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RIVIERA HOLDINGS CORP
Form 10-Q
November 09, 2007

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended September 30, 2007

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 number 000-21430

Riviera Holdings Corporation

(Exact name of registrant as specified in its charter)

Nevada

88-0296885

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

2901 Las Vegas Boulevard South, Las Vegas, Nevada

89109

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

(702) 794-9527

(former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (Check One)

Large accelerated filer Accelerated filer Non-accelerated filer

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements of Riviera Holdings Corporation have been prepared in accordance with the instructions to Form 10-Q, and therefore, do not include all information and notes necessary for complete financial statements in conformity with generally accepted accounting principles in the United States. The results from the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of operating results.

The results of operations for the three and nine months ended September 30, 2007 and 2006 are not necessarily indicative of the results for the entire year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2006, included in our Annual Report on Form 10-K.

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RIVIERA HOLDINGS CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (In thousands, except share amounts)	September 30	December 31
	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 32,975	\$ 25,285
Restricted cash and investments	2,772	-
Accounts receivable, net of allowance for doubtful accounts of \$214 and \$163	4,435	3,063
Inventories	1,479	1,792
Prepaid expenses and other assets	3,981	4,002
Total current assets	45,642	34,142
PROPERTY AND EQUIPMENT, Net	168,056	171,320
OTHER ASSETS, Net	2,992	5,774
DEFERRED INCOME TAXES, net of valuation allowance of \$17,081 and \$17,081	2,446	2,446
TOTAL	\$ 219,136	\$ 213,682
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 211	\$ 879
Current portion of obligation to officers	1,000	1,000
Accounts payable	8,457	9,126

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Accrued interest	153	1,063
Accrued expenses	17,840	13,167
	-----	-----
Total current liabilities	27,661	25,235
	-----	-----
OBLIGATIONS TO OFFICERS - Net of current portion	1,320	2,094
	-----	-----
OTHER LONG-TERM DEBT	6,644	2,763
	-----	-----
LONG-TERM DEBT - Net of current portion	225,405	214,124
	-----	-----
Commitments & Contingencies (Note 6)		
SHAREHOLDERS' DEFICIENCY:		
Common stock (\$.001 par value; 60,000,000 shares authorized, 17,131,824 and 17,131,824 shares issued at September 30, 2007 and December 31, 2006, respectively, and 12,463,755 and 12,369,431 shares outstanding at September 30, 2007 and December 31, 2006, respectively)		
	17	17
Additional paid-in capital	18,717	18,165
Treasury stock (4,668,069 and 4,762,393 shares at September 30, 2007 and December 31, 2006, respectively)	(9,635)	(9,841)
Accumulated Deficit	(50,993)	(38,875)
	-----	-----
Total shareholders' deficiency	(41,894)	(30,534)
	-----	-----
TOTAL	\$ 219,136	\$ 213,682
	=====	=====

See notes to condensed consolidated financial statements

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RIVIERA HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(In thousands, except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
REVENUES	2007	2006	2007	2006
Casino	\$ 28,935	\$ 28,262	\$ 87,941	\$ 85,206
Rooms	14,812	13,996	46,276	43,085
Food and beverage	7,976	8,110	24,937	25,754
Entertainment	4,102	3,625	9,959	11,166
Other	1,684	1,534	5,041	4,970
	-----	-----	-----	-----
Total revenues	57,509	55,527	174,154	170,181
Less - promotional allowances	(5,129)	(5,178)	(16,082)	(15,706)
	-----	-----	-----	-----
Net revenues	52,380	50,349	158,072	154,475
	-----	-----	-----	-----

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COSTS AND EXPENSES				
Direct costs and expenses of operating departments				
Casino	13,849	14,267	42,460	42,989
Rooms	7,520	6,995	21,619	20,616
Food and beverage	6,129	6,210	18,608	18,662
Entertainment	2,684	2,392	6,353	7,735
Other	368	338	1,043	1,137
Other operating expenses				
General and administrative				
Equity-based compensation	206	183	759	589
Other general and administrative	11,496	10,660	31,924	31,446
Mergers, acquisitions and development costs, net				
	160	281	448	1,159
Asset impairment	-	-	-	16
Depreciation and amortization	3,304	3,035	9,794	9,454
	<u>45,716</u>	<u>44,361</u>	<u>133,008</u>	<u>133,803</u>
INCOME FROM OPERATIONS				
	<u>6,664</u>	<u>5,988</u>	<u>25,064</u>	<u>20,672</u>
OTHER EXPENSE				
Interest expense, net	(4,569)	(6,420)	(17,660)	(19,406)
Loss on retirement of debt	(12,878)	-	(12,878)	-
Unrealized loss on derivatives	(7,471)	-	(6,644)	-
	<u>(24,918)</u>	<u>(6,420)</u>	<u>(37,182)</u>	<u>(19,406)</u>
NET INCOME (LOSS)				
	<u>\$ (18,254)</u>	<u>\$ (432)</u>	<u>\$ (12,118)</u>	<u>\$ 1,266</u>
INCOME (LOSS) PER SHARE DATA				
Income (loss) per share				
Basic	<u>\$ (1.48)</u>	<u>\$ (0.04)</u>	<u>\$ (0.98)</u>	<u>\$ 0.10</u>
Diluted	<u>\$ (1.48)</u>	<u>\$ (0.04)</u>	<u>\$ (0.98)</u>	<u>\$ 0.10</u>
Weighted-average common shares outstanding				
	<u>12,326</u>	<u>12,170</u>	<u>12,303</u>	<u>12,122</u>
Weighted-average common and common equivalent shares				
	<u>12,326</u>	<u>12,170</u>	<u>12,303</u>	<u>12,374</u>

See notes to condensed consolidated financial statements

RIVIERA HOLDINGS CORPORATION			
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)			
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006		Nine Months Ended	
(in thousands)		September 30	
-----		-----	
		2007	2006
		-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)		(\$12,118)	\$1,266

