

RIVIERA HOLDINGS CORP
Form 10-Q
November 09, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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, 2009

OR

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

For the transition period from _____ to _____

Commission file number 000-21430

Riviera Holdings Corporation
(Exact name of Registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

88-0296885

(IRS Employer Identification No.)

2901 Las Vegas Boulevard South, Las Vegas,
Nevada
(Address of principal executive offices)

89109
(Zip Code)

(702) 794-9527
(Registrant's telephone number, including area code)

(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 has submitted electronically and posted on its corporate Web site, if

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any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes " No "

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

Large accelerated filer "

Accelerated filer ý

Non-accelerated filer "

(Do not check if smaller reporting company)

Smaller reporting company ý

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

As of November 6, 2009, there were 12,473,055 shares of Common Stock, \$.001 par value per share, outstanding.

RIVIERA HOLDINGS CORPORATION

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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, 2009 and 2008 are not necessarily indicative of the results for the entire year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2008, included in our Annual Report on Form 10-K.

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RIVIERA HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

| | September 30, 2009 (unaudited) | December 31, 2008 |
|--|---|-------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 21,244 | \$ 13,461 |
| Restricted cash and investments | 2,772 | 2,772 |
| Accounts receivable-net of allowances of \$266 and \$559, respectively | 1,973 | 2,457 |
| Inventories | 490 | 718 |
| Prepaid expenses and other assets | 3,217 | 2,976 |
| Total current assets | 29,696 | 22,384 |
| PROPERTY AND EQUIPMENT-net | 171,071 | 179,918 |
| OTHER ASSETS-net | 2,594 | 2,658 |
| TOTAL | \$ 203,361 | \$ 204,960 |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY | | |
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | \$ 227,543 | \$ 227,689 |
| Current portion of mark to market and fair value of interest rate swap liabilities | 22,148 | 16,828 |
| Current portion of obligation to officers | 253 | 1,028 |
| Accounts payable | 6,509 | 7,751 |
| Accrued interest | 13,656 | 98 |
| Accrued expenses | 10,707 | 10,201 |
| Total current liabilities | 280,816 | 263,595 |
| LONG-TERM DEBT-net of current portion | 126 | 158 |
| Total liabilities | 280,942 | 263,753 |
| COMMITMENTS and CONTINGENCIES (Note 8) | | |
| STOCKHOLDERS' DEFICIENCY: | | |
| Common stock (\$.001 par value; 60,000,000 shares authorized, 17,141,124 and 17,161,824 shares issued at September 30, 2009 and December 31, 2008, respectively, and 12,473,055 and 12,493,755 shares outstanding at September 30, 2009 and December 31, 2008, respectively) | 17 | 17 |
| Additional paid-in capital | 20,245 | 19,820 |
| Treasury stock (4,668,069 shares at September 30, 2009 and December 31, 2008, respectively) | (9,635) | (9,635) |
| Accumulated deficit | (88,208) | (68,995) |
| Total stockholders' deficiency | (77,581) | (58,793) |
| TOTAL | \$ 203,361 | \$ 204,960 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

RIVIERA HOLDINGS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| REVENUES: | | | | |
| Casino | \$ 21,437 | \$ 21,516 | \$ 63,501 | \$ 71,062 |
| Rooms | 8,668 | 12,138 | 27,677 | 41,561 |
| Food and beverage | 6,184 | 6,939 | 17,959 | 22,487 |
| Entertainment | 2,554 | 3,549 | 6,511 | 10,182 |
| Other | 1,346 | 1,657 | 4,294 | 5,136 |
| Total revenues | 40,189 | 45,799 | 119,942 | 150,428 |
| Less-promotional allowances | (5,557) | (5,591) | (16,011) | (16,643) |
| Net revenues | 34,632 | 40,208 | 103,931 | 133,785 |
| COSTS AND EXPENSES: | | | | |
| Direct costs and expenses of operating departments: | | | | |
| Casino | 11,671 | 11,494 | 33,411 | 36,333 |
| Rooms | 4,800 | 6,377 | 14,484 | 19,645 |
| Food and beverage | 4,249 | 5,007 | 12,042 | 16,349 |
| Entertainment | 813 | 2,023 | 2,613 | 6,384 |
| Other | 297 | 315 | 891 | 971 |
| Other operating expenses: | | | | |
| Share-based compensation | 153 | 188 | 425 | 620 |
| Other general and administrative | 9,497 | 10,631 | 26,883 | 30,561 |
| Mergers, acquisitions and development costs | — | 59 | — | 104 |
| Restructuring fees | 569 | — | 2,106 | — |
| Depreciation and amortization | 3,590 | 3,919 | 11,300 | 10,879 |
| Total costs and expenses | 35,639 | 40,013 | 104,155 | 121,846 |
| (LOSS) INCOME FROM OPERATIONS | (1,007) | 195 | (224) | 11,939 |
| OTHER EXPENSE: | | | | |
| Change in value of derivative instrument | — | 615 | (5,320) | 1,617 |
| Gain on extinguishment of debt | — | — | 146 | — |
| Interest expense-net | (3,666) | (4,274) | (13,815) | (12,730) |
| Total other expense-net | (3,666) | (3,659) | (18,989) | (11,113) |
| NET (LOSS) INCOME | \$ (4,673) | \$ (3,464) | \$ (19,213) | \$ 826 |
| NET (LOSS) INCOME PER SHARE DATA: | | | | |
| Basic | \$ (0.38) | \$ (0.28) | \$ (1.54) | \$ 0.07 |
| Diluted | \$ (0.38) | \$ (0.28) | \$ (1.54) | \$ 0.07 |
| Weighted-average common shares outstanding | 12,340 | 12,412 | 12,480 | 12,387 |
| Weighted-average common and common equivalent shares | 12,340 | 12,412 | 12,480 | 12,547 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

