens on substantially all of the Company's real and personal property.

In addition to other customary covenants for a facility of this nature, as of December 31, 2020, the Company is required to maintain a Total Leverage Ratio (as defined in the Fourth Amended Credit Facility) of no more than 4.75:1 and Fixed Charge Coverage Ratio (as defined in the Fourth Amended Credit Facility) of at least 1.15:1. As of December 31, 2020, the Company's Total Leverage Ratio and Fixed Charge Coverage Ratio were 2.6:1 and 5.6:1.

The interest rate under the Amended Credit Facility is LIBOR plus a margin ranging from 1.75% to 3.25%, or a base rate (as defined in the Fourth Amended Credit Facility) plus a margin ranging from 0.75% to 2.25%, or the Prime Rate. The applicable margins vary depending on Company's leverage ratio. There is a LIBOR floor of 0.50%. Commitment fees are equal to the daily average unused revolving commitment multiplied by the commitment fee percentage, ranging from 0.35% to 0.575%, based on our leverage ratio.

At December 31, 2020, our interest rate was based on LIBOR and our leverage ratio was such that pricing for borrowings under the Amended Credit Facility was LIBOR plus 2.25%. At December 31, 2020, the Term loan interest rate was 2.75%, computed as LIBOR floor of 0.50% plus interest margin of 2.25%. The carrying value of the debt outstanding under the Amended Credit Facility approximates fair value because the interest fluctuates with the lender's prime rate or other market rates of interest.

On the terms and subject to some conditions, the Company may, at any time before the Maturity Date, request an increase of Revolving Credit Facility, provided that each such increase is equal to \$15.0 million or an integral multiple of \$1.0 million in excess and, after giving effect to the requested increase, the aggregate amount of the increases in the total revolving loan commitment shall not exceed \$75.0 million.

The Company may prepay borrowings under the Fourth Amended Credit Facility revolving loan without penalty (subject to certain conditions and certain charges applicable to the prepayment of LIBOR borrowings prior to the end of the applicable interest period). Once reduced or cancelled, the Revolving Credit Facility may not be increased or reinstated without the prior written consent of all lenders.

As of December 31, 2020, \$167.2 million "Long-term debt, net" in the Company's consolidated balance sheets represents the \$182.5 million outstanding loan amount under the Amended Credit facility, net of \$2.8 million unamortized debt issuance costs and \$12.5 million mandatory principal payment that are due in next twelve months and are presented as "Current portion of long-term debt" in the Current liabilities section of the Company's consolidated balance sheets.

The Company believes that the \$2.0 million cash in its interest-bearing money market fund, the \$70.0 million available under its Fourth Amended Credit Facility as of December 31, 2020 and the expected cash flows from operating activities will be sufficient to support its current operations, meet its debt obligations and fulfill its capital expenditure plans for the twelve months from filing of Form 10-K for the year ended December 31, 2020; however, the Company is surrounded by uncertainty about COVID-19 and the reopening of its operations, as well as financial, economic, competitive, regulatory, and other factors, many of which are beyond its control. If the Company is unable to generate sufficient cash flow in the upcoming months or if its cash needs exceed the Company's borrowing capacity under the Fourth Amended Credit Facility, it could be required to adopt one or more alternatives, such as reducing, delaying or eliminating planned capital expenditures, selling assets, restructuring debt or issuing additional equity.

NOTE 7. TAXES

Income Taxes

The Company's income tax provision (benefit) consists of the following (in thousands):

	Years ended December 31,		
	2020	2019	2018
Federal	\$ (24,576)	\$ 6,080	\$ 8,680
State	123	336	518
Current tax (benefit) provision	(24,453)	6,416	9,198
Federal	15,096	1,215	(659)
State	677	129	12
Deferred tax provision (benefit)	15,773	1,344	(647)
Total tax (benefit) provision	\$ (8,680)	\$ 7,760	\$ 8,551

In conformity with the Topic 718, Compensation-Stock Compensation: Improvements to Employee Share-based Payment Accounting (ASU 2016-09), all excess tax benefits and deficiencies are recognized as income tax expense (income tax benefit) in the Company's Consolidated Statement of Income. This may result in increased volatility in the Company's effective tax rate.