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Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,794	9,454
Provision for bad debts, net	214	305
Stock Compensation - Restricted Stock	588	547
Stock Compensation - Stock Options	171	42
Asset Impairment	-	16
Loss on retirement of debt	12,878	-
Amortization of deferred loan fees	868	1,507
Decrease on swap fair value	6,644	-
Changes in operating (assets) and liabilities		
Accounts receivable	(1,586)	(93)
Inventories	313	529
Prepaid expenses	21	(218)
Other assets	220	27
Accounts payable	(980)	(1,980)
Accrued interest	(910)	5,887
Accrued liabilities	1,910	1,282
Deferred compensation plan liability	(24)	(2)
Obligation to officers	(750)	(750)
	-----	-----
Net cash provided by operating activities	17,253	17,819
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures - Las Vegas, Nevada	(4,530)	(3,695)
Capital expenditures - Black Hawk, Colorado	(1,561)	(2,779)
Restricted cash and investments	(2,772)	-
	-----	-----
Net cash used in investing activities	(8,863)	(6,474)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term borrowings	(223,798)	(597)
Payments incurred for deferred loan costs	(1,902)	-
Proceeds from exercise of stock options	-	257
Proceeds from issuance of long-term debt	225,000	-
	-----	-----
Net cash used in financing activities	(700)	(340)
	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS	7,690	11,005
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 25,285	\$ 20,571
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 32,975	\$ 31,576
	=====	=====
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Property acquired with debt and accounts payable	\$ 439	\$ 356
Cash paid for interest	\$ 17,958	\$ 12,390
See notes to condensed consolidated financial statements		

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Nature of Operations

Riviera Holdings Corporation ("RHC") and its wholly-owned subsidiary, Riviera Operating Corporation ("ROC") (together with their wholly-owned subsidiaries, the "Company"), were incorporated on January 27, 1993, in order to acquire all assets and liabilities of Riviera, Inc. Casino-Hotel Division on June 30, 1993, pursuant to a plan of reorganization. The Company operates the Riviera Hotel & Casino (the "Riviera Las Vegas") on the Strip in Las Vegas, Nevada.

In February 2000, the Company opened its casino in Black Hawk, Colorado, which is owned through Riviera Black Hawk, Inc. ("RBH"), a wholly-owned subsidiary of ROC.

Casino operations are subject to extensive regulation in the states of Nevada and Colorado by the respective Gaming Control Boards and various other state and local regulatory agencies. Our management believes that the Company's procedures comply, in all material respects, with the applicable regulations for supervising casino operations, recording casino and other revenues, and granting credit.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its direct and indirect wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

Restricted Cash and Investments

Restricted cash consists of Certificates of Deposit held pursuant to self-insured Nevada Workers Compensation requirements.

Earnings Per Share

Basic per-share amounts are computed by dividing net income (loss) by weighted average shares outstanding during the period. Diluted net income per share amounts are computed by dividing net income by weighted average shares outstanding plus the dilutive effect of common share equivalents. 267,801 and 427,200 potentially dilutive options and nonvested restricted shares have been excluded from the calculations for the three months ended September 30, 2007 and 2006, respectively, and 266,385 for the nine months ended September 30, 2007, as their effect would have been antidilutive since the Company incurred a loss. There were 24,000 potentially dilutive options excluded from the calculation for the three and nine months ended September 30, 2006 and 2007, respectively.

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Income Taxes

The income tax provisions, if any, for the three and nine months ended September 30, 2007 and 2006, were fully offset by the utilization of loss carryforwards for which a valuation allowance had been previously provided. Based on the history of net operating losses, and current year losses, it is not more likely than not that we will be able to recognize the deferred assets. As such, the valuation allowance is appropriate and the current year tax benefit has not been recognized through the financial statements.

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We adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48") on January 1, 2007. There was no effect on our financial condition or results of operations as a result of implementing FIN 48. We do not believe there will be any material changes in our unrecognized tax positions over the next 12 months. We do not have any accrued interest or penalties associated with any unrecognized tax benefits.

Estimates and Assumptions

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used by the Company include estimated useful lives for depreciable and amortizable assets, certain accrued liabilities and the estimated allowances for receivables and deferred tax assets, estimated fair value for stock-based compensation and estimated fair value of derivative instrument. Actual results may differ from estimates.

Mergers, Acquisitions and Development Costs

Mergers, acquisitions and development costs consist of legal fees and other expenses associated with the on-going potential sale of the Company.

Derivative Instruments

We account for derivative instruments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," and all amendments and interpretations thereto. SFAS No. 133 requires that all derivative instruments be recognized in the financial statements at fair value. Any changes in fair value are recorded in the income statement or in other comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair value of our derivative instruments is based on market prices obtained from dealer quotes. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts. We use an interest rate swap to manage the mix of our debt between fixed and variable rate instruments, which were entered into on June 8, 2007. As of September 30, 2007, we have one interest rate swap agreement for a notional amount of \$223 million. We have determined that the interest rate swap does not meet the requirements to qualify for hedge accounting and have therefore recorded a \$7.5 million and \$6.6 million loss for the change in fair value of this derivative instrument in our condensed consolidated statements of operations for the three-month and nine month periods ended September 30, 2007, respectively.

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2. OTHER ASSETS

Other assets at September 30, 2007 include deferred loan fees of approximately \$1.8 million associated with the refinancing of our debt in 2007, which will be amortized over seven years, which is the life of the loan. Other assets at December 31, 2006, includes deferred loan fees of approximately \$4.6 million, which were written-off in July 2007.

3. LONG TERM DEBT AND COMMITMENTS

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On June 8, 2007, RHC and its restricted subsidiaries, namely ROC, Riviera Gaming Management of Colorado, Inc. and RBH (collectively, the "Subsidiaries") entered into a \$245 million Credit Agreement, the "New Credit Facility") with Wachovia Bank, National Association ("Wachovia"), as administrative agent.