RIVIERA HOLDINGS CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
 FOR THE NINE MONTHS ENDED SEPTEMBER 30,

(in thousands)

| | 2009 | 2008 |
|--|------------------|------------------|
| OPERATING ACTIVITIES: | | |
| Net (loss) income | \$ (19,213) | \$ 826 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 11,543 | 11,134 |
| Provision for bad debts | (29) | 222 |
| Stock based compensation-restricted stock | 358 | 462 |
| Stock based compensation-stock options | 67 | 158 |
| Change in value of derivative instruments | 5,320 | (1,617) |
| Gain on extinguishment of debt | (146) | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable-net | 513 | 825 |
| Inventories | 228 | 487 |
| Prepaid expenses and other assets | (420) | 539 |
| Accounts payable | (1,722) | (2,551) |
| Accrued interest | 13,558 | (119) |
| Accrued expenses | 506 | (2,389) |
| Obligation to officers | (775) | (778) |
| Net cash provided by operating activities | 9,788 | 7,199 |
| INVESTING ACTIVITIES: | | |
| Capital expenditures-Las Vegas | (408) | (16,349) |
| Capital expenditures-Black Hawk | (1,565) | (1,610) |
| Net cash used in investing activities | (1,973) | (17,959) |
| FINANCING ACTIVITIES: | | |
| Payments on long-term borrowings | (32) | (127) |
| Proceeds from line of credit | — | 2,500 |
| Proceeds from exercise of stock options | — | 100 |
| Net cash (used in) provided by financing activities | (32) | 2,473 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 7,783 | (8,287) |
| CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR | 13,461 | 28,819 |
| CASH AND CASH EQUIVALENTS-END OF PERIOD | \$ 21,244 | \$ 20,532 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| Property acquired with debt and accounts payable | \$ 480 | \$ 3,338 |
| Cash paid for interest | \$ 6 | \$ 12,759 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

RIVIERA HOLDINGS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. 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 RHC and its direct and indirect wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

In preparing the accompanying unaudited condensed consolidated financial statements, the Company’s management reviewed events that occurred from September 30, 2009 until the issuance of the financial statements on November 9, 2009.

2. GOING CONCERN

The financial statements have been prepared assuming that the Company will continue as a going concern. As more fully discussed in Note 5 below, the Company is currently in default on its Credit Facility (as defined in Note 5 below) as of September 30, 2009. As a result, there is substantial doubt about the Company’s ability to continue as a going concern. If the Company’s debt is accelerated and the Company’s long-term assets must be liquidated, these assets may be impaired in comparison to current recovery values. The Company is carrying long-term assets based upon management’s assumptions related to its current intentions and plans.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications

Certain reclassifications, having no effect on net (loss) income have been made to the previously issued consolidated financial statements to conform to the current period’s presentation of the Company’s condensed consolidated financial statements.

Earnings Per Share

Basic net (loss) income per share amounts are computed by dividing net (loss) income by weighted average shares outstanding during the period. Diluted net (loss) income per share amounts are computed by dividing net (loss) income by weighted average shares outstanding, plus, the dilutive effect of common share equivalents during the period. There were no potentially dilutive common share equivalents as of September 30, 2009.

Income Taxes

The income tax provision, if any, for the three and nine months ended September 30, 2009 and 2008, 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, it is more likely than not that the Company will not be able to recognize the deferred assets. As such, a valuation allowance has been established and the current year tax benefit has not been recognized.

Commencing January 1, 2007, the Company is subject to authoritative guidance pertaining to accounting for uncertainty in income taxes. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on the Company's financial condition, results of operations, or cash flow. Therefore, the Company has not established any reserves or recorded a cumulative effect adjustment related to the adoption of the guidance. Moreover, with respect to the adoption of the guidance, management does not believe that there will be a settlement or change in the Company's tax liability related to uncertain tax positions or unrecognized tax benefits within the next twelve months. With a few exceptions, we are no longer subject to U.S. federal, state and local income tax examinations for years before 1994.

Estimates and Assumptions

The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles 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, estimated fair value for stock-based compensation, estimated fair value of derivative instruments and deferred tax assets. Actual results may differ from estimates.

Restricted Cash

This cash is held as a certificate of deposit for the benefit of the State of Nevada Workers Compensation Division as a requirement of our being self-insured for Workers Compensation. The cash was held in a one-year certificate of deposit which matured during the three months ended September 30, 2009. Subsequently, the cash was transferred into a similar one-year certificate of deposit which matures August 2010.

Mergers, Acquisitions and Development Costs

Mergers, acquisitions and development costs consist of associated legal fees.