The income tax provision differs from that computed at the federal statutory rate as follows:

	Years ended December 31,		
	2020	2019	2018
Federal tax at the statutory rate	21.00 %	21.00 %	21.00 %
State tax (net of federal benefit)	1.11 %	1.00 %	0.99 %
Permanent items	3.52 %	0.90 %	0.90 %
Tax credits	(2.82)%	(0.84)%	(1.08)%
Excess tax benefits on stock-based compensation	(17.89)%	(2.49)%	(1.94)%
Impact of CARES Act	(65.55)%	— %	— %
Change in Tax Rate and Apportionment	4.31 %	— %	— %
Tax Cuts and Jobs Act of 2017	— %	— %	— %
Other	(1.56)%	0.04 %	0.19 %
	<u>(57.88)%</u>	<u>19.61 %</u>	<u>20.06 %</u>

The effective tax rate decreases in 2020 compared to 2019 and 2018 is primarily due to the impact of the CARES Act granting the ability to carry back the net operating loss generated as a result of recognizing accelerated tax depreciation of some assets put in service in 2020 back to prior years with higher income tax rates, and the increase in excess tax benefits on stock-based compensation. In 2020, the Company completed and opened to the public a substantial part of the new hotel and casino expansion project at Monarch Black Hawk. This decrease was partially offset by the increase in nondeductible "permanent items" which consisted primarily of the \$1.4 million in Colorado legislation lobbying expenses.

In 2020, 2019 and 2018, the Company recorded against the tax expense \$2.7 million, \$1.0 million and \$0.8 million tax benefit for employee stock-based compensation, respectively.

The components of the deferred income tax assets and liabilities at December 31, 2020 and 2019, as presented in the consolidated balance sheets, are as follows (in thousands):

	2020	2019
DEFERRED TAX ASSETS		
Stock-based compensation	\$ 3,011	\$ 2,613
Compensation and benefits	580	623
Accrued expenses	486	307
Right of use lease liability	3,425	3,457
Bad debt reserves	26	—
Charitable contribution carry-forwards	63	—
Base stock	—	4
Other reserves	33	5
NOLs & credit carry-forwards	2,440	1,444
Deferred income tax asset	<u>\$ 10,064</u>	<u>\$ 8,453</u>
DEFERRED TAX LIABILITIES		
Intangibles and amortization	\$ (86)	\$ (341)
Prepaid expenses	(1,234)	(1,354)
Fixed assets and depreciation	(18,136)	(519)
Right of use asset	(3,422)	(3,454)
Bad debt reserves	—	(32)
Base stock	(249)	—
Other reserves	—	—
Federal deduction on deferred state taxes	(27)	(70)
Deferred income tax liability	<u>\$ (23,154)</u>	<u>\$ (5,770)</u>
NET DEFERRED INCOME TAX (LIABILITY) ASSET	<u>\$ (13,090)</u>	<u>\$ 2,683</u>

As of December 31, 2020, the Company had \$2.4 million of federal net operating loss (“NOL”) carryforwards, general business credit (“GBC”) carryforwards of \$0.4 million and \$33.9 million of state NOL carryforwards. The federal NOL carryforwards expire in 2023 through 2031. The federal GBC carryforwards expire in 2023 through 2032. The state NOL carryforwards expire in 2029 through 2041.

The federal NOL of \$2.4 million, state NOL of \$15.9 million and federal GBC carryforwards of \$0.4 million, acquired as part of the Monarch Black Hawk acquisition, are subject to Internal Revenue Code change of ownership limitations. Accordingly, future utilization of the carryforwards is subject to an annual base limitation of \$1.25 million that can be applied against future taxable income.

The Company acquired NOLs of Monarch Black Hawk generated in tax years 2000 through 2012. The statute of limitation for assessment for these NOL years is determined by reference to the year the NOL is used to reduce taxable income. Consequently, the separate returns that included Monarch Black Hawk for 2001 through 2012 remain subject to examination by taxing authorities. The Company’s income tax returns from 2017 forward are subject to examination by the by taxing authorities.

Accounting standards require that tax positions be assessed for recognition using a two-step process. A tax position is recognized if it meets a “more likely than not” threshold, and is measured at the largest amount of benefit that is greater than 50 percent likely of being realized. Uncertain tax positions must be reviewed at each balance sheet date. Liabilities recorded as a result of this analysis must generally be recorded separately from any current or deferred income tax accounts. The Company’s policy regarding interest and penalties associated with uncertain tax positions is to classify such amounts as income tax expense.

No uncertain tax positions were recorded as of December 31, 2020, 2019 and 2018. No change in uncertain tax positions is anticipated over the next twelve months.