The New Credit Facility includes a \$225 million seven-year term loan ("Term Loan"), with no amortization for the first three years, a one percent amortization for each of years four through six, and a full payoff in year seven, in addition to an annual mandatory pay down of 50% of excess cash flows, as defined. The New Credit Facility also includes a \$20 million five-year revolving credit facility ("Revolving Credit Facility") under which RHC can obtain extensions of credit in the form of cash loans or standby letters of credit ("Standby L/Cs"). RHC is permitted to prepay the New Credit Facility without premium or penalties except for payment of any funding losses resulting from prepayment of any LIBOR rate loans. The rate for the Term Loan was LIBOR plus 2.0%. Pursuant to a floating rate to fixed rate swap agreement that became effective June 29, 2007 that RHC entered into under the New Credit Facilities, substantially the entire Term Loan, with quarterly step-downs, bears interest at an effective fixed rate of 7.485% per annum (2.0% above the LIBOR Rate in effect on the lock-in date of the swap agreement). The New Credit Facility is guaranteed by the Subsidiaries and is secured by a first priority lien on substantially all of RHC's and the Subsidiaries' assets.

RHC used substantially all of the proceeds of the Term Loan to discharge its obligations under the Indenture, dated June 26, 2002 (the "Indenture"), with The Bank of New York as trustee (the "Trustee"), governing the 11% Notes. On June 8, 2007 RHC deposited these funds with the Trustee and issued to the Trustee a notice of redemption of the 11% Notes, which was finalized on July 9, 2007.

The interest rate on loans under the Revolving Credit Facility will depend on whether they are in the form of revolving loans or swingline loans. For each revolving loan, the interest rate will depend on whether RHC elects to treat the loan as an "Alternate Base Rate" loan ("ABR Loan") or a LIBOR Rate loan.

Swing line loans will bear interest at a per annum rate equal to the Alternative Base Rate plus the Applicable Percentage for revolving loans that are ABR Loans.

RHC will also pay fees under the Revolving Credit Facility as follows: (i) a commitment fee in an amount equal to either .50% or 0.375% (depending on the Consolidated Leverage Ratio) per annum on the average daily unused amount of the Revolving Credit Facility; (ii) Standby L/C fees equal to between 2.00% and 1.50% (depending on the Consolidated Leverage Ratio) per annum on the average daily maximum amount available to be drawn under each Standby L/C issued and outstanding from the date of issuance to the date of expiration; and (iii) a Standby L/C facing fee in the amount of 0.25% per annum on the average daily maximum amount available to be drawn under each Standby L/C. In addition to the Revolving Credit Facility fees, RHC will pay an annual administrative fee of \$35,000.

The New Credit Facility contains affirmative and negative covenants customary for financings of this nature including, but not limited to, restrictions on RHC's incurrence of other indebtedness.

The New Credit Facility contains events of default customary for financings of this nature including, but not limited to: nonpayment of principal, interest, fees or other amounts when due; violation of covenants; failure of any representation or warranty to be true in all material respects; cross-default and cross-acceleration under RHC's other indebtedness or certain other material obligations; certain events under federal law governing employee benefit plans; a "change of control" of RHC; dissolution; insolvency; bankruptcy events; material judgments; uninsured losses; actual or asserted invalidity of the guarantees or the security documents; and loss of any gaming licenses. Some of

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these events of default provide for grace periods and materiality thresholds. For purposes of these default provisions, a "change in control" of RHC includes: a person's acquisition of beneficial ownership of 35% or more of RHC's stock coupled with a gaming license and/or approval to direct any of RHC's gaming operations, a change in a majority of the members of RHC's board of directors other than as a result of changes supported by RHC's current board members or by successors who did not stand for election in opposition to RHC's current board, or RHC's failure to maintain 100% ownership of the Subsidiaries.

4. STOCK REPURCHASES

There were no shares of our common stock purchased by our Deferred Compensation Plan for the nine months ended September 30, 2007 or 2006. The Deferred Compensation Plan distributed to participants 94,324 and 96,698 shares for the nine months ended September 30, 2007 and 2006, respectively.

5. SHARE-BASED PAYMENTS

During the three months ended September 30, 2007, we recorded share-based compensation of \$206,000 compared to \$183,000 in 2006 and for the nine months ended September 30, 2007 we recorded share-based compensation of \$759,000 compared to \$589,000 in 2006. No options were exercised during the three and nine months ended September 30, 2007. We granted 24,000 options to non-employee directors during the nine months ended September 30, 2007 and 2006.

The activities of all stock option plans are as follows:

	Shares	Share Exercise Price	Weighted Average Remaining Life	Aggregate Intrinsic Value
Outstanding, June 30, 2007	258,000	\$7.33		
No Activity	-			

Outstanding, September 30, 2007	258,000	\$7.33	5.67 years	\$5,346,000
	=====			
Exercisable September 30, 2007	214,800	\$2.78	4.83 years	\$5,428,000
	=====			

We estimated the fair value of each director option grant on the date of grant using the Black-Scholes option pricing model. We valued the options for each director independently. The following weighted-average assumptions were used for grants in 2007: dividend yield of 0%; risk-free interest rate of 4.97%; options for two of the directors who have reached the age of 62 had an expected life of one year and an expected volatility of 29%, options for one director who will reach the age of 62 in 2008, had an expected life of two years and a risk expected volatility of 43%; and options for one director had an expected life of 6.75 years and a risk expected volatility of 64%.

6. COMMITMENTS AND CONTINGENCIES

Salary Continuation Agreements

Approximately 60 executive officers and certain other employees (excluding Mr. Westerman and Mr. Vannucci) of ROC and RBH have salary continuation agreements effective through December 2008, pursuant to which they will be entitled to receive (1) six months salary if their employment with the Company is

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terminated, without cause, within 12 months of a change of control of the Company; and (2) group health insurance for a period of 6 months. The base salary payments are payable in biweekly installments, subject to the employee's duty to mitigate by using his or her best efforts to find employment. In addition, two executive officers and two significant employees have salary continuation agreements effective through December 31, 2008, pursuant to which each of them will be entitled to receive one year's base salary and health insurance benefits for two years, if their employment is terminated without cause within 24 months of a change of control of the Company. These four salary continuation agreements are not subject to a duty to mitigate. The estimated total amount payable under all such agreements was approximately \$3.5 million, which includes approximately \$670,000 in benefits, as of September 30, 2007.