Derivative Instruments

From time to time, the Company enters into interest rate swaps. The Company's objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, the Company primarily uses interest rate swaps as part of its cash flow hedging strategy.

Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amount. We do not use derivative financial instruments for trading or speculative purposes. As such, the Company has adopted Financial Accounting Standards Board Accounting Standards Codification Topic 815, to account for interest rate swaps. The pronouncements require us to recognize the interest rate swaps as either assets or liabilities in the consolidated balance sheets at fair value. The accounting for changes in fair value (i.e. gains or losses) of the interest rate swap agreements depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. Additionally, the difference between amounts received and paid under such agreements, as well as any costs or fees, is recorded as a reduction of, or an addition to, interest expense as incurred over the life of the swap.

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and the ineffective portion, if any, is recorded in the consolidated statement of operations.

Derivative instruments that are designated as fair value hedges and qualify for the "shortcut" method allow for an assumption of no ineffectiveness. As such, there is no impact on the consolidated statement of operations from the changes in the fair value of the hedging instrument. Instead, the fair value of the instrument is recorded as an asset or liability on our balance sheet with an offsetting adjustment to the carrying value of the related debt.

On July 28, 2009, the Company received an early termination notice which claims a termination amount due and payable under the swap agreement equal to \$26.6 million, which includes \$4.4 million in accrued interest (see Note 5). As a result, the Company adjusted its June 30, 2009 swap liability to reflect the amount claimed due and payable at termination.

The Company recorded no gain or loss as a result of a change in the fair value of derivative instruments for the three months ended September 30, 2009 in comparison to a \$0.6 million gain as a result of a change in the fair value of derivative instruments for the comparable period in the prior year. The Company recorded a \$5.3 million loss as a result of the change in the fair value of derivative instruments for the nine months ended September 30, 2009 in comparison to a \$1.6 million gain as a result of the change in the value of derivative instruments for the comparable period in the prior year.

Gain on Extinguishment of Debt

In 2000, the Company incurred debt totaling \$1.2 million associated with Special Improvement District Bonds issued by the City of Black Hawk, Colorado for road improvements and other infrastructure projects benefiting Riviera Black Hawk and neighboring casinos. The remaining balance of the debt was \$146,000 at December 31, 2008 and this amount was forgiven by the City of Black Hawk in February 2009. As a result, the \$146,000 was recorded as a gain on extinguishment of debt within the accompanying consolidated statement of operations during the nine months ended September 30, 2009.

Restructuring Fees

During the three and nine months ended September 30, 2009, the Company incurred restructuring fees of \$0.6 million and \$2.1 million, respectively. These professional fees are associated with a potential restructuring of the Company's Credit Facility (see Note 5).

New Accounting Pronouncements

In the third quarter of 2009, the Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The ASC is the single official source of authoritative, nongovernmental GAAP, other than guidance issued by the SEC. The adoption of the ASC did not have an impact on the financial statements included herein.

In August 2009, the FASB issued Accounting Standards Update No. 2009-05 ("ASC Update 2009-05"), an update to ASC 820, Fair Value Measurements and Disclosures. This update provides amendments to reduce potential ambiguity in financial reporting when measuring the fair value of liabilities. Among other provisions, this update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the valuation techniques described in ASC Update 2009-05. ASC Update 2009-05 will become effective for the Company's annual financial statements for the year ended December 31, 2009. The Company has not determined the impact that this update may have on its financial statements.

In June 2009, the FASB issued guidance related to accounting for transfers of financial assets. This guidance improves the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a continuing interest in transferred financial assets. In addition, this guidance amends various ASC concepts with respect to accounting for transfers and servicing of financial assets and extinguishments of liabilities, including removing the concept of qualified special purpose entities. This guidance must be applied to transfers occurring on or after the effective date. The Company will adopt this guidance in its first annual and interim reporting periods beginning after November 15, 2009. The adoption of this guidance does not have any impact on the financial statements included herein.

In June 2009, the FASB issued guidance which amends certain ASC concepts related to consolidation of variable interest entities. Among other accounting and disclosure requirements, this guidance replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. The adoption of this guidance does not have any impact on the financial statements included herein.

Other Standards Recently Adopted

Effective January 1, 2009, the Company prospectively adopted ASC guidance related to disclosures about derivative instruments and hedging activities and new ASC guidance related to fair value measurements required for the Company's nonfinancial assets and nonfinancial liabilities. See Note 7 for disclosures related to the adoption of these ASC updates.

4. DEFERRED FINANCING COSTS

Deferred loan fees of \$1.2 million and \$1.4 million were included in other assets as of September 30, 2009 and December 31, 2008, respectively. The deferred loan fees were associated with refinancing our debt on June 8, 2007. The Company is amortizing the deferred loan fees using the effective interest method over the term of the loan.

5. LONG TERM DEBT AND COMMITMENTS

2007 Credit Facility and Swap Agreement

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 “Credit Agreement” together with related security agreements and other credit-related agreements, the “Credit Facility”) with Wachovia Bank, National Association (“Wachovia”), as administrative agent. On June 29, 2007, in conjunction with the Credit Facility, the Company entered into an interest rate swap agreement with Wachovia as the counterparty that became effective June 29, 2007 (the “Swap Agreement”).