No interest expense or penalties for uncertain tax positions were recorded for years ended December 31, 2020, 2019 and 2018.

NOTE 8. BENEFIT PLANS

Savings Plan - Effective November 1, 1995, the Company adopted a savings plan, which qualifies under Section 401(k) of the Internal Revenue Code. Under the plan, participating employees may defer up to 100% of their pre-tax compensation, but not more than statutory limits. The Company's matching contributions were approximately \$423 thousand, \$482 thousand, and \$436 thousand for years ended December 31, 2020, 2019 and 2018, respectively.

NOTE 9. STOCK-BASED COMPENSATION

On May 21, 2014, we adopted the 2014 Equity Incentive Plan (the "2014 Plan"). The purposes of the 2014 Plan are to attract and retain the best available personnel, to provide additional incentives to employees, directors and consultants and to promote the success of the Company's business. The 2014 Plan is an "omnibus plan" under which stock options, stock appreciation rights, performance awards, dividend equivalents, restricted stock, and restricted stock units can be awarded to employees, directors and consultants of the Company. The 2014 Plan serves as the successor to our 1993 Employee Stock Option Plan, 1993 Executive Long-Term Incentive Plan and 1993 Directors' Stock Option Plan (which plan terminated on June 13, 2013) (the "Predecessor Plans"). The 2014 Plan became effective as of May 21, 2014 and the remaining two Predecessor Plans terminated on that date (except with respect to awards previously granted under the Predecessor Plans that remain outstanding).

The maximum aggregate number of shares which may be issued pursuant to all awards under the 2014 Plan, and the Amendment No. 1 and Amendment No. 2 to the 2014 Plan includes 3,400,000 new shares and the shares available for grant or subject to outstanding awards under the Predecessor Plans. The share reserve as of December 31, 2020 is 1,167,236. By its terms, the 2014 Plan will expire in May 2024 after which no options may be granted unless the 2014 Plan is amended or replaced.

Pursuant to the terms of the 2014 Plan, either the Board or a committee designated by the Board is authorized to administer the plan. The administrator has the authority, in its discretion, to select employees, consultants and directors to whom awards under the 2014 Plan may be granted from time to time, to determine whether and to what extent awards are granted, to determine the number of shares or the amount of other consideration to be covered by each award (subject to certain limitations), to approve award agreements for use under the 2014 Plan, to determine the terms and conditions of any award (including the vesting schedule applicable to the award), to amend the terms of any outstanding award granted under the 2014 Plan (subject to certain limitations), to construe and interpret the terms of the 2014 Plan and awards granted, and to take such other action not inconsistent with the terms of the 2014 Plan as the administrator deems appropriate.

A summary of the stock option activity as of and for the year ended December 31, 2020 is presented below:

Stock Options	Shares	Weighted Average		Aggregate Intrinsic Value
		Exercise Price	Remaining Contractual Term	
Stock Option Shares outstanding at beginning of period	2,337,119	\$ 29.49	—	—
Stock Option Shares granted	428,298	50.14	—	—
Stock Option Shares exercised	(428,971)	18.21	—	—
Stock Option Shares forfeited	(141,667)	40.62	—	—
Stock Option Shares expired	—	—	—	—
Stock Option Shares outstanding at end of period	<u>2,194,779</u>	<u>\$ 35.01</u>	<u>6.7 yrs.</u>	<u>\$ 57,527,731</u>
Stock Option Shares exercisable at end of period	<u>1,016,825</u>	<u>\$ 23.28</u>	<u>4.5 yrs.</u>	<u>\$ 38,580,169</u>

A summary of the status of the Company's nonvested stock option shares as of, and for the year ended, December 31, 2020 is presented below:

Nonvested Stock Option Shares	Shares	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2020	1,229,651	\$ 12.37
Granted	428,298	17.33
Vested	(338,328)	11.38
Forfeited	(141,667)	12.11
Nonvested at December 31, 2020	<u>1,177,954</u>	<u>\$ 14.49</u>

Expense Measurement and Recognition:

The Company recognizes stock-based compensation for all current stock option award grants and for the unvested portion of previous stock option award grants based on grant date fair values. Unrecognized costs related to all stock option awards outstanding at December 31, 2020 totaled approximately \$10.3 million and is expected to be recognized over a weighted average period of 2.4 years.

The Company uses historical data and projections to estimate expected employee, executive and director behaviors related to stock option exercises and forfeitures.