Legal Proceedings and Related Events

On April 17, 2007, a complaint for Declaratory Relief (the "Complaint") was filed by Riviera Acquisition Holdings ("RAH") (the "Plaintiffs") in the District Court of Clark County, Nevada (the "Court") (Case No. A539614). On May 2, 2007, the Complaint was amended and filed with the Court (the "Amended Complaint") and was subsequently served upon the Company and its directors (collectively, the "Defendants"). The Amended Complaint sought relief from the Defendants' determination that Plaintiffs had violated the Nevada Business Combination Law Statute ("BCL") and were thus prevented from engaging in any business combination with the Company for the statutory three-year disqualification period due to Plaintiffs entering into an option agreement with Triple Five Investco LLC ("T5") for the purchase of all of T5's holdings of Company stock ("T5 Option Agreement").

On August 10, 2007 a hearing on this matter was held. On August 22, 2007, the Court entered a summary judgment ruling in favor of RAH, holding that (i) the three-year moratorium set forth in the BCL does not apply to RAH; (ii) the voting limitations set forth in the Company's charter do not apply to RAH; (iii) the acquisition of the Common Stock by the RAH Group that is the subject of the T5 Option would not trigger the three-year moratorium set forth in the BCL or the voting limitations set forth in the Company's charter and (iv) that RAH does not have beneficial ownership of the Common Stock that is the subject of the T5 Option. Accordingly, the Company is not prevented from negotiating with or otherwise entering into any business combination with RAH prior to the expiration of the three-year moratorium.

We are also a party to routine lawsuits, either as plaintiff or as defendant, arising from the normal operations of a hotel or casino. We do not believe that the outcome of such litigation, in the aggregate, will have a material adverse effect on our financial position or results of our operations.

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Guarantor Information

The New Credit Facility is guaranteed by the Subsidiaries, which are all of our restricted subsidiaries. These guaranties are full, unconditional, and joint and several. RHC's unrestricted subsidiaries, which have no operations and do not significantly contribute to our financial position or results of operations, are not guarantors of the New Credit Facility.

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8. SEGMENT DISCLOSURES

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We determine our segments based upon the review process of our chief operating decision maker who reviews by geographic gaming market segments: Riviera Las Vegas and Riviera Black Hawk. The key indicator reviewed by our chief decision maker is "property EBITDA", as defined below. All intersegment revenues have been eliminated. The chief operating decision maker for our company is the CEO.

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2007	2006	2007	2006
Net Revenues:				
Riviera Las Vegas	\$37,940	\$36,887	\$116,597	\$114,975
Riviera Black Hawk	14,440	13,462	41,475	39,500
Total net revenues	\$52,380	\$ 50,349	\$158,072	154,475
Property EBITDA (1):				
Riviera Las Vegas	\$6,131	\$5,712	\$24,143	\$22,529
Riviera Black Hawk	5,440	4,870	15,132	12,774
Other Costs and Expenses				
Corporate Expenses				
Equity-based compensation	206	183	759	589
Other corporate expenses	1,237	1,095	3,210	3,413
Depreciation and amortization	3,304	3,035	9,794	9,454
Mergers, acquisitions and development costs	160	281	448	1,159
Asset impairment	-	-	-	16
Other Expense, net	24,918	6,420	37,182	19,406
Total Other Costs and Expenses	29,825	11,014	51,393	34,037
Net Income (loss)	\$(18,254)	\$ (432)	\$(12,118)	\$ 1,266

(1)Property EBITDA consists of earnings before interest, income taxes, depreciation, and amortization. Property EBITDA is presented solely as a supplemental disclosure because we believe that it is 1) a widely used measure of operating performance in the gaming industry, and 2) a principal basis for valuation of gaming companies by certain analysts and investors. We use property-level EBITDA (property EBITDA before corporate expense) as the primary measure of our business segment properties' performance, including the evaluation of operating personnel. Property EBITDA should not be construed as an alternative to operating income, as an indicator of our operating performance, as an alternative to cash flows from operating activities, as a measure of liquidity, or as any other measure determined in accordance with generally accepted accounting principles. We have significant uses of cash flows, including capital expenditures, interest payments and debt principal repayments, which are not reflected in property EBITDA. Also, other companies that report property EBITDA information may calculate property EBITDA in a different manner than we do. A reconciliation of property EBITDA to net income is included in these financial schedules.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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Overall Outlook and Recent Developments

General

We own and operate the Riviera Hotel and Casino on the Strip in Las Vegas, Nevada ("Riviera Las Vegas"), and the Riviera Black Hawk Casino in Colorado ("Riviera Black Hawk").

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Our capital expenditures for Riviera Las Vegas are geared to maintain the hotel rooms and amenities in sufficient condition to compete for customers in the convention market and the mature adult customer. Room rates and slot revenues are the primary factors driving our operating margins. We use technology to maintain labor costs at a reasonable level, including kiosks for hotel check-in, slot club and slot ticket redemptions.

In Black Hawk, the \$5 maximum bet restricts table games to a minimum, and the area is basically a "locals" slot customer market. Our capital expenditures in Black Hawk are geared to maintain a competitive gaming floor compared to the market.

Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006

The following table sets forth, for the periods indicated, certain operating data for Riviera Las Vegas and Riviera Black Hawk. Property EBITDA does not include intercompany management fees.