The 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 therein. The Credit Facility included a \$20 million five-year Revolver (“Revolver”) under which RHC could obtain extensions of credit in the form of cash loans or standby letters of credit (“Standby L/Cs”). Pursuant to Section 2.6 of the Credit Agreement, on June 5, 2009, the Company voluntarily reduced the Revolver commitment from \$20 million to \$3 million. RHC is permitted to prepay the Credit Facility without premium or penalties except for payment of any funding losses resulting from prepayment of any LIBOR rate loans. The Credit Facility is guaranteed by the Subsidiaries and is secured by a first priority lien on substantially all of the Company’s assets.

Prior to certain events of default that occurred in fiscal 2009 (the “2009 Credit Defaults”) described below, the rate for the Term Loan was LIBOR plus 2.0%. Pursuant to the Swap Agreement that RHC entered into with Wachovia under the Credit Facility, substantially the entire Term Loan, with quarterly step-downs, bore interest at an effective fixed rate of 7.485% (7.405% for 2008) per annum (2.0% above the LIBOR Rate in effect on the lock-in date of the Swap Agreement) prior to the Credit Facility Defaults. The Swap Agreement specifies that the Company pay an annual interest rate spread on a notional balance that approximates the Term Loan balance and steps down quarterly. The interest rate spread is the difference between the LIBOR rate and 5.485% and the notional balance was \$203.9 million as of September 30, 2009.

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 Senior Secured Notes issued by the Company on June 26, 2002 (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 executed on July 9, 2007.

Prior to the 2009 Credit Defaults, the interest rate on loans under the Revolver depended on whether they were in the form of revolving loans or swingline loans (“Swingline Loans”). Prior to the 2009 Credit Defaults, the interest rate for each revolving loan depended on whether RHC elects to treat the loan as an “Alternate Base Rate” loan (“ABR Loan”) or a LIBOR Rate loan; and Swingline Loans bore interest at a per annum rate equal to the Alternative Base Rate plus the Applicable Percentage for revolving loans that were ABR Loans. Prior to the 2009 Credit Defaults, the applicable percentage for Swingline Loans ranged from 0.50% to 1% depending on the Consolidated Leverage Ratio as defined in our Credit Facility Credit Agreement. Our Consolidated Leverage Ratio was 14.99 for the four quarters ending September 30, 2009, which exceeded the maximum allowable Consolidated Leverage Ratio set forth in the Credit Agreement. This ratio test is only applicable if we have more than \$2.5 million in Revolver borrowings at the end of the applicable quarter.

Fees payable under the Revolver include: (i) a commitment fee in an amount equal to either 0.50% or 0.375% (depending on the Consolidated Leverage Ratio) per annum on the average daily unused amount of the Revolver; (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. An annual administrative fee of \$35,000 is also payable in connection with the Revolver.

The 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 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 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.

2009 Credit Defaults

As previously disclosed on a Form 8-K filed with the SEC on March 4, 2009, the Company received a notice of default on February 26, 2009 (the “February Notice”), from Wachovia with respect to the Credit Facility in connection with the Company’s failure to provide a Deposit Account Control Agreement, or DACA, from each of the Company’s depository banks per a request made by Wachovia to the Company on October 14, 2008. The DACA that Wachovia requested the Company to execute was in a form that the Company ultimately determined to contain unreasonable terms and conditions as it would enable Wachovia to access all of the Company’s operating cash and order it to be transferred to a bank account specified by Wachovia. The Notice further provided that as a result of the default, the Company would no longer have the option to request the LIBOR Rate loans described above. Consequently, the Term Loan was converted to an ABR Loan effective March 31, 2009.

On March 25, 2009, the Company engaged XRoads Solution Group LLC as our financial advisor. Based on an extensive analysis of our current and projected liquidity, and with our financial advisor's input, we determined it was in the best interests of the Company to not pay the Credit Facility and Swap Agreement accrued interest of \$13.7 million for the nine months ended September 30, 2009. Consequently, we elected not to make these payments. The Company's failure to pay interest due on any loan within our Credit Facility within a three-day grace period from the due date was an event of default under our Credit Facility. As a result of these events of default, the Company's lenders have the right to seek to charge additional default interest on the Company's outstanding principal and interest under the Credit Agreement, and automatically charge additional default interest on any overdue amounts under the Swap Agreement. These default rates are in addition to the interest rates that would otherwise be applicable under the Credit Agreement and Swap Agreement.

As previously disclosed on a Form 8-K filed with the SEC on April 6, 2009, the Company received an additional notice of default on April 1, 2009 (the "April Default Notice") from Wachovia. The April Default Notice alleges that subsequent to the Company's receipt of the February Notice, additional defaults and events of default had occurred and were continuing under the terms of the Credit Agreement including, but not limited to: (i) the Company's failure to deliver to Wachovia audited financial statements without a "going concern" modification; (ii) the Company's failure to deliver Wachovia a certificate of an independent certified public accountant in conjunction with the Company's financial statement; and (iii) the occurrence of a default or breach under a secured hedging agreement. The April Default Notice also states that in addition to the foregoing events of default that there were additional potential events of default as a result of, among other things, the Company's failure to pay: (i) accrued interest on the Company's LIBOR rate loan on March 30, 2009 (the "LIBOR Payment"), (ii) the commitment fee on March 31, 2009 (the "Commitment Fee Payment"), and (iii) accrued interest on the Company's ABR Loans on March 31, 2009 (the "ABR Payment" and together with the LIBOR Payment and Commitment Fee Payment, the "March 31st Payments"). The Company has not paid the March 31st Payments and the applicable grace period to make these payments has expired. The April Default Notice states that as a result of these events of defaults, (a) all amounts owing under the Credit Agreement thereafter would bear interest, payable on demand, at a rate equal to: (i) in the case of principal, 2% above the otherwise applicable rate; and (ii) in the case of interest, fees and other amounts, the ABR Default Rate (as defined in the Credit Agreement), which as of April 1, 2009 was 6.25%; and (b) neither Swingline Loans nor additional Revolving Loans are available to the Company at this time.