The Company estimates 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. Option valuation assumptions for options granted during each year were as follows (dollars in thousands):

	Year ended December 31,		
	2020	2019	2018
Weighted average expected volatility for options granted	40.87 %	30.13 %	32.98 %
Expected dividends	—	—	—
Expected life (in years)			
Directors' plan	3.26	3.04	3.04
Executives plan	5.22	5.07	5.07
Employees plan	4.13	4.18	4.12
Weighted average risk free rate	0.48 %	1.83 %	2.76 %
Weighted average grant date fair value per share of options granted	\$ 17.33	\$ 12.19	\$ 13.52
Total fair value of shares vested	\$ 3,852	\$ 2,407	\$ 2,080
Total intrinsic value of options exercised	\$ 15,258	\$ 5,932	\$ 4,659
Cash received for all stock option exercises	\$ 7,813	\$ 4,060	\$ 2,354
Tax benefit realized from stock awards exercised	\$ 3,204	\$ 1,246	\$ 978

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. The Company has determined that an implied volatility is more reflective of market conditions and a better indicator of expected volatility as compared to the Company's experience.

Reported stock-based compensation expense was classified as follows (in thousands) and it is included in the Operating expenses in the Consolidated Statement of Income:

	For the Year ended December 31,		
	2020	2019	2018
Casino	\$ 168	\$ 205	\$ 129
Food and beverage	(26)	211	137
Hotel	127	109	66
Selling, general and administrative	3,586	3,600	2,799
Total stock-based compensation, before taxes	3,855	4,125	3,131
Tax benefit	(810)	(866)	(657)
Total stock-based compensation, net of tax	<u>\$ 3,045</u>	<u>\$ 3,259</u>	<u>\$ 2,474</u>

NOTE 10. STOCK REPURCHASE PLAN

On October 22, 2014, the board of directors of Monarch authorized a stock repurchase plan (the "Repurchase Plan"). Under the Repurchase Plan, the board of directors authorized a program to repurchase up to 3,000,000 shares of the Company's common stock in the open market or in privately negotiated transactions from time to time, in compliance with Rule 10b-18 of the Securities and Exchange Act of 1934, subject to market conditions, applicable legal requirements and other factors. The Repurchase Plan does not obligate the Company to acquire any particular amount of common stock and the plan may be suspended at any time at the Company's discretion, and it will continue until exhausted. The actual timing, number and value of shares repurchased under the repurchase program will be determined by management at its discretion and will depend on a number of factors, including the market price of the Company's stock, general market economic conditions and applicable legal requirements. The Company has made no purchases under the Repurchase Plan.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Self-Insurance: The Company is self-insured for health care claims for eligible active employees. Benefit plan administrators assist the Company in determining its liability for self-insured claims, and such claims are not discounted. Monarch Black Hawk's health plan has stop-loss insurance whereby the Company retains the first \$250,000 of liability for individual health care claims. The Company's liability on the Atlantis health plan is limited to the first \$250,000 of claims plus 10% of claims above \$250,000.

The Company is also self-insured for Atlantis workers' compensation. The maximum liability for workers' compensation under the Atlantis stop-loss agreement is \$500,000 per claim. The Company is fully-insured for Monarch Black Hawk workers compensation claims.

Legal dispute: On August 30, 2019, PCL Construction Services, Inc. ("PCL") filed a complaint in District Court, City and County of Denver, Colorado, against the Company and its Colorado subsidiaries, in connection with the Company's expansion plans for Monarch Casino Resort Spa Black Hawk. The complaint alleges, among other things, the defendants breached the construction contract with PCL and certain implied warranties. On December 5, 2019, the Company filed its answer and counterclaim, which alleges, among other items, that PCL breached the construction contract, duties of good faith and fair dealing, and implied and express warranties, made fraudulent or negligent misrepresentations on which the Company and its Colorado subsidiaries relied, and included claims for monetary damages as well as equitable and declaratory relief.

The trial date for this matter has been rescheduled for March 21, 2022. Discovery in the action is ongoing, and we are currently unable to determine the probability of the outcome or reasonably estimate the loss or gain, if any.

In connection with the expansion of the Monarch Black Hawk described above, our general contractor PCL and certain subcontractors have provided Monarch with purported notice of their intent to file a lien against the real property on which the Monarch Black Hawk is situated, for sums allegedly owed for construction of the expansion. Some of the subcontractors have recorded such liens in the property records of Gilpin County, Colorado. We are not aware of any such lien claimant having initiated an action to foreclose its alleged lien. If such an action is filed by one or more lien claimant, Monarch intends to defend against such a claim and seek to expunge or reduce the liens.