	Third Quarter			
(Dollars in thousands)	2007	2006	Incr	Incr %
	----	----	----	-----
Net Revenues:				
Riviera Las Vegas	\$37,940	\$36,887	\$1,053	2.9%
Riviera Black Hawk	14,440	13,462	978	7.3%
	-----	-----	-----	
Total Net Revenues	\$52,380	\$50,349	\$2,031	4.0%
	=====	=====	=====	
Property EBITDA				
Riviera Las Vegas	\$6,131	\$5,712	\$419	7.3%
Riviera Black Hawk	5,440	4,870	570	11.7%
	-----	-----	-----	
Property EBITDA	\$11,571	\$10,582	\$989	9.3%
	-----	-----	-----	
Property EBITDA Margins (1)				
Riviera Las Vegas	16.2%	15.5%	0.7%	
Riviera Black Hawk	37.7%	36.2%	1.5%	

(1) Property EBITDA margins represent property EBITDA as a percentage of net revenues by property.

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Riviera Las Vegas

Revenues

Net revenues increased \$1.1 million or 2.9% in the third quarter 2007 compared to the same period last year.

Casino revenues decreased \$332,000 or 2.2% due to a decrease in slot revenue, driven by decreased coin-in as a result of lower casino activity.

Room revenue increased \$816,000 or 5.8%, from \$14.0 million in 2006 to \$14.8 million in 2007 due mainly to an increase in average daily rate. Average daily room rate increased \$4.85 or 6.5% from \$74.28 in 2006 to \$79.13 in 2007. Hotel occupancy decreased slightly to 93.9%, down from last year's 94.9%. Rev Par (revenue per available room) increased 5.3% or \$3.76 to \$74.28 for the three months ended September 30, 2007.

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Food and beverage revenue decreased \$294,000, or 4.3%, from \$6.8 million in 2006 to \$6.5 million mainly due to an overall decrease in covers in our outlets, drinks served on the casino floor and the closure of our snack bar.

Entertainment revenue increased \$477,000, or 13.2%, from \$3.6 million in 2006 to \$4.1 million in 2007 primarily due to higher ticket sales in our Versailles Theater and other entertainment venues.

Promotional allowances decreased by approximately \$226,000, or 5.5%, from \$4.1 million during 2006 to \$3.9 million during 2007 primarily due to decreases in the number of complimentary rooms related to casino activity.

Costs and Expenses

Casino expenses decreased \$502,000, or 6.0% from \$8.4 million in 2006 to \$7.9 million in 2007, due primarily to the reduction in casino marketing programs during the period.

Hotel expenses increased \$539,000, or 7.7% due to payroll and benefit cost increases primarily associated with new union contract increases and increased hotel marketing expenses.

Entertainment departmental costs and expenses increased by \$324,000, or 13.7% in the quarter.

Property EBITDA

Property EBITDA in Las Vegas increased \$419,000, or 7.3%, from \$5.7 million in 2006 to \$6.1 million in 2007 due principally to increased room revenues as discussed above and decreased casino marketing expense. EBITDA margins increased from 15.5% in 2006 to 16.2 % in 2007.

Riviera Black Hawk

Revenues

Net revenues increased \$978,000 or 7.3% from \$13.5 million in 2006 to \$14.4 million in 2007. The increase was related to an increase in slot revenue as a result of an increase in the slot hold percentage as the slot volumes in the lower denomination slot machines exceeded the prior year.

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Food and beverage revenues were approximately \$1.5 million in 2007, of which \$1.2 million was complimentary (promotional allowance).

Property EBITDA

Property EBITDA at Riviera Black Hawk increased \$570,000, or 11.7%, from \$4.9 million in 2006 to \$5.4 million in 2007, primarily due to the increased slot revenues, reduced payroll and marketing expenses. Our EBITDA margins increased from 36.2% in the third quarter of 2006 to 37.7% in the third quarter of 2007.

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Consolidated Operations

Other Expense

Other expense increased \$18.5 million due primarily to our recording an unrealized loss on the fair value of our interest rate swap of \$7.4 million and the loss on retirement of debt of \$12.9, which consisted of a non cash charge of \$5.0 million of unamortized deferred loan costs and discounts and \$7.9 million for prepayment premium related to the old bonds, which was offset by a decrease in net interest expense of \$1.9 million.

Net Loss

Net loss increased \$17.8 million from \$432,000 in 2006 to \$18.3 million in 2007 due primarily to the factors described above associated with the retirement of debt and a decrease in our swap fair value, offset slightly by an increase in operating income.

Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006

The following table sets forth, for the periods indicated, certain operating data for Riviera Las Vegas and Riviera Black Hawk. Property EBITDA does not include intercompany management fees.

(Dollars in thousands)	Nine Months		Incr	Incr %
	2007	2006		
	----	----	----	----
Net Revenues:				
Riviera Las Vegas	\$116,597	\$114,975	\$1,622	1.4%
Riviera Black Hawk	41,475	39,500	1,975	5.0%
	-----	-----	-----	
Total Net Revenues	\$158,072	\$154,475	\$3,597	2.3%
	=====	=====	=====	
Property EBITDA				
Riviera Las Vegas	\$24,143	\$22,529	\$1,614	7.2%
Riviera Black Hawk	15,132	12,774	2,358	18.5%
	-----	-----	-----	
Property EBITDA	39,275	35,303	3,972	11.3%
	-----	-----	-----	
Property EBITDA Margins (1)				
Riviera Las Vegas	20.7%	19.6%	1.1%	
Riviera Black Hawk	36.5%	32.3%	4.2%	

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(1) Property EBITDA margins represent EBITDA as a percentage of net revenues by property.

Riviera Las Vegas

Revenues

Net revenues increased \$1.6 million, or 1.4%, from \$115.0 million in 2006 to \$116.6 million in 2007 due primarily to increased hotel and slot revenues.

Casino revenue increased \$618,000 or 1.3% over the prior year due to in increased slot hold percentage brought about by increased marketing programs, which provided additional complimentary hotel rooms and cash back to slot players.

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Room revenue increased \$3.2 million, or 7.4%, from \$43.1 million in 2006 to \$46.3 million in 2007 due to an overall increase in the average room rate. Hotel occupancy increased to 94.1%, from last year's 94.0% and the average daily room rate increased \$5.28 to \$83.13 in 2007 from \$77.85 in 2006. Rev Par (revenue per available room) increased 7.0% or \$5.10 to \$78.24.

Food and beverage revenues decreased \$816,000, or 3.7%, from \$21.8 million in 2006 to \$21.0 million in 2007, due to a decrease in banquets covers, which were down 8.9%.

Entertainment revenues decreased by approximately \$1.2 million, or 10.9%, from \$11.2 million during 2006 to \$10.0 million during 2007 due primarily to the Versailles Theater closure for four months and a decrease in ticket sales associated with our other entertainment venues.

Promotional allowances increased by approximately \$315,000 or 2.5%, from \$12.5 million during 2006 to \$12.8 million during 2007 primarily due to increases in complimentary room revenue as a result of an increase in slot marketing activity, which occurred in the first six months of the periods.

Costs and Expenses

Casino expenses decreased \$205,000 or 0.8% from \$25.2 million in 2006 to \$25.0 million in 2007 due to reduced casino marketing costs.

Entertainment costs decreased \$1.3 million, or 17.4%, primarily due to lower ticket sales associated with the closure of our Versailles Theater for four months, which resulted in reduced payments to producers and costs associated with the opening of our new show in April in the Versailles Theater.

Property EBITDA

Property EBITDA in Las Vegas increased \$1.6 million, or 7.2%, from \$22.5 million in 2006 to \$24.1 million in 2007 due to increased room and casino revenue as discussed above. EBITDA margins in Las Vegas increased from 19.6% in 2006 to 20.7% in 2007 as a result of the factors described above.

Riviera Black Hawk

Revenues

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Net revenues increased by approximately \$2.0 million, or 5.0%, from \$39.5 million in 2006 to \$41.5 million in 2007. Casino revenues increased \$2.1 million, or 5.5%, from \$38.3 million in 2006 and \$40.4 million in 2007. The increase was primarily related to an increase in slot revenue as a result of improved hold percentage on lower denomination slot machines. These new machines were installed in late 2006.

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Property EBITDA

Property EBITDA in Black Hawk increased \$2.4 million, or 18.5%, from \$12.8 million in 2006 to \$15.1 million in 2007 primarily due to the increase slot revenue discussed above and reduced casino expenses from the benefits from converting the floor to TITO in late 2006. EBITDA margins in Black Hawk increased from 32.3% in 2006 to 36.5% in 2007 as a result of more targeted marketing promotions and the benefits of TITO.

Consolidated Operations

Other Expense

Other expenses increased \$17.8 million due primarily to our recording an unrealized loss on the fair value of our interest rate swap of \$6.7 million, which was entered into in June 2007, and the loss on the retirement of debt of \$12.9 million, which consisted of a non cash charge of \$5.0 million to write-off unamortized costs and discounts and \$7.9 million for the prepayment premium related to the old bonds which were extinguished on July 9, 2007 as a result of our refinancing in June. These two items were offset by reduced net interest expense for the year also as a result of our refinancing in June.

Net Loss

Net loss increased \$13.4 million from \$1.3 million of net income in 2006 to \$12.1 million net loss in 2007 due primarily to the loss on the fair value of the swap and the loss on the retirement of debt as discussed above offset by the increased income from operations of \$4.4 million.

Liquidity and Capital Resources

At September 30, 2007, we had cash and cash equivalents of \$33.0 million. Our cash and cash equivalents increased \$7.7 million during the first nine months of 2007, as a result of \$17.3 million of cash provided by operations, \$8.9 million of cash outflow for investing activities including \$2.8 million of restricted cash and \$700,000 decrease for financing activities including proceeds from of our \$225 million Term Loan. Our cash balances include amounts that could be required, upon five days' notice, to fund our CEO's (Mr. Westerman's) pension obligation in a rabbi trust. We pay Mr. Westerman \$250,000 per quarter from his pension plan. In exchange for these payments, Mr. Westerman has agreed to forbear on his right to receive full transfer of his pension fund balance to the rabbi trust. This does not limit his ability to give the five-day notice at any time. Although Mr. Westerman has expressed no current intention to require this funding, under certain circumstances we may be required to disburse approximately \$2.3 million for this purpose in a short period.

We believe that cash flow from operations, combined with the \$33.0 million cash and cash equivalents and the \$20 million Revolving Credit Facility, will be sufficient to cover our current debt service and enable investment in budgeted capital expenditures of \$12.5 million for 2007 for both Riviera Las Vegas and Riviera Black Hawk including planned capital improvements and assessments for

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the Main Street expansion in Black Hawk.

On June 8, 2007, we and our Subsidiaries entered into the New Credit Facility.

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The New Credit Facility includes a \$225 million seven-year term loan ("Term Loan"), and has no amortization for the first three years, and a one percent amortization for years four through six, and a full payoff in year seven, in addition to an annual mandatory pay down during the term of 50% of excess cash flows, as defined. The New Credit Facility also includes a \$20 million five-year revolving credit facility ("Revolving Credit Facility") under which we can obtain extensions of credit in the form of cash loans or standby letters of credit ("Standby L/Cs"). We are permitted to prepay the New Credit Facility without premium or penalties except for payment of any funding losses resulting from prepayment of LIBOR rate loans. The rate for the Term Loan and revolving Credit Facility is LIBOR plus 2.0%. Pursuant to a floating rate to fixed rate swap agreement that became effective June 29, 2007 that we entered into under the New Credit Facility, substantially the entire Term Loan portion of the New Credit facility, with quarterly step-downs, bears interest at an effective fixed rate of 7.485% per annum (2.0% above the LIBOR Rate in effect on the lock-in date of the swap agreement). The New Credit Facility is guaranteed by the Subsidiaries and is secured by a first priority lien on substantially all of our assets.