As a result of the February Notice and the April Default Notice, effective March 31, 2009, the Term Loan interest rate increased to approximately 10.5% per annum and effective April 1, 2009, the Revolver interest rate is approximately 6.25% per annum. Consequently, the Company has incurred approximately \$3 million in default interest related to the Credit Facility and Swap Agreement for the nine months ended September 30, 2009.

On April 1, 2009, we also received Notice of Event of Default and Reservation of Rights (the "Swap Default Notice") in connection with an alleged event of default under our Swap Agreement. Receipt of the Swap Default Notice was previously disclosed on a Form 8-K filed with the SEC on April 6, 2009. The Swap Default Notice alleges that (a) an event of default exists due to the occurrence of an event of default(s) under the Credit Agreement and (b) that the Company failed to make payments to Wachovia with respect to one or more transactions under the Swap Agreement. The Company has not paid the overdue amount and the applicable grace period to make this payment has expired. As previously announced by the Company, any default under the Swap Agreement automatically results in an additional default interest of 1% on any overdue amounts under the Swap Agreement. This default rate was in addition to the interest rate that would otherwise be applicable under the Swap Agreement. As of September 30, 2009, the amount outstanding under the Swap Agreement was \$22.1 million.

On July 23, 2009, the Company received a Notice of Early Termination for Event of Default (the “Early Termination Notice”) from Wachovia in connection with an alleged event of default that occurred under the Swap Agreement. Receipt of the Early Termination Notice was previously disclosed on a Form 8-K filed with the SEC on July 29, 2009. The Early Termination Notice alleges that an event of default has occurred and is continuing pursuant to Sections 5(a)(i) and 5(a)(vi)(1) of the Swap Agreement. Section 5(a)(i) of the Swap Agreement addresses payments and deliveries specified under the Swap Agreement and Section 5(a)(vi)(1) of the Swap Agreement addresses cross defaults. The Early Termination Notice provides that Wachovia designated an early termination date of July 27, 2009 in respect of all remaining transactions governed by the Swap Agreement, including an interest rate swap transaction with a trade date of May 31, 2007.

On July 28, 2009, in connection with the Early Termination Notice, the Company received a Notice of Amount Due Following Early Termination from Wachovia that claimed the amount due and payable to Wachovia under the Swap Agreement is \$26.6 million, which includes \$4.4 million in accrued interest. As a result of the Early Termination Notice, the interest rates for the Term Loan and Revolver balances are no longer locked and are now subject to changes in underlying LIBOR rates and vary based on fluctuations in the Alternative Base Rate and Applicable Margins. As of September 30, 2009, our Term Loan and Revolver bear interest at approximately 6.25%.

With the aid of our financial advisors and outside counsel, we are continuing to negotiate with our various creditor constituencies to refinance or restructure our debt. We cannot assure you that we will be successful in completing a refinancing or consensual out-of-court restructuring, if necessary. If we were unable to do so, we would likely be compelled to seek protection under Chapter 11 of the U. S. Bankruptcy Code.

As a result of the defaults discussed above and the potential risk of Bankruptcy, there is substantial doubt about the Company’s ability to continue as a going concern.

Special Improvement District Bonds

In 2000, the Company incurred debt totaling \$1.2 million associated with Special Improvement District Bonds issued by the City of Black Hawk, Colorado for road improvements and other infrastructure projects benefiting Riviera Black Hawk and neighboring casinos. The remaining balance of the debt was \$146,000 at December 31, 2008 and this amount was forgiven by the City of Black Hawk in February 2009 and recorded within our consolidated statement of operations during first quarter 2009.

Guarantor Information

The Credit Facility is guaranteed by the Subsidiaries, which are all of the 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 the financial position or results of operations, are not guarantors of the Credit Facility.

6.

SHARE-BASED PAYMENTS

The Company expensed \$11,000 and \$67,000 for options during the three and nine months ended September 30, 2009, respectively, and \$34,000 and \$158,000 for options during the three and nine months ended September 30, 2008, respectively. To recognize the cost of option grants, the Company estimates the fair value of each director or employee option grant on the date of the grant using the Black-Scholes option pricing model.

Additionally, the Company expensed \$142,000 and \$358,000 for restricted stock during the three and nine months ended September 30, 2009, respectively, and \$154,000 and \$462,000 for restricted stock during the three and nine months ended September 30, 2008, respectively. Restricted stock was issued to several key management team members and directors in 2005 and is recognized on a straight line basis over a five year vesting period commencing on the date of issuance.