The Company recognized \$1.6 million and \$0.3 million in construction litigation expense relating to this lawsuit for the twelve months ended December 31, 2020 and 2019, respectively, which are included in Other operating items, net on the Consolidated Statements of Operations.

From time to time, we may be subject to other legal proceedings and claims in the ordinary course of business. Management believes that the amount of any reasonably possible or probable loss for such other known matters would not have a material adverse impact on our financial conditions, cash flows or results of operations; however, the outcome of these actions is inherently difficult to predict.

NOTE 12. RELATED PARTY TRANSACTIONS

The shopping center adjacent to the Atlantis is owned by BLI. John Farahi and Bob Farahi, Co-Chairmen of the Board and executive officers of the Company, and Ben Farahi have significant holdings in Monarch and each also beneficially owns limited partnership interests in BLI. Maxum LLC is the sole general partner of BLI, and Ben Farahi is the sole managing member of Maxum LLC. Neither John Farahi nor Bob Farahi has any management or operational control over BLI or the Shopping Center. Until May 2006, Ben Farahi held the positions of Co-Chairman of the Board, Secretary, Treasurer and Chief Financial Officer of the Company.

On August 28, 2015, Monarch, through its subsidiary Golden Road Motor Inn, Inc., entered into a 20-year lease agreement with BLI for a portion of the Shopping Center, consisting of an approximate 46,000 square-foot commercial building on approximately 4.2 acres of land adjacent to the Atlantis. The Parking Lot Lease gives the Atlantis the right to use a parcel, approximately 4.2 acres, comprised of a commercial building and surrounding land adjacent to the Atlantis. The primary purpose of the Parking Lot Lease is to provide additional, convenient, Atlantis surface parking. The Company demolished the building and converted the land into approximately 300 additional surface parking spaces for the Atlantis. The minimum annual rent under the Parking Lot Lease is \$695 thousand commencing on November 17, 2015. The minimum annual rent is subject to a cost of living adjustment increase on each five-year anniversary. In addition, the Company is responsible for the payment of property taxes, utilities and maintenance expenses related to the Leased Property. The Company has an option to renew the Parking Lot Lease for an additional ten-year term. If the Company elects not to exercise its renewal option, the Company will be obligated to pay BLI \$1.6 million. In 2020, the Company paid \$695 thousand for rent and \$27 thousand for operating expenses relating to this lease. In 2020, the Company paid \$695 thousand for rent and \$27 thousand for operating expenses relating to this lease. In 2019, the Company paid \$695 thousand for rent and \$32 thousand for operating expenses relating to this lease. In 2018, the Company paid \$695 thousand for rent and \$21 thousand for operating expenses relating to this lease. The right of use asset and lease liability balances as of December 31, 2020, recognized in the Consolidated Balance Sheet, was \$10.5 million.

In addition, the Atlantis shares a driveway with the Shopping Center and leases approximately 37,400 square feet from BLI for an initial lease term of 15 years, which commenced on September 30, 2004, at an original annual rent of \$300 thousand plus common area expenses. The annual rent is subject to a cost of living adjustment increase on each five-year anniversary of the Driveway Lease. Effective August 28, 2015, in connection with the Company entering into the Parking Lot Lease, the Driveway Lease was amended to: (i) make the Company solely responsible for the operation and maintenance costs of the shared driveway (including the fountains thereon); (ii) eliminate the Company's obligation to reimburse the Shopping Center for its proportionate share of common area expenses; and (iii) exercise the three successive five-year renewal terms beyond the initial 15-year term in the existing Driveway Lease agreement. At the end of the renewal terms, the Company has the option to purchase the leased driveway section of the Shopping Center. The annual rent for the years 2020, 2019 and 2018 was \$404 thousand, \$383 thousand and \$377 thousand, respectively. In addition, the Company paid \$23 thousand, \$29 thousand and \$22 thousand, respectively, for operating expenses related to this lease. The right of use asset and lease liability balances as of December 31, 2020, recognized in the Consolidated Balance Sheet, was \$3.9 million.

The Company occasionally leases billboard advertising, storage space and parking lot space from affiliates controlled by Farahi Family Stockholders and paid \$145 thousand, \$150 thousand and \$145 thousand for the years ended December 31, 2020, 2019 and 2018, respectively, for such leases.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

We have established controls and procedures designed to ensure at a reasonable assurance level that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and is accumulated and communicated to management, including the principal executive officer and the principal financial officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2020, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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 reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of assets that could have a material effect on the 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 December 31, 2020. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO) in Internal Control-Integrated Framework. Based on such assessment, management concluded that, as of December 31, 2020, the Company's internal control over financial reporting was effective based on those criteria.

The Company's independent registered public accounting firm has issued a report on the effectiveness of the Company's internal control over financial reporting. This report appears below.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Monarch Casino & Resort, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Monarch Casino & Resort, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) (2) of the Company and our report dated March 12, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
/s/ Ernst & Young LLP

Las Vegas, Nevada
March 12, 2021

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

This information is incorporated by reference from our Proxy Statement to be filed with the Commission in connection with the 2021 Annual Meeting of Stockholders to be held on June 8, 2021. We expect to file the Proxy Statement with the Commission not later than April 29, 2021.

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference from our Proxy Statement to be filed with the Commission in connection with the 2021 Annual Meeting of Stockholders to be held on June 8, 2021. We expect to file the Proxy Statement with the Commission not later than April 29, 2021.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Following is information related to our equity compensation plan.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options</u>	<u>Weighted average exercise price of outstanding options</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>
Equity compensation plans approved by security holders (F1)	2,194,779	\$ 35.01	1,167,236
Equity compensation plans not approved by security holders	—	—	—
Total	2,194,779	\$ 35.01	1,167,236

(F1) Includes the 1993 Directors' Stock Option Plan, 1993 Employee Stock Option Plan and 1993 Executive Long-Term Incentive Plan, as amended, and the 2014 Equity Incentive Plan.

Additional information required under this Item is incorporated by reference from our Proxy Statement to be filed with the Commission in connection with the Annual Meeting of Stockholders to be held on June 8, 2021. We expect to file the Proxy Statement with the Commission not later than April 29, 2021.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

This information is incorporated by reference from our Proxy Statement to be filed with the Commission in connection with the 2021 Annual Meeting of Stockholders to be held on June 8, 2021. We expect to file the Proxy Statement with the Commission not later than April 29, 2021.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

This information is incorporated by reference from our Proxy Statement to be filed with the Commission in connection with the Annual Meeting of Stockholders to be held on June 8, 2021. We expect to file Proxy Statement with the Commission not later than April 29, 2021.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1). Financial Statements

Included in Part II, Item 8 of this report:

[a\) Report of Independent Registered Public Accounting Firm](#)

[b\) Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018.](#)

[c\) Consolidated Balance Sheets at December 31, 2020 and 2019.](#)

[d\) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018.](#)

[e\) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018.](#)

[f\) Notes to Consolidated Financial Statements.](#)

(a)(2). Financial Statements Schedules (in thousands)

Schedule II – Valuation of Qualifying Accounts

All other schedules are omitted because they are not applicable, not required or the required information is shown in the financial statements and notes thereto.

Schedule II. - VALUATION AND QUALIFYING ACCOUNTS

<u>Year ended December 31,</u>	<u>Balance at</u>	<u>Charged to</u>	<u>Deductions</u>	<u>Other</u>	<u>Balance at end</u>
<u>2018</u>	<u>beginning</u>	<u>costs and</u>	<u>(F1)</u>		<u>of year</u>
	<u>of year</u>	<u>expenses</u>			
		<u>(F1)</u>			
Allowance for doubtful accounts	\$ 263	\$ 93	\$ (111)	\$ —	\$ 245
<u>2019</u>					
Allowance for doubtful accounts	\$ 245	\$ 189	\$ (334)	\$ —	\$ 100
<u>2020</u>					
Allowance for doubtful accounts	\$ 100	\$ 159	\$ (148)	\$ —	\$ 111

(F1) The Company reviews receivables monthly and, accordingly, adjusts the allowance for doubtful accounts monthly. The Company records write-offs annually. The amount charged to costs and expenses reflects the bad debt expense recorded in the consolidated statements of income, while the amount recorded for deductions reflects the adjustment to actual allowance for doubtful accounts reserve at the end of the period.

(a)(3) **Exhibits**

<u>Number</u>	<u>Exhibit Description</u>
2.01	Stock Purchase Agreement dated as of September 29, 2011 by and among Monarch Casino & Resort, Inc., Monarch Growth Inc. (a wholly owned subsidiary of Monarch Casino and Resort, Inc.), Riviera Operating Corporation, Riviera Holdings Corporation and Riviera Black Hawk, Inc. is incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K/A (SEC File 0-22088) filed on October 4, 2011.
3.01	Articles of Incorporation of Monarch Casino & Resort, Inc., as filed with the Nevada Secretary of State on June 11, 1993; Certificate of Change Pursuant to NRS 78.209, as filed with the Nevada Secretary of State on March 17, 2005; Certificate of Correction, as filed with the Nevada Secretary of State on March 17, 2006, are incorporated by reference to Exhibits 3.1 and 3.2 to the Company's Form 8-K (SEC FILE 0-22088) filed on March 23, 2006.
3.02	Bylaws of Monarch Casino & Resort, Inc., adopted June 14, 1993 and amended January 24, 1995, and March 27, 2009 and June 1, 2012 are incorporated herein by reference to Exhibit 3.02 to the Company's Form 10-K (SEC FILE 0-22088) for the year ended December 31, 2012 filed on March 15, 2013.
4.01	Specimen Common Stock Certificate for the Common Stock of Monarch Casino & Resort, Inc. is incorporated herein by reference to Exhibit 4.01 to the Company's Form 10-K (SEC File 0-022088) for the year ended December 31, 2018.
4.02	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 is incorporated herein by reference to Exhibit 4.02 to the Company's Form 10-K (SEC File 0-22088) for the year ended December 31, 2019 filed on March 12, 2020.
10.01+	Amended and Restated Monarch Casino & Resort, Inc. 1993 Directors' Stock Option Plan is incorporated herein by reference to Exhibit 4.02 to the Company's Form 10-K (SEC File 0-022088) for the year ended December 31, 1998.
10.02+	Monarch Casino & Resort, Inc. 1993 Employee Stock Option Plan, as amended, is incorporated herein by reference to Appendix A to the Company's Proxy Statement (SEC File 0-22088) filed on March 25, 2011.
10.03+	Monarch Casino & Resort, Inc. 1993 Executive Long-Term Incentive Plan, as amended, is incorporated herein by reference to Appendix B to the Company's Proxy Statement (SEC File 0-22088) filed on March 25, 2011.
10.04+	Seventh Amendment to the 1993 Executive Long Term Incentive Plan is incorporated herein by reference to Exhibit 10.4 to the Company's Form 10-Q (SEC File 0-22088) for the quarterly period ended September 30, 2013.

[Table of Contents](#)

<u>Number</u>	<u>Exhibit Description</u>
10.05+	First Amendment to the Amended and Restated 1993 Director's Stock Option Plan is incorporated herein by reference to Exhibit 10.5 to the Company's Form 10-Q (SEC File 0-22088) for the quarterly period ended September 30, 2013.
10.06+	Eighth Amendment to the 1993 Employee Stock Option Plan is incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q (SEC File 0-22088) for the quarterly period ended September 30, 2013.
10.07+	2014 Equity Incentive Plan is incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K (SEC File 0-22088) filed on May 23, 2014.
10.08+	2014 Equity Incentive Plan, as amended, is incorporated by reference to Appendix A to the Company's Proxy Statement (SEC File 0-22088) filed on April 22, 2019).
10.09	Trademark Agreement between Golden Road Motor Inn, Inc. and Atlantis Lodge, Inc., dated February 3, 1996 is incorporated herein by reference to Exhibit 10.23 to the Company's Form 10-K (SEC File 0-22088) for the fiscal year ended December 31, 1995.
10.10	Lease Agreement and Option to Purchase dated as of January 29, 2004, between Golden Road Motor Inn, Inc. as Lessee and Biggest Little Investments, L.P. as Lessor is incorporated herein by reference to Exhibit 10.18 to the Company's Form 10-K (SEC File 0-22088) filed on March 12, 2004.
10.11	Lease Agreement dated as of August 28, 2015, between Golden Road Motor Inn, Inc. as Lessee and Biggest Little Investments, L.P. as Lessor is incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (SEC File 0-22088) filed September 3, 2015.
10.12	First Amendment to Lease Agreement and Option to Purchase dated as of August 25, 2015, between Golden Road Motor Inn, Inc. as Lessee and Biggest Little Investments, L.P. as Lessor is incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K (SEC FILE 0-22088) filed September 3, 2015.
10.13	Fourth Amended and Restated Credit Agreement, dated as of September 3, 2020, among Monarch Casino & Resort, Inc., Golden Road Motor Inn, Inc. and Monarch Growth Inc., as Borrowers, the Lenders named therein, and Wells Fargo Bank, National Association, as Administrative Agent, L/C Issuer and Swing Line Lender is incorporated herein by reference to Exhibit 10.13 to the Company's Form 80-K (SEC 0-22088) filed on September 4, 2020.
10.14	Amendment to Fourth Amended and Restated Credit Agreement, dated as of September 29, 2020, among Monarch Casino & Resort, Inc., Golden Road Motor Inn, Inc. and Monarch Growth Inc., as Borrowers, the Lenders named therein, and Wells Fargo Bank, National Association, as Administrative Agent, L/C Issuer and Swing Line Lender is incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q (SEC 0-22088) filed on November 6, 2020.

<u>Number</u>	<u>Exhibit Description</u>
21.01	List of Subsidiaries of Monarch Casino & Resort, Inc. is incorporated herein by reference to Exhibit 4.02 to the Company's Form 10-K (SEC File 0-22088) for the year ended December 31, 2019 filed on March 12, 2020.
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation
101.DEF*	Inline XBRL Taxonomy Extension Definition
101.LAB*	Inline XBRL Taxonomy Extension Labels
101.PRE*	Inline XBRL Taxonomy Extension Presentation
104*	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith

+ Denote management contracts or compensatory plans or arrangements.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MONARCH CASINO & RESORT, INC.
(Registrant)

Date: March 12, 2021

By: /s/ EDWIN S. KOENIG
Edwin S. Koenig, Chief Accounting Officer
(Principal Financial and Accounting Officer and Duly
Authorized Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/S/ JOHN FARAH</u> John Farahi	Co-Chairman of the Board of Directors Chief Executive Officer (Principal Executive Officer) and Director	March 12, 2021
<u>/S/ BOB FARAH</u> Bob Farahi	Co-Chairman of the Board of Directors, President, Secretary and Director	March 12, 2021
<u>/S/ EDWIN S. KOENIG</u> Edwin S. Koenig	Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	March 12, 2021
<u>/S/ PAUL ANDREWS</u> Paul Andrews	Director	March 12, 2021
<u>/S/ YVETTE E. LANDAU</u> Yvette E. Landau	Director	March 12, 2021
<u>/S/ CRAIG F. SULLIVAN</u> Craig F. Sullivan	Director	March 12, 2021

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-233174, 333-219964, 333-200102, 333-179158, 333-179159, 333-144254, 333-144253, 333-144252, 333-85412, 333-85418, and 333-85420) pertaining to the 2014 Equity Incentive Plan, Monarch Casino & Resort, Inc. 1993 Directors' Stock Option Plan, Monarch Casino & Resort, Inc. 1993 Executive Long-Term Incentive Plan and Monarch Casino & Resort, Inc. 1993 Employee Stock Option Plan of our reports dated March 12, 2021 with respect to the consolidated financial statements and schedule of Monarch Casino & Resort, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of Monarch Casino & Resort, Inc. and subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 12, 2021

Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted 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 Annual Report on Form 10-K of Monarch Casino & Resort, Inc.;
2. Based on my knowledge, this 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 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 15d-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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 over financial reporting, to the registrant's auditors and the audit committee of the 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: March 12, 2021

By: /s/ John Farahi

John Farahi

Chief Executive Officer

**Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Edwin S. Koenig, Chief Accounting Officer of Monarch Casino & Resort, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Monarch Casino & Resort, Inc.;
2. Based on my knowledge, this 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 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 15d-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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 over financial reporting, to the registrant's auditors and the audit committee of the 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: March 12, 2021

By: /s/ Edwin S. Koenig

Edwin S. Koenig

Principal Financial and Accounting Officer

Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, John Farahi, Chief Executive Officer of Monarch Casino & Resort, Inc. (the "Company"), hereby certify, that, to my knowledge:

1. The Annual Report on Form 10-K for the year ended December 31, 2020 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ JOHN FARAH

John Farahi

Chief Executive Officer

March 12, 2021

Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Edwin S. Koenig, Chief Accounting Officer of Monarch Casino & Resort, Inc. (the "Company"), hereby certify, that, to my knowledge:

1. The Annual Report on Form 10-K for the year ended December 31, 2020 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ EDWIN S. KOENIG

Edwin S. Koenig

Principal Financial and Accounting Officer

March 12, 2021