We used substantially all of the proceeds of the Term Loan to discharge our obligations under the Indenture, dated June 26, 2002 (the "Indenture"), with The Bank of New York as trustee (the "Trustee"), governing the 11% Notes. On June 8, 2007 we deposited these funds with the Trustee and issued to the Trustee a notice of redemption of the 11% Notes, which was finalized on July 9, 2007.

We utilize derivative instruments for a substantial portion of our Term Loan to manage certain interest rate risk. Our interest rate swap agreement has a rate of 5.48% compared to the three month LIBOR rate of 5.20% as of September 30, 2007.

The interest rate on loans under the Revolving Credit Facility will depend on whether they are in the form of revolving loans or swingline loans. For each revolving loan, the interest rate will depend on whether we elect to treat the loan as an "Alternate Base Rate" loan ("ABR Loan") or a LIBOR Rate loan.

Swing line loans will bear interest at a per annum rate equal to the Alternative Base Rate plus the Applicable Percentage for revolving loans that are ABR Loans.

We will also pay fees under the Revolving Credit Facility as follows: (i) a commitment fee in an amount equal to either .50% or 0.375% (depending on the Consolidated Leverage Ratio) per annum on the average daily unused amount of the Revolving Credit Facility; (ii) Standby L/C fees equal to between 2.00% and 1.50% (depending on the Consolidated Leverage Ratio) per annum on the average daily maximum amount available to be drawn under each Standby L/C issued and outstanding from the date of issuance to the date of expiration; and (iii) a Standby L/C facing fee in the amount of 0.25% per annum on the average daily maximum amount available to be drawn under each Standby L/C. In addition to the Revolving Credit Facility fees, we will pay an annual administrative fee of \$35,000.

The New Credit Facility contains affirmative and negative covenants customary for financings of this nature including, but not limited to, restrictions on our incurrence of other indebtedness.

The New Credit Facility contains events of default customary for financings of

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this nature including, but not limited to, nonpayment of principal, interest, fees or other amounts when due; violation of covenants; failure of any representation or warranty to be true in all material respects; cross-default and cross-acceleration under our other indebtedness or certain other material obligations; certain events under federal law governing employee benefit plans; a "change of control"; dissolution; insolvency; bankruptcy events; material judgments; uninsured losses; actual or asserted invalidity of the guarantees or the security documents; and loss of any gaming licenses. Some of these events of default provide for grace periods and materiality thresholds. For purposes of these default provisions, a "change in control" includes: a person's acquisition of beneficial ownership of 35% or more of our stock coupled with a gaming license and/or approval to direct any of our gaming operations, a change in a majority of the members of our board of directors other than as a result of changes supported by our current board members or by successors who did not stand for election in opposition to our current board, or our failure to maintain 100% ownership of the Subsidiaries.

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For a further description of the New Credit Facility, see Item 1.01 of the Form 8-K that we filed on June 14, 2007.

Critical Accounting Policies

A description of our critical accounting policies and estimates can be found in Item 7 of our Form 10-K for the year ended December 31, 2006. We have had no changes to our critical accounting policies since December 31, 2006.

Forward-Looking Statements

Throughout this report we make "forward-looking statements," as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include the words "may," "would," "could," "likely," "estimate," "intend," "plan," "continue," "believe," "expect" or "anticipate" and similar words as well as our acquisition, development and expansion plans, objectives or expectations and our liquidity projections. These forward-looking statements generally relate to our plans, objectives, prospects and expectations for future operations and results and are based upon what we consider to be reasonable future estimates. Although we believe that our plans, objectives, prospects and expectations reflected in, or suggested by, such forward-looking statements are reasonable at the present time, we may not achieve or we may modify them from time to time. Furthermore, there is no assurance that any positive trends suggested or referred to in this report will continue. You should read this report thoroughly and with the understanding that actual future results may be materially different from what we expect. We do not plan to update forward-looking statements even though our situation or plans may change in the future, unless applicable law requires us to do so.

Specific factors that might cause our actual results to differ from our plans, objectives or expectations, might cause us to modify them, or might affect our ability to achieve them, include, but are not limited to:

- o the results of our previously announced strategic process to explore alternatives for maximizing shareholder value;
- o fluctuations in the value of our real estate, particularly in Las Vegas;
- o the availability and adequacy of our cash flow to meet our requirements, funding and debt obligations;

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- o our substantial indebtedness, debt service requirements and liquidity constraints;
- o the smoking ban in Colorado on our Riviera Black Hawk property which becomes effective on January 1, 2008;
- o the availability of additional capital to support capital improvements and development;
- o the ability to renegotiate union contracts in Las Vegas;
- o competition in the gaming industry, including the availability and success of alternative gaming venues and other entertainment attractions;
- o retirement or other loss of any of our senior officers;
- o economic, competitive, demographic, business and other conditions in our local and regional markets;
- o changes or developments in laws, regulations or taxes in the gaming industry;
- o actions taken or not taken by third parties, such as our customers, suppliers, and competitors, as well as legislative, regulatory, judicial and other governmental authorities;
- o changes in our personnel or their compensation, including those resulting from changes in minimum wage requirements;
- o our failure to obtain, delays in obtaining, or the loss of, any licenses, permits or approvals, including gaming and liquor licenses, or the limitation, conditioning, suspension or revocation of any such licenses, permits or approvals, or our failure to obtain an unconditional renewal of any of our licenses, permits or approvals on a timely basis;
- o the loss of any of our casino, hotel or convention facilities due to terrorist acts, casualty, weather, mechanical failure or any extended or extraordinary maintenance or inspection that may be required;
- o other adverse conditions, such as economic downturns, changes in general customer confidence or spending, increased transportation costs, travel concerns or weather-related factors, that may adversely affect the economy in general or the casino industry in particular;
- o changes in our business strategy, capital improvements or development plans;
- o the consequences of the war in Iraq and other military conflicts in the Middle East and any future security alerts or terrorist attacks such as the attacks that occurred on September 11, 2001; and
- o other risk factors and uncertainties discussed elsewhere in this report.

All future written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. In light of these and other risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

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ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

Market risks relating to our operations result primarily from changes in interest rates. We invest our cash and cash equivalents in U.S. Treasury Bills with maturities of 30 days or less. Such investments are generally not affected by changes in interest rates.

As of September 30, 2007, we had \$225.6 million in borrowings. The borrowings include a \$225 million Term Loan maturing in 2014 and a capital lease maturing in 2009. The equipment capital lease has a fixed interest rate of 5.5%. The borrowings also include \$348,000 in a special improvement district ("SID") bond offering with the City of Black Hawk. Our share of the debt on the SID bonds of \$1.2 million, is payable over ten years beginning in 2000. The SID bonds bear interest at 5.5%. We are not susceptible to interest rate risk because our outstanding debt is at fixed rates. As of September 30, 2007, we had no borrowing outstanding under our Revolving Credit Facility. As of September 30, 2007, we have one interest rate swap arrangement to hedge the underlying interest rate risk on a total of \$225 million of borrowings under the Term Loan, which bears interest at LIBOR plus 2.0%. Under this interest rate swap arrangement, we receive payments at a variable rate of LIBOR and pay a fixed rate of 5.485% on the \$225 million notional amount which expires on June 8, 2014. Although this interest rate swap is highly effective economically in fixing the interest rate on this borrowing under the Term Loan at approximately 7.485%, changes in fair value of our interest rate swap for each reporting period are, and will continue to be, recorded as an increase/(decrease) in swap fair value as the swap does not qualify for hedge accounting. A hypothetical one percent change in interest rate would have an immaterial effect on our financial statements as of September 30, 2007.

Interest Rate Sensitivity

Principal (Notational Amount by Expected Maturity)

Average Interest Rate

(Dollars in thousands)	2007	2008	2009	2010	2011	Thereafter	Total	F a
Long-Term Debt, Including								
Current Portion								
Equipment loans and								
capital leases - Las Vegas	\$ 23	\$ 95	\$ 81	\$ 26	\$ 26	\$ 17	\$ 268	
Average interest rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%		
\$225,000 Term Loan				\$1,125	\$ 2,250	\$221,625	\$225,000	
Average interest rate				7.5%	7.5%	7.5%		
SID Bonds -								
Black Hawk, Colorado	\$ 66	\$ 137	\$ 145				\$ 348	
Average interest rate	5.5%	5.5%	5.5%					
Total long-term debt, including current portions	\$ 89	\$ 232	\$ 226	\$1,151	\$ 2,276	\$221,642	\$225,616	
Other Long-Term Liabilities Including Current Portions								
CEO pension plan obligation	\$250	\$1,000	\$1,000	\$ 70			\$ 2,320	
Approximate Interest Rate	11.8%	9.0%	7.5%	7.5%				
Total long-term obligations	\$ 339	\$1,232	\$1,226	\$1,221	\$ 2,276	\$221,642	\$227,936	

ITEM 4. Controls and Procedures

We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our chief executive officer ("CEO") and chief financial officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 30, 2007, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our CEO and CFO concluded that our disclosure controls and procedures were effective.

During our last fiscal quarter there were no changes in our internal control over financial reporting, (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)), that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Please see Note 6 to the Financial Statements included in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

Our annual report on Form 10-K for the fiscal year ended December 31, 2006 (our "2006 Form 10-K") as updated by our first and second quarterly reports for the periods ending March 31, 2007 and June 30, 2007, respectively, contains a detailed discussion of our risk factors. The information below updates and should be read in conjunction with the risk factors and other information disclosed in our 2006 Form 10-K and subsequent updates.

The Strategic Process That We Announced On May 11, 2007 Provides
No Assurance Of Success, Especially In Light Of Other Recent Events.

Although we are working with Jefferies on our strategic process to explore alternatives for maximizing shareholder value, including a possible sale of our entire company, there is substantial uncertainty as to whether we will be successful in this process and how long the process will take. That uncertainty has been heightened by at least two recent events. First, RAH and its related parties (collectively, the "RAH Parties") prevailing in the Declaratory Action lawsuit and its subsequent exercise of its option to purchase all of Triple Five Investco LLC's 1,147,550 shares of our common stock might make other parties unwilling to bid for our company. As a result of this acquisition we believe the RAH Parties now beneficially own approximately 18.5% of our stock and are our

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largest shareholder. Second, the trading price of our stock, which has been volatile in recent years, has declined materially in recent months. This might cause prospective bidders to defer or withdraw takeover proposals or to make proposals at prices below the \$30 and \$34 per share proposals that were announced in May 2007.

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As a Result of the Lawsuit The RAH Parties Might Be Able To Corner The Market For Our Shares.

The RAH Parties acquisition of the T5 shares could preclude competitive bidding or other strategic plans for our company that conflict with their own objective of acquiring our company at the lowest possible price.

Uncertainties Concerning The Results Of Our Strategic Process Might Make It More Difficult For Us To Replace Any Key Personnel If We Lose Them.

These uncertainties might add to the difficulties that we discussed in the Risk Factors section (Part I, Item 1A) of our 2006 Form 10-K concerning replacement of any key personnel if we lose them.

Uncertainties Concerning the Fight Against Higher Gaming Taxes In Nevada

If new proposals in 2008, that seek increases in Nevada gaming taxes, succeed it would have an adverse effect on the profitability of the company.

Item 6. Exhibits.

See list of exhibits on page 25.

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

RIVIERA HOLDINGS CORPORATION

By:/s/ William L. Westerman
William L. Westerman
Chairman of the Board and
Chief Executive Officer

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By: /s/ Mark Lefever
Mark Lefever
Treasurer and
Chief Financial Officer

Date: November 7, 2007

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Exhibits

Exhibits:

- 3.1 Bylaws of the Company with amendments
- 31.1 Certification of the Principal Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).
- 31.2 Certification of the Principal Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).
- 32.1 Certification of the Principal Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. 1350.
- 32.2 Certification of the Principal Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. 1350.

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