The activity for all stock options currently outstanding is as follows;

| | Weighted Average Shares | Share Exercise Price | Remaining Life | Aggregate Intrinsic Value |
|---------------------------------|----------------------------|-------------------------|-------------------|---------------------------------|
| Outstanding, December 31, 2008 | 240,000 | \$ 8.99 | | |
| Options Granted | — | | — | |
| Options Exercised | — | | — | |
| Options Forfeited | — | | — | |
| Outstanding, March 31, 2009 | 240,000 | \$ 8.99 | 6.75 years | \$ -0- |
| Options Granted | — | | — | |
| Options Exercised | — | | — | |
| Options Forfeited | (42,000) | \$ (0.49) | | |
| Outstanding, June 30, 2009 | 198,000 | \$ 8.50 | 6.55 years | \$ -0- |
| Options Granted | — | | | |
| Options Exercised | — | | | |
| Options Forfeited | — | | | |
| Outstanding, September 30, 2009 | 198,000 | \$ 8.50 | 6.30 years | \$ -0- |
| Exercisable September 30, 2009 | 144,000 | \$ -0- | | \$ -0- |

7.

FAIR VALUE MEASUREMENT

Effective January 1, 2008 and October 10, 2008, the Company adopted authoritative guidance for fair value measurements and the fair value option for financial assets and financial liabilities. The adoption did not have a material effect on the Company's results of operations.

The guidance for the fair value option for financial assets and financial liabilities provides companies the irrevocable option to measure many financial assets and liabilities at fair value with changes in fair value recognized in earnings. The Company has not elected to measure any financial assets or liabilities at fair value that were not previously required to be measured at fair value.

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Our investments are classified within Level 2. This is because investments are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

Assets and liabilities measured at fair value on a recurring basis are summarized below (in thousands):

| | Balance at September 30, 2009 | Quoted prices in Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-------------|--|---|---|--|
| Assets: | | | | |
| Investments | \$ 2,772 | \$ — | \$ 2,772 | \$ — |

The fair values of investments are based on quoted prices in active markets.

In connection with the Swap Agreement, on July 23, 2009 the Company received from Wachovia a Notice of Early Termination for Event of Default and on July 27, 2009, the Company received from Wachovia a Notice of Amount Due Following Early Termination. The Notice of Amount Due Following Early Termination claimed that the Company owed Wachovia an amount due and payable under the Swap Agreement of \$26.6 million, which included \$4.4 million in accrued interest (see Note 5 above). As of September 30, 2009, the Company's swap liability is \$22.1 million, equaling the amount reflected as due and payable on the Notice of Amount Due Following Early Termination described above.

8. COMMITMENTS AND CONTINGENCIES

Salary Continuation Agreements

56 executive officers and certain other employees (excluding Mr. Vannucci) of RHC, ROC and RBH have salary continuation agreements effective through December 31, 2010. The agreements entered into with 51 significant ROC and RBH employees, respectively, entitles such employees to six months of base salary and health insurance benefits, subject to such employees' duty to mitigate by obtaining similar employment elsewhere, in the event ROC or RBH, as applicable, terminated their employment without cause (a "Company Termination") within 12 months after a change in control. One ROC and one RBH employee are entitled to 12 months of base salary and 24 months of health insurance benefits in the event of a Company Termination within 24 months after a change in control with no duty to mitigate. In addition, the Company entered into salary continuation agreements with William Westerman, RHC's Chief Executive Officer, Tullio J. Marchionne, RHC's Secretary and General Counsel and ROC's Secretary and Executive Vice President and Phillip B. Simons, RHC's Treasurer and CFO and ROC's Vice President of Finance which entitles each of them to 12 months of base salary and 24 months of health insurance benefits in the event of a Company Termination within 24 months after a change of control of RHC with no duty to Mitigare. The estimated total amount payable under all such agreements was approximately \$4.2 million, which includes \$533,000 in benefits, as of September 30, 2009.

Sales and Use Tax on Complimentary Meals

In March 2008, the Nevada Supreme Court ruled, in the matter captioned Sparks Nugget, Inc. vs. The State of Nevada Ex Rel. Department of Taxation, that food and non-alcoholic beverages purchased for use in providing complimentary meals to customers and to employees was exempt from sales and use tax. In July 2008, the Court denied the State's motion for rehearing. ROC had paid use tax on these items and has filed for refunds for the periods from January 2002 through February 2008. The amount subject to these refunds is approximately \$1.1 million. As of September 30, 2009, the Company had not recorded a receivable related to this matter.

Legal Proceedings and Related Events

On February 9, 2009, multiple plaintiffs commenced an action in the Superior Court of the State of California, Los Angeles County, against the Company and seven other defendants. The action stems from a tour bus accident that occurred in Arizona on January 30, 2009, in which 7 passengers died and 10 other passengers were injured. On May 12, 2009, the plaintiffs filed a First Amended Complaint for Damages (the "Complaint") in which the plaintiffs allege, among other things, that the Company had a contractual relationship with the other defendants, including the tour bus operator. The plaintiffs are seeking monetary damages in connection with this matter. On June 23, 2009, the Company filed a Motion to Quash the matter on a jurisdictional basis. The hearing on this Motion took place on July 27, 2009, at which time the Plaintiffs requested an opportunity to file a supplemental brief after conducting additional discovery. The Court reheard this Motion on September 28, 2009, and granted the Company's Motion to Quash at that time.

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

9.

SEGMENT DISCLOSURE

The Company determines our segments based upon the review process of the Company's Chief Financial Officer who reviews by geographic gaming market segments: Riviera Las Vegas and Riviera Black Hawk. The key indicator reviewed by the Company's Chief Financial Officer is "property EBITDA", as defined below. All intersegment revenues and expenses have been eliminated.

| (Dollars in thousands) | Three months ended September 30, | | Nine months ended September 30, | |
|-------------------------------------|-------------------------------------|------------|------------------------------------|------------|
| | 2009 | 2008 | 2009 | 2008 |
| Net Revenues: | | | | |
| Riviera Las Vegas | \$ 22,629 | \$ 30,231 | \$ 71,995 | \$ 101,206 |
| Riviera Black Hawk | 12,003 | 9,977 | 31,936 | 32,579 |
| Total net revenues | \$ 34,632 | \$ 40,208 | \$ 103,931 | \$ 133,785 |
| Property EBITDA (1): | | | | |
| Riviera Las Vegas | \$ 1,599 | \$ 2,931 | \$ 8,467 | \$ 16,551 |
| Riviera Black Hawk | 2,639 | 2,458 | 7,902 | 9,891 |
| Other Costs and Expenses | | | | |
| Equity-based compensation | 153 | 188 | 425 | 620 |
| Other corporate expenses | 933 | 1,028 | 2,762 | 2,900 |
| Depreciation and amortization | 3,590 | 3,919 | 11,300 | 10,879 |
| M&A and development costs | — | 59 | — | 104 |
| Gain on extinguishment of debt | — | — | (146) | — |
| Restructuring fees | 569 | — | 2,106 | — |
| Interest Expense-net | 3,666 | 4,274 | 13,815 | 12,730 |
| Change in fair value of derivatives | — | (615) | 5,320 | (1,617) |
| Total Other Costs and Expenses | 8,911 | 8,853 | 35,582 | 25,616 |
| Net (Loss) Income | \$ (4,673) | \$ (3,464) | \$ (19,213) | \$ 826 |

| | September 30, 2009 | December 31, 2008 |
|---------------------------|--------------------------|-------------------------|
| Total Assets | | |
| Las Vegas | \$ 137,832 | \$ 139,200 |
| Black Hawk | 65,529 | 65,760 |
| Total Consolidated Assets | \$ 203,361 | \$ 204,960 |

| | | |
|----------------------------------|------------|------------|
| Property and Equipment-net | | |
| Las Vegas | \$ 111,511 | \$ 119,155 |
| Black Hawk | 59,560 | 60,763 |
| Total Property and Equipment-net | \$ 171,071 | \$ 179,918 |

| | Nine months ended September 30, 2009 | Nine months ended September 30, 2008 |
|----------------------|--|--|
| Capital Expenditures | | |

| | | | | |
|----------------------------|----|-------|----|--------|
| Las Vegas | \$ | 587 | \$ | 19,358 |
| Black Hawk | | 1,866 | | 1,939 |
| Total Capital Expenditures | \$ | 2,453 | \$ | 21,297 |

(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 U.S. 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 (loss) is included to evaluate items not included in EBITDA and their affect on the operations of the Company.

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

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 Black Hawk, Colorado ("Riviera Black Hawk").

Riviera Las Vegas' is comprised of a hotel with 2,075 guest rooms, a convention, meeting and banquet space totaling 160,000 square feet, a casino with approximately 950 slot machines and 33 gaming tables, a poker room, a race and sports book and various bars and restaurants. Our capital expenditures for Riviera Las Vegas are primarily geared toward maintaining competitive slot machines in comparison to the market and maintaining the hotel rooms and amenities in sufficient condition to compete for customers in the convention and mature adult markets. Room rental rates and slot revenues are the primary factors driving our operating margins.

Riviera Black Hawk is comprised of a casino with approximately 750 slot machines and 9 gaming tables, a buffet, a delicatessen, a casino bar and a ballroom. Riviera Black Hawk caters primarily to the "locals" slot customer. Until recently, only limited stakes gaming, which is defined as a maximum single bet of \$5, was legal in the Black Hawk/Central City market. However, Colorado Amendment 50, which was approved by voters on November 4, 2008, allowed residents of Black Hawk and Central City to vote to extend casino hours, approve additional games, and increase the maximum bet limit. On January 13, 2009, residents of Black Hawk voted to enable Black Hawk casino operators to extend casino hours, add craps and roulette gaming and increase the maximum betting limit to \$100. On July 2, 2009, the first day permissible to implement the changes associated with the passage of Colorado Amendment 50, we increased betting limits, extended hours and commenced roulette gaming. Our capital expenditures in Black Hawk are primarily geared toward maintaining competitive slot machines in comparison to the market. We also made limited capital expenditures in Black Hawk associated with the implementation of increased betting limits, extended hours and new games in accordance with the approval of Amendment 50 as referenced above.

Results of Operations

Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008

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

| (In Thousands) | Third Quarter | | Incr | Incr |
|---------------------------------------|---------------|-----------|------------|----------|
| | 2009 | 2008 | \$(Decr) | % (Decr) |
| Net Revenues: | | | | |
| Riviera Las Vegas | \$ 22,629 | \$ 30,231 | \$ (7,602) | (25.1%) |
| Riviera Black Hawk | 12,003 | 9,977 | 2,026 | 20.3% |
| Total Net Revenues | \$ 34,632 | \$ 40,208 | \$ (5,576) | (13.9%) |
| Property Income from Operations: | | | | |
| Riviera Las Vegas | (696) | 229 | (925) | (403.9%) |
| Riviera Black Hawk | 1,344 | 1,241 | 103 | 8.3% |
| Total Property Income from Operations | 648 | 1,470 | (822) | (55.9%) |
| Other Corporate Expenses: | | | | |
| Equity Compensation | (153) | (188) | 35 | 18.6% |
| Other Corporate Expense | (933) | (1,028) | 95 | 9.2% |

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| | | | | |
|---------------------------|---------|---------|-------|----------|
| M&A and Development Costs | — | (59) | 59 | 100.0% |
| Restructuring Fees | (569) | — | (569) | (100.0%) |
| Total Corporate Expenses | (1,655) | (1,275) | (380) | (29.8%) |

| | | | | |
|-------------------------------------|------------|--------|------------|----------|
| Total (Loss) Income from Operations | \$ (1,007) | \$ 195 | \$ (1,202) | (616.4%) |
|-------------------------------------|------------|--------|------------|----------|

Operating Margins (1)

| | | | |
|--------------------|--------|-------|--------|
| Riviera Las Vegas | (3.1%) | 0.8% | (3.9%) |
| Riviera Black Hawk | 11.2% | 12.4% | (1.2%) |

(1) Operating margins represent income from operations by property as a percentage of net revenues by property.

Riviera Las Vegas

Revenues

Net revenues for the three months ended September 30, 2009 were \$22.6 million, a decrease of \$7.6 million, or 25.1%, from \$30.2 million for the comparable period in the prior year.

Casino revenues for the three months ended September 30, 2009 were \$9.8 million, a decrease of \$2.0 million, or 16.9%, from \$11.8 million for the comparable period in the prior year. Casino revenues are comprised primarily of slot machine and table game revenues. In comparison to the same period in the prior year, slot machine revenue was \$7.8 million, a decrease of \$1.3 million, or 13.7%, from \$9.1 million and table game revenue was \$1.8 million, a decrease of \$0.6 million, or 27.3% from \$2.4 million. Slot machine and table game revenues decreased primarily due to less wagering as a result of the slower economy. Slot machine win per unit per day for the three months ended September 30, 2009 was \$85.49, a decrease of \$22.19, or 20.6%, from \$107.68 for the comparable period in the prior year. There were 994 slot machines on the floor, on average, during the quarter ended September 30, 2009 compared with 914 slot machines on the floor, on average, during the same period in the prior year.

Room revenues for the three months ended September 30, 2009 were \$8.7 million, a decrease of \$3.4 million, or 28.6%, from \$12.1 million for the comparable period in the prior year. The decrease in room revenues was primarily due to a \$15.66, or 20.8%, reduction in average daily room rates, or ADR, to \$59.51 for the three months ended September 30, 2009 from \$75.17 for the comparable period in the prior year. The decrease in ADR was largely the result of a \$13.26, or 25.0%, decrease in leisure segment room rates and a \$7.23, or 7.3%, decrease in convention segment room rates. Moreover, average daily room rates decreased as a result of a shift in the occupied room mix from higher rated convention segment occupancy to lower rated leisure segment occupancy. During the three months ended September 30, 2009, leisure segment and convention segment occupied rooms were 62.4% and 25.4% of total occupied rooms, respectively and during the three months ended September 30, 2008, leisure segment and convention segment occupied rooms were 49.5% and 35.0% of total occupied rooms, respectively. Convention segment demand decreased due to the effects of the ongoing recession and increased competition.

Hotel room occupancy percentage (per available room) for the three months ended September 30, 2009, was 76.7% compared to 87.1% for the same period in the prior year. During the third quarter of 2008, on average, approximately 7% of the hotel rooms were unavailable due to construction related to our room renovation project. Hotel room occupancy, including rooms unavailable due to construction, was 79.8% for the three months ended September 30, 2008. Revenue per available room, or RevPar, was \$45.61 for the three months ended September 30, 2009, a decrease of \$19.83, or 30.3%, from \$65.44 for the comparable period in the prior year. RevPar is total revenue from hotel room rentals divided by total hotel rooms available for sale. The decrease in RevPar was the result of decreases in occupied rooms and average daily room rates as described above. Room revenues include \$1.4 million in revenues related to hotel room nights offered to high-value guests on a complimentary basis.

Food and beverage revenues for the three months ended September 30, 2009 was \$4.2 million, a decrease of \$1.4 million, or 24.9%, from \$5.6 million for the comparable period in the prior year. The decrease was due to \$0.8 million decrease in food revenues and \$0.6 million decrease in beverage revenues. The decrease in food revenues was due to a 22.1% reduction in food covers and a 2.1% reduction in the average check compared to the same period in the prior year. Food covers decreased primarily as a result of strategic closures of food and beverage outlets in conjunction with periods of low hotel occupancