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MONARCH CASINO & RESORT INC  
Form DEF 14A  
April 30, 2002

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement  
 [ ] Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 [X] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Pursuant to Section 240.14a-12

MONARCH CASINO & RESORT, INC.  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement,  
if other than the Registrant)

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- [X] No fee required.  
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MONARCH CASINO & RESORT, INC.

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

June 12, 2002

To the Stockholders of Monarch Casino & Resort, Inc.:

The Annual Meeting of Stockholders of Monarch Casino & Resort, Inc. (the "Company") will be held at the Atlantis Casino Resort, 3800 South Virginia Street, Reno, Nevada 89502, on Wednesday, June 12, 2002, at 10:00 a.m. local time, for the following purposes:

1. To elect John Farahi, Craig F. Sullivan and Charles W. Scharer as directors of the Company; and
2. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on May 3, 2002 are entitled to notice of and to vote at the annual meeting. The stock transfer books will not be closed.

Stockholders are cordially invited to attend the annual meeting in person. STOCKHOLDERS DESIRING TO VOTE IN PERSON MUST REGISTER AT THE ANNUAL MEETING WITH THE INSPECTORS OF ELECTION PRIOR TO COMMENCEMENT OF THE ANNUAL MEETING. IF YOU WILL NOT BE ABLE TO ATTEND THE ANNUAL MEETING IN PERSON, YOU ARE REQUESTED TO EXECUTE AND DATE THE ENCLOSED FORM OF PROXY AND TO FORWARD IT TO THE SECRETARY OF THE COMPANY WITHOUT DELAY SO THAT YOUR SHARES MAY BE REGULARLY VOTED AT THE ANNUAL MEETING.

A copy of the 2001 Annual Report to Stockholders, including financial statements for the year ended December 31, 2001, is enclosed.

By order of the Board of Directors,

/s/BEN FARAHI  
Ben Farahi  
Secretary

Dated: April 30, 2002

MONARCH CASINO & RESORT, INC.

PROXY STATEMENT  
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MONARCH CASINO & RESORT, INC.  
3800 South Virginia Street  
Reno, Nevada 89509

April 30, 2002

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PROXY STATEMENT

This Proxy Statement is furnished to the stockholders of Monarch Casino & Resort, Inc. (the "Company") in connection with the annual meeting of stockholders of the Company to be held at the Atlantis Casino Resort, 3800 South Virginia Street, Reno, Nevada 89502, on Wednesday, June 12, 2002, at 10:00 a.m. local time, and any adjournment thereof, for the purposes indicated in the Notice of Annual Meeting of Stockholders.

THE ACCOMPANYING PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD OF DIRECTORS"). This Proxy Statement and the accompanying form of proxy are being mailed to stockholders on or about May 8, 2002. Any stockholder giving a proxy has the power to revoke it prospectively by giving written notice to the Company, addressed to Ben Farahi, Secretary, at the

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Company's principal address at 1175 W. Moana Lane, Suite 200, Reno, Nevada 89509 before the annual meeting, by delivering to the Company a duly executed proxy bearing a later date, by notifying the Company at the annual meeting prior to the commencement of the annual meeting, or by voting in person by ballot at the annual meeting after notifying the inspectors of election of the stockholder's intention to do so prior to the commencement of the annual meeting. The shares represented by the enclosed proxy will be voted if the proxy is properly executed and received by the Company prior to the commencement of the annual meeting, or any adjournment thereof.

None of the proposals to be voted on at the annual meeting creates a right of appraisal under Nevada law. A vote "FOR" or "AGAINST" any of the proposals set forth herein will only affect the outcome of the proposal.

The expenses of making the solicitation will consist of the costs of preparing, printing, and mailing the proxies and proxy statements and the charges and expenses of brokerage firms, custodians, nominees or fiduciaries for forwarding such documents to security owners. These are the only contemplated expenses of solicitation, and they will be paid by the Company.

### VOTING SECURITIES

The close of business on May 3, 2002, has been fixed by the Board as the record date for determination of stockholders entitled to vote at the annual meeting. The securities entitled to vote at the annual meeting consist of shares of common stock, par value \$.01 ("Common Stock"), of the Company, with each share entitling its owner to one vote. Common Stock is the only outstanding class of voting securities authorized by the Company's Articles of Incorporation. The Company's Articles of Incorporation authorize the Company to issue 10,000,000 shares of preferred stock, par value \$.01 ("Preferred Stock"). None of the Preferred Stock is issued or outstanding, and the Company has no present plans to issue shares of Preferred Stock.

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The Board is empowered to issue one or more series of Preferred Stock with such rights, preferences, restrictions, and privileges as may be fixed by the Board, without further action by the Company's stockholders. The issuance of the Preferred Stock could adversely affect the rights, including voting rights, of the holders of the Common Stock and could impede an attempted takeover of the Company. The Preferred Stock does not presently possess general voting rights.

The number of outstanding shares of Common Stock at the close of business on April 30, 2002, was 9,436,275. The number of shares outstanding may change between such date and May 3, 2002, if any currently exercisable options to purchase Common Stock are exercised, if the Company elects to repurchase and cancel any shares in open market or privately negotiated transactions, or if the Company otherwise authorizes the issuance of any shares. The stockholders do not possess the right to cumulate their votes for the election of directors.

### SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN OTHER BENEFICIAL OWNERS

The following is a list of persons who beneficially owned more than 5% of the outstanding Common Stock of the Company and the ownership of all executive officers, directors, director nominees, and executive officers and directors as a group at the close of business on April 17, 2002, according to record

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ownership listings as of that date, according to the Securities and Exchange Commission Forms 3, 4 and 5 and Schedules 13D and 13G of which the Company has received copies, and according to verifications as of April 17, 2002, which the Company solicited and received from each executive officer and director:

Title of Class	Beneficial Owner	Amount and Nature of Beneficial Ownership (1), (2)	Percent of Class
-----	-----	-----	-----
Common	John Farahi 1175 W. Moana Lane, Reno, NV 89509	2,070,834	21.9%
Common	Bob Farahi 1175 W. Moana Lane, Reno, NV 89509	2,070,833	21.9%
Common	Ben Farahi 1175 W. Moana Lane, Reno, NV 89509	2,061,833	21.9%
Common	Jila Farahi 1175 W. Moana Lane, Reno, NV 89509	870,400	9.2%
Common	Craig F. Sullivan	12,200 (3)	*
Common	Ronald R. Zideck	9,150 (4)	*
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Common	Charles W. Scharer	3,050 (5)	*
Common	Liberty Wanger Asset Management, L.P. WAM Acquisition GP, Inc. Liberty Acorn Trust 227 W. Monroe Street, Suite 3000 Chicago, IL 60606	752,700 (6)	8.0%
Common	Aaron H. Braun Willow Creek Capital Management WC Capital Management, LLC 17 E. Sir Francis Drake Blvd. Suite 100 San Rafael, CA 94939	536,900 (7)	5.7%
Common	All executive officers and directors as a group (6 persons)	6,227,900	66.0%

\* Less than 1%.

(1) Unless otherwise noted, the persons identified in this table have sole voting and sole investment power with regard to the shares beneficially owned by them.

(2) Includes shares issuable upon exercise of options which are exercisable within 60 days of April 30, 2002.

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- (3) Includes options to purchase 12,200 shares under the 1993 Directors' Stock Option Plan (the "Directors' Plan").
- (4) Includes options to purchase 9,150 shares under the Directors' Plan.
- (5) Includes options to purchase 3,050 shares under the Directors' Plan.
- (6) Liberty Wanger Asset Management, L.P. ("WAM"), WAM Acquisition GP, Inc., the general partner of WAM ("WAM GP"), and Liberty Acorn Trust ("Acorn") reported on a Schedule 13G dated February 13, 2002, that they have shared voting and dispositive power with respect to all such shares. WAM and WAM GP reported on a Schedule 13G dated February 13, 2002, that they beneficially own 752,700 shares, of which Acorn beneficially owns 535,000 shares.
- (7) Aaron H. Braun ("Mr. Braun"), Willow Creek Capital Management ("WC"), and WC Capital Management, LLC ("WC LLC") reported on a Schedule 13G dated February 13, 2002, that they have shared voting and dispositive power with respect to all such shares. Mr. Braun and WC reported on a Schedule 13G dated February 13, 2002, that they beneficially own 536,900 shares, of which WC LLC beneficially owns 497,951 shares.

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### ELECTION OF DIRECTORS

The Board is comprised of six persons. The Bylaws of the Company provide for a board of directors consisting of three to twelve persons who are elected generally for a term of two years. Directors are to serve until their successors are elected and have qualified.

If the enclosed proxy is duly executed and received in time for the annual meeting and if no contrary specification is made as provided therein, the proxy will be voted in favor of electing the nominees John Farahi, Craig F. Sullivan and Charles W. Scharer for terms of office expiring in 2004. If any such nominee shall decline or be unable to serve, the proxy will be voted for such person as shall be designated by the Board to replace any such nominee. The Board presently has no knowledge or reason to believe that any of the nominees will refuse or be unable to serve.

Any vacancies on the Board which occur during the year will be filled, if at all, by the Board through an appointment of an individual to serve only until the next annual meeting of stockholders.

The Company, through a wholly owned subsidiary, Golden Road Motor Inn, Inc. ("Golden Road"), owns and operates the Atlantis Casino Resort (the "Atlantis") in Reno, Nevada. The Company, each director who has been required by the Nevada Gaming Authorities (as defined below) to be found suitable, each executive officer, and each controlling person have been "found suitable" by the Nevada State Gaming Control Board and Nevada Gaming Commission (collectively, the "Nevada Gaming Authorities"). Future new members of the Board, if any, may be required to be found suitable in the discretion of the Nevada Gaming Authorities. Should any such new director not be found suitable or should any director later be found not to be suitable by the Nevada Gaming Authorities, that person will not be eligible to continue serving on the Board and a majority of the remaining directors may appoint a qualified replacement

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to serve as a director until the next annual meeting of stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF THE ELECTION OF MESSRS. JOHN FARAHI, CRAIG F. SULLIVAN AND CHARLES W. SCHARER TO THE BOARD OF DIRECTORS.

The following information is furnished with respect to each member of the Board or nominee thereto. Similar information is provided for the Company's executive officers and certain significant employees who are not directors. John Farahi, Bob Farahi and Ben Farahi are brothers. There are no other family relationships between or among any directors, nominees to the Board, or executive officers of the Company. The statements as to beneficial ownership of Common Stock as to each director or nominee to the Board are based upon information furnished by him.

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DIRECTORS AND NOMINEES

Name	Age	Director Since	Position
John Farahi (Nominee for term expiring in 2004)	53	1993	Co-Chairman of the Board, Chief Executive Officer, Chief Operating Officer and Director
Bob Farahi (Term expires in 2003)	51	1993	Co-Chairman of the Board, President and Director
Ben Farahi (Term expires in 2003)	49	1993	Co-Chairman of the Board, Chief Financial Officer, Secretary, Treasurer and Director
Craig F. Sullivan (Nominee for term expiring in 2004)	55	1998	Director
Ronald R. Zideck (Term expires in 2003)	64	2000	Director
Charles W. Scharer (Nominee for term expiring in 2004)	47	2001	Director

JOHN FARAHI has been Co-Chairman of the Board, Chief Executive Officer, and Chief Operating Officer of the Company since its inception, and of Golden Road since June 1993. From 1973 until June 1993, Mr. Farahi was President, Director, and General Manager of Golden Road. Mr. Farahi is a partner in

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Farahi Investment Company ("FIC") which is engaged in real estate investment and development. Mr. Farahi holds a political science degree from the California State University, Hayward.

BOB FARAHİ has been Co-Chairman of the Board and President of the Company since its inception, and of Golden Road since 1993. From 1973 until June 1993, Mr. Farahi was Vice President and a Director of Golden Road. Mr. Farahi is a partner in FIC. Mr. Farahi holds a biochemistry degree from the University of California at Berkeley.

BEN FARAHİ has been Co-Chairman of the Board, Chief Financial Officer, Secretary, and Treasurer of the Company since its inception, and of Golden Road since June 1993. From 1973 until June 1993, Mr. Farahi was Secretary, Treasurer, and a Director of Golden Road in charge of financial planning and construction for the Company. Mr. Farahi is a partner in FIC. Mr. Farahi is also the managing partner of Maxum, LLC, a Nevada limited liability company, which, as of January 1, 2002, acquired all general partnership interests of Resources Accrued Mortgage Investors 2, L.P., a Delaware limited partnership that invests in first and junior mortgage loans. Mr. Farahi holds a mechanical engineering degree from the University of California at Berkeley and a MBA degree in accounting from the California State University, Hayward.

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CRAIG F. SULLIVAN has been a member of the Board since September 1998. Since March 1998, Mr. Sullivan has been President of Sullivan & Associates, Las Vegas, Nevada, a strategic and financial consulting firm geared to companies in the gaming industry. From April 1995 to March 1998, Mr. Sullivan served as Chief Financial Officer and Treasurer of Primadonna Resorts, Inc., and from February 1990 to April 1995, Mr. Sullivan served as Treasurer of Aztar Corporation. Mr. Sullivan also served on the Board of New York-New York Hotel & Casino from March, 1996, to June, 1998, and served on the Board of Windsor Woodmont Black Hawk Resort Corporation from March, 2000, to January, 2002. Mr. Sullivan holds a degree in Economics from The University of George Washington, and holds a Master's Degree in International Management from the American Graduate School of International Management.

RONALD R. ZIDECK has been a member of the Board since March 2000. From August 1981 to August 1997, he was Managing Partner for the Reno office of the national accounting firm of Grant Thornton, LLP and served on that firm's National Executive Committee. He also served as a director at Harveys Casino Resorts from May 1997 to February 1999. He currently serves as a director and Vice Chairman for the Utility Shareholder's Association of Nevada, and as a director of Saint Mary's Health Network. Mr. Zideck is a Certified Public Accountant with a Bachelor's Degree in Business Administration from the University of Nevada.

CHARLES W. SCHARER has been a member of the Board since July 2001. A twenty two-year veteran of the gaming industry, Mr. Scharer ended an eighteen-year career with Harveys Casino Resorts in January 2001, serving as Harveys' President and Chief Executive Officer from 1995 until his retirement in January 2001 and as Chief Financial Officer from 1988 to 1995. Mr. Scharer is a member of the Nevada Commission on Tourism, having been appointed by Governor Kenny C. Guinn in November, 1999. Mr. Scharer is a director of GameTech International, Inc (Nasdaq:GMTC) and serves as a Trustee of the University of Nevada, Reno Foundation. Mr. Scharer, a certified public accountant, graduated from San Jose State University in 1979.

The Company's Bylaws, as amended, currently provide for a staggered board of directors divided into two categories: Category A consisting of three directors and Category B consisting of three directors. Each director serves two-year terms. A staggered board of directors may have the effect of



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delaying or preventing a change of control of the Company. Executive officers serve at the pleasure of the Board.

### CERTAIN OFFICERS OF SUBSIDIARY

DARLYNE SULLIVAN, age 47, has been Vice President of Sales and Marketing and Assistant General Manager of Golden Road since June 1993. Mrs. Sullivan has held positions including Assistant General Manager/Director of Sales and Marketing, Reservations and Sales Manager, Front Desk Manager, Hotel Manager and Assistant Hotel Manager for Golden Road from May 1977 through June 1993.

RICHARD COOLEY, age 55, has been Vice President of Finance of Golden Road since May 2001. Mr. Cooley was Vice President of Administration of Golden Road from March, 2001 through May, 2001, and served as Vice President of Operations of Golden Road from July 1995 through March 2001. Mr. Cooley served as Vice President of Finance of Golden Road from June 1993 through July 1995, and served as Controller of Golden Road from March 1993 through March 1994. Mr. Cooley was President and General Manager of the Reno Ramada Hotel

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Casino from May 1988 to March 1993, and he was Chief Financial Officer and Assistant General Manager from 1981 to 1988. From July 1977 to June 1981, Mr. Cooley was Controller and Co-General Manager of the Shy Clown Casino in Reno. Mr. Cooley is a CPA licensed to practice in Nevada.

### COMMITTEES OF THE BOARD

The Board has certain standing committees including the Audit Committee, the Compensation Committee, the 1993 Long Term Incentive Plan Committee (the "Incentive Plan Committee") and the 1993 Directors' Stock Option Plan Committee (the "Directors' Plan Committee").

The Audit Committee, comprised of Craig F. Sullivan and Charles W. Scharer, and chaired by Ronald R. Zideck, met four times during the fiscal year ended December 31, 2001. The Audit Committee is comprised exclusively of directors who are not salaried employees and a majority of whom are, in the opinion of the Board, free from any relationship which would interfere with the exercise of independent judgment as a committee member. The Audit Committee's function is to review reports of certified public accountants to the Company; to review Company financial practices, internal controls and policies with officers and key employees; to review such matters with the Company's auditors to determine scope of compliance and any deficiencies; to consider selection of independent public accountants; to review certain related party transactions; and to make periodic reports on such matters to the Board. The Audit Committee adopted an Audit Committee Charter on June 14, 2000, and subsequently amended it effective June 7, 2001. Each member of the Audit Committee is an "independent" director, as such term is defined in Rule 4200(a)(15) of the National Association of Securities Dealers' Listings Standard.

The Compensation Committee, comprised of Ronald R. Zideck and Charles W. Scharer, and chaired by Craig F. Sullivan, met twice during the fiscal year ended December 31, 2001. The Compensation Committee's function is to review and make recommendations to the Board with respect to the salaries and bonuses of the Company's executive officers and to administer the 1993 Employee Stock Option Plan.

The Incentive Plan Committee, comprised of Craig F. Sullivan and Ronald R. Zideck, did not meet during the fiscal year ended December 31, 2001. The Incentive Plan Committee's function is to administer the 1993 Executive Long Term Incentive Plan (the "Incentive Plan") including determining such

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matters as the persons to whom awards shall be granted, the number of shares to be awarded, when the awards shall be granted, when the awards shall vest, and the terms and provisions of the instruments evidencing the awards, to interpret the Incentive Plan, and to notify the Board of all decisions concerning awards granted to Incentive Plan participants.

The Directors' Plan Committee, comprised of John Farahi and Bob Farahi, did not meet during the fiscal year ended December 31, 2001. Neither John Farahi nor Bob Farahi is eligible to participate in the Directors' Plan. The Directors' Plan Committee's function is to administer the 1993 Directors' Stock Option Plan (the "Directors' Plan") and consists of not less than two directors of the Company selected by, and serving at the pleasure of, the Board. The Directors' Plan Committee has the authority to interpret the

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Directors' Plan and make all determinations necessary or advisable for its administration. All decisions of the Directors' Plan Committee are subject to approval by the Board.

Craig F. Sullivan and Ronald R. Zideck of the Audit and Compensation Committees of the Board attended at least 75% of the committee meetings held during the fiscal year ended December 31, 2001. Charles W. Scharer attended at 75% of the committee meetings held after he became a Board member in July 2001.

### BOARD MEETINGS

The Board held 5 meetings in the fiscal year ended December 31, 2001. John Farahi, Bob Farahi, Ben Farahi, Craig F. Sullivan and Ronald R. Zideck each attended at least 75% of the meetings held. Charles W. Scharer attended at least 75% of the meetings held since replacing Stephen L. Cavallaro as a Board member in July 2001.

### COMPENSATION OF NON-EMPLOYEE DIRECTORS

In 2001, annual fees of \$25,000 were paid to directors who were not employees of the Company. As of March 1, 2002, these annual fees were increased to \$30,000 per director. Each non-employee director serving as the chairman of a committee of the Board received an additional annual fee of \$5,000 for each committee chaired in 2001. As of March 1, 2002, this annual fee was increased to \$10,000. Each director may be reimbursed for certain expenses incurred in connection with attendance at Board and committee meetings. Certain non-employee directors have been granted options to purchase Common Stock under the Directors' Plan.

1993 DIRECTORS' STOCK OPTION PLAN. The Directors' Plan is designed to encourage non-employee directors to take a long-term view of the affairs of the Company, to attract and retain superior non-employee directors and to aid in compensating non-employee directors for their services to the Company. The Company's non-employee directors for the year ended December 31, 2001, were Craig F. Sullivan, Ronald R. Zideck and Charles W. Scharer.

An eligible director, upon becoming a member of the Board of Directors, will receive an initial grant to purchase 2,400 shares of Common Stock ("Initial Director Grant"), plus an additional grant to purchase 650 shares of Common Stock for each committee chaired. Thereafter, immediately following the close of the annual stockholders' meeting, each eligible director will receive an annual option grant to purchase 2,400 shares of Common Stock ("Annual Director Grant") plus an additional grant to purchase 650 shares of Common Stock for each committee chaired. The Directors' Plan Committee may also recommend discretionary grants of options on terms deemed appropriate by

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the Committee, subject to the approval of the Board.

The exercise price of all director option grants is 100% of the fair market value of the Common Stock on the date of grant. Initial Director Grants and Annual Director Grants may not be exercised until six months and one day after the date of the grant. All options granted under the Directors' Plan are non-qualified options, the tax treatment of which is determined under Section 422 of the Internal Revenue Code of 1986, as amended.

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In 2001, Craig F. Sullivan and Ronald R. Zideck each received an Annual Director Grant of options to purchase 3,050 shares of Common Stock, and Charles W. Scharer received an Initial Director Grant of options, in accordance with the plan, to purchase 3,050 shares of Common Stock.

### COMPENSATION OF EXECUTIVE OFFICERS

#### SUMMARY COMPENSATION TABLE

Name and Principal Positions -----	Annual Compensation -----			All other Compensation (\$) (1) -----
	Year ----	Salary (\$) -----	Bonus (\$) -----	
John Farahi, Co-Chairman of the Board and Chief Executive Officer	2001	269,230	100,000	995
	2000	215,384		11,940
	1999	147,692		11,940
Bob Farahi, Co-Chairman of the Board and President	2001	230,770	100,000	10,028
	2000	184,616		10,020
	1999	115,385		10,030
Ben Farahi, Co-Chairman of the Board, Chief Financial Officer, Secretary and Treasurer	2001	230,770	100,000	14,459
	2000	170,769		10,045
	1999	138,139		10,050
Richard Cooley Vice-President - Finance of Golden Road	2001	145,770	30,000	1,413
	2000	130,000	20,000	1,500
	1999	126,538	17,500	1,440
Darlyne Sullivan, Vice- President - Sales & Marketing and Assistant General Manager of Golden Road	2001	130,000	30,000	363
	2000	130,000	20,000	375
	1999	119,615	18,500	743

(1) Amounts for John Farahi, Bob Farahi and Ben Farahi represent the lease value of automobiles paid for by the Company. Amounts for Richard Cooley and Darlyne Sullivan represent the Company's contribution to 401(k) plans.

#### OPTION GRANTS IN 2001

No options were granted to the Company's executive officers in the fiscal year ended December 31, 2001.

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AGGREGATED OPTION EXERCISES IN 2001 AND FISCAL YEAR-END OPTION VALUES

Name	Shares acquired on exercise(#)	Value realized(\$)	Number of Securities underlying unexercised options at fiscal year end(#)		Value of unexercised in-the-money options at fiscal year-end(\$)	
			Exercisable	/ Unexercisable	Exercisable	/ Unexercisable
John Farahi	-	\$ -	-	/ -	\$ -	/ \$ -
Bob Farahi	-	-	-	/ -	-	/ -
Ben Farahi	-	-	-	/ -	-	/ -
Richard Cooley	-	-	-	/ 30,000	-	/ 56,250
Darlyne Sullivan	-	-	50,000	/ -	118,750	/ -

(1) Represents the difference between the last reported sale price of the Common Stock reported on The Nasdaq Stock Market (SM) on December 31, 2001, and the exercise price of the options.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Company's executive compensation is determined by the Compensation Committee of the Board. The Compensation Committee is composed of directors Craig F. Sullivan, Ronald R. Zideck and Charles W. Scharer none of whom has ever served as an employee or officer of the Company.

Notwithstanding any statement to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings, including this Proxy Statement, in whole or in part, the following Compensation Committee and Incentive Plan Committee Report on Executive Compensation and the Stock Performance Chart presented shall not be incorporated by reference into any such filings.

COMPENSATION COMMITTEE AND INCENTIVE PLAN COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee and Incentive Plan Committee (collectively, the "Committees"), which are composed entirely of directors who have never served as executive officers of the Company, determine and administer the compensation of the Company's executive officers.

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COMPENSATION PHILOSOPHY. The Committees seek to compensate the Company's executive officers in such a fashion that will attract and retain individuals who are responsible for the management, growth, and success of the Company. The Committees believe that executive compensation should be designed to reward those individuals for their services to the Company and encourage them to continue in its employ. The Committees' actions related to compensation of the Company's executive officers are submitted to the full Board of Directors for ratification and approval.

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Although the Committees believe that the Company's overall financial performance is an important factor in the total compensation of the Company's executive officers, the Committees do not apply any specific quantitative formula in making compensation decisions. The Committees also recognize qualitative factors such as successful supervision of the Company's operations, development of corporate projects, promotion of the Company's corporate image, and participation in industry and community activities.

The Committees also evaluate the total compensation of the Company's executive officers in light of the compensation practices and relative corporate financial performance of other companies in the gaming industry similar to the Company in terms of asset size and target market. The Committees' goal is that the base salaries for the Chief Executive Officer and other executive officers should be established at levels considered appropriate in light of the duties and scope of responsibilities of each officer's position. Salaries are reviewed annually and are warranted to reflect sustained individual officer performance. The Chief Executive Officer and other executive officers are also eligible to receive incentive compensation in the form of stock options under the Incentive Plan; however, no options were granted to executive officers during 2001.

The Incentive Plan Committee recommends to the Board the persons to whom awards will be granted and in doing so, the Incentive Plan Committee considers the quantitative and qualitative factors and industry peer group comparisons discussed above. The number of options previously awarded to and held by executive officers is reviewed, but is not an important factor in determining the size of current option grants.

CHIEF EXECUTIVE OFFICER COMPENSATION. Following the recommendation of the Compensation Committee, the Board has established the Chief Executive Officer's salary at \$280,000. The Compensation Committee's recommendation was made on a subjective basis and did not bear a specific relationship to any particular measure of the Company's performance in 2001 or any prior period. In determining the Chief Executive Officer's salary, the Compensation Committee considered (a) the Chief Executive Officer's record of leadership and service to the Company since its inception, (b) the growth of the Company during the Chief Executive Officer's tenure, (c) the Chief Executive Officer's pivotal role in overseeing the day to day operations of the Company, and (d) the Chief Executive Officer's civic leadership in the Reno area.

COMPENSATION COMMITTEE AND INCENTIVE  
PLAN COMMITTEE

By: Craig F. Sullivan, Chairman  
Ronald R. Zideck, Member  
Charles W. Scharer, Member

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AUDIT COMMITTEE REPORT

April 30, 2002

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

We have reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2001.

We have discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants.

We have received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standard No. 1, Independence Discussions with Audit Committees, as amended, by the Independence Standards Board, and have discussed with the auditors the auditors' independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

By: Ronald R. Zideck, Chairman  
Craig F. Sullivan, Member  
Charles W. Scharer, Member

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STOCK PERFORMANCE CHART

The following chart reflects the cumulative total return (change in stock price plus reinvested dividends) of a \$100 investment in the Company's Common Stock for the five year period from January 1, 1997, through December 31, 2001, in comparison to the Standard & Poor's 500 Composite Stock Index and an industry peer group index. The comparisons are not intended to forecast or be indicative of possible future performance of the Company's Common Stock.

MONARCH CASINO & RESORT, INC.  
Total Return  
January 1, 1997 - December 31, 2001

	Base Period 12/31/96	12/31/97	12/31/98
	-----	-----	-----
Monarch Casino & Resort, Inc.	100	275.00	262.50
S&P 500 Index	100	133.36	171.48
Self Determined Peer Group (1)	100	88.85	60.19

  

	12/31/99	12/31/00	12/31/01
	-----	-----	-----
Monarch Casino & Resort, Inc.	262.50	237.50	400.00
S&P 500 Index	207.56	188.66	166.24
Self Determined Peer Group (1)	90.83	97.83	126.81

(1) The companies included in the peer group are as follows: Alliance Gaming Corp.; Archon Corp. (Formerly Santa Fe Gaming Corp.); Argosy Gaming Corp.; Aztar Corp.; Bally Entertainment Corp. (Acquired by Hilton Hotels 1/17/97); Black Hawk Gaming & Development Company, Inc.; Boomtown Inc. (Acquired by Hollywood Park Corporation 8/18/97); Caesars World, Inc. (Acquired by ITT Corporation 4/17/95); Casino Magic Corp. (Acquired by Hollywood Park Corporation 11/16/98); Gaming Corp. of America (Acquired by Grand Casinos, Inc. 12/18/95); Grand Casinos, Inc. (Merged with Park Place Entertainment, Inc. 2/19/99); Griffin Gaming & Entertainment, Inc. (Acquired by Sun International Hotels, Ltd. 1/17/97); Harrah's Entertainment, Inc.; Hollywood Casino Corporation-Cl. A; International Gaming Management, Inc. (No longer files with the SEC); Junum, Inc. (Formerly LS Capital Corporation); Lady Luck Gaming Corporation (Acquired by Isle of Capris Casinos, Inc. 4/17/00); Mandalay Resort Group (Formerly Circus Circus Enterprise, Inc.); Mirage Resorts, Inc. (Acquired by MGM Grand, Inc. 7/17/00, now MGM Mirage); President Casinos, Inc.; Sands Regent; Showboat, Inc. (Acquired by Harrah's Entertainment, Inc. 7/20/98); and Station Casinos, Inc.

Note: For the companies that have been acquired, the peer line on the graph includes the acquired company's performance up to the acquisition date, and the acquiring company's performance since the acquisition date.

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For those companies no longer filing with the SEC, the peer line on the graph includes their performance only until the date they discontinued filing with the SEC.

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### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

#### GUARANTEE FEES

The Company's Compensation Committee approved the payment of a guarantee fee of two percent of the average outstanding guaranteed debt as compensation for bank debt personal guarantees granted for the benefit of the Company by John Farahi, Bob Farahi and Ben Farahi. For the year ended December 31, 2001, the Company paid approximately \$1.5 million in guarantee fees to these persons.

#### INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 78.751 of Chapter 78 of the Nevada Revised Statutes ("NRS"), Article IX of the Company's Articles of Incorporation, and Article VII of the Company's Bylaws contain provisions for indemnification of officers and directors of the Company. The Articles of Incorporation require the Company to indemnify such persons to the full extent permitted by Nevada law. Each person will be indemnified in any proceeding provided that such person's acts or omissions did not involve intentional misconduct, fraud or knowing violation of law, or the payment of dividends in violation of NRS 78.300. Indemnification would cover expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement.

The Company's Articles of Incorporation also provide that the Board may cause the Company to purchase and maintain insurance on behalf of any present or past director or officer insuring against any liability asserted against such person incurred in the capacity of director or officer or arising out of such status, whether or not the corporation would have the power to indemnify such person. The Company has obtained and maintains such insurance.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Securities and Exchange Commission (the "SEC") such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

The Company requires that the Audit Committee of the Board review certain related party transactions.

#### INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen, LLP has audited the Company's financial statements for the fiscal year ended December 31, 2001. The Board of Directors, Audit Committee and Company management have been monitoring and reviewing, in detail, the legal developments and press coverage regarding Arthur Andersen, LLP, in its role as auditors of Enron Corp., including the recent indictment of Arthur Andersen, LLP in connection with that matter. Arthur Andersen, LLP is expected to have a representative present at the annual meeting who will have the opportunity to make a statement if such representative desires to do so and is expected to be available to respond to appropriate questions.

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As the Audit Committee has not made its formal recommendation to the Board, the Company has not yet formally engaged an independent public accountant to audit the Company's financial statements for the fiscal year ended December 31, 2002. In the event the Audit Committee and Board of Directors select a firm other than Arthur Andersen, LLP prior to the 2002 Annual Meeting, a representative of that firm will be invited to the stockholders' meeting.

### AUDIT AND RELATED FEES

**AUDIT FEES.** The aggregate fees billed by Arthur Andersen, LLP for professional services for the audit of the Company's annual consolidated financial statements included in the annual report on Form 10-K for the fiscal year ended December 31, 2001, and review of the Company's unaudited interim quarterly financial statements included in its quarterly reports on Form 10-Q were \$61,000.

**FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES.** There were no fees billed by Arthur Andersen, LLP to the Company for financial information systems design and implementation fees for the fiscal year ended December 31, 2001.

**ALL OTHER FEES.** The aggregate fees billed to the Company for all other services rendered by Arthur Andersen, LLP for the fiscal year ended December 31, 2001, were \$15,000.

**COMPATIBILITY OF FEES WITH INDEPENDENT ACCOUNTANT'S INDEPENDENCE.** The Audit Committee has determined that the provision of services covered under the subheadings "Financial Information Systems Design and Implementation Fees" and "All Other Fees" above is compatible with maintaining Arthur Andersen's Independence.

### COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors, and stockholders holding more than 10% of the class of stock are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required, during 2001 all reports as required under Section 16(a) filing requirements were filed as required, with the exception of one Form 4 for Ben Farahi, which was inadvertently filed late.

### -15- VOTING PROCEDURES

A majority of a quorum of stockholders present in person or represented by proxy voting "FOR" the election of the nominees to the Board is

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sufficient to approve the matters being voted on at the meeting. A quorum of stockholders exists when a majority of the stock issued and outstanding and entitled to vote at a meeting is present, in person, or represented by proxy, at the meeting. Abstentions are effectively treated as votes "AGAINST" a matter presented. Neither the Company's Articles of Incorporation, Bylaws, nor Nevada corporate statutes address the treatment and effect of abstentions and broker non-votes.

The Company will appoint three inspectors of election to: determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of a proxy; receive votes, ballots, or consents; hear and determine all challenges and questions in any way arising in connection with the right to vote; count and tabulate all votes or consents; determine when the polls shall close; determine the results; and do any other acts which may be proper to conduct the election or vote with fairness to all stockholders.

### 2003 ANNUAL MEETING OF STOCKHOLDERS

The next annual meeting of stockholders will be held on or about June 11, 2003. Stockholders desiring to present proper proposals at that meeting and to have their proposals included in the Company's Proxy Statement and form of proxy for that meeting must meet the eligibility and other criteria under Rule 14a-8 of the Securities Exchange Act of 1934 and must submit the proposal to the Company and such proposal must be received no later than January 9, 2003. Unless a stockholder proposal for the Company's 2003 Annual Meeting of Stockholders is submitted to the Company prior to March 25, 2003, management may use its discretionary voting authority to vote management proxies on the stockholder proposal without any discussion of the matter in the proxy statement.

### OTHER BUSINESS

The Board does not know of any other business which will be presented for action by the stockholders at this annual meeting. However, if any business other than that set forth in the Notice of Annual Meeting of Stockholders should be presented at the annual meeting, the proxy committee named in the enclosed proxy intends to take such action as will be in harmony with the policies of the Board and in that connection will use their discretion and vote all proxies in accordance with their judgment.

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The Company's 2001 Annual Report to Stockholders, including financial statements for the year ended December 31, 2001, accompanies these proxy materials, which are being mailed on or about May 8, 2002, to all stockholders of record of the Company as of May 3, 2002.

By order of the Board,

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/S/BEN FARAH  
Ben Farahi  
Secretary

DATED: April 30, 2002

OUR ANNUAL REPORT ON SEC FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS AND THE SCHEDULES THERETO, FOR THE 12 MONTHS ENDED DECEMBER 31, 2001, WILL BE FURNISHED WITHOUT CHARGE TO ANY BENEFICIAL OWNER OF SECURITIES ENTITLED TO VOTE AT THIS ANNUAL MEETING. TO OBTAIN A COPY OF THE FORM 10-K, WRITTEN REQUEST MUST BE MADE TO MONARCH CASINO & RESORT, INC. AND THE REQUESTING PERSON MUST REPRESENT IN WRITING THAT SUCH PERSON WAS A BENEFICIAL OWNER OF OUR SECURITIES AS OF MAY 3, 2002.

REQUESTS SHOULD BE ADDRESSED TO:

Monarch Casino & Resort, Inc.  
Attention: Ben Farahi, Secretary  
1175 W. Moana Lane, Suite 200  
Reno, Nevada 89509

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MONARCH CASINO & RESORT, INC.  
PROXY FOR ANNUAL MEETING OF STOCKHOLDERS, jUNE 12, 2002  
SOLICITED BY THE BOARD

The undersigned stockholder of Monarch Casino & Resort, Inc. (the "Company") hereby acknowledges receipt of the Notice of Meeting of Stockholders, Proxy Statement, and Annual Report to Stockholders in connection with the Annual Meeting of Stockholders of the Company to be held at the Atlantis Casino Resort, Reno, Nevada, on Wednesday, June 12, 2002, at 10:00 o'clock in the morning, local time, and hereby appoints John Farahi and Bob Farahi, and each or any of them, proxies, with power of substitution, to attend and to vote all shares the undersigned would be entitled to vote if personally present at said annual meeting and at any adjournment thereof. The

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proxies are instructed to vote as follows:

(To be signed on reverse side)

-S1-

x Please mark your votes as in this example.

---

	FOR	WITHHELD	NOMINEES
(1) Election of			John farahi
Directors	---	---	Craig F. Sullivan

INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name on the space provided below:

-----

(2) In their discretion, act upon such other matters	FOR	WITHHELD	ABSTAIN
as may properly come before this meeting	---	---	---

The shares represented by this proxy will be voted as specified. If no specification is made, the shares represented by this proxy will be voted in favor of all nominees listed and in the discretion of the proxies on other matters that may properly come before the annual meeting.

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SIGNATURE (S)

-----  
NOTE: Please sign proxy exactly as your name appears. If the shares are held in the name of two or more persons, all must sign. When signing as attorney, executor, administrator, or guardian, give full title as such. If signer is a corporation, sign full corporate name by duly authorized officer.

DATE

-----  
Date the proxy in the space provided.

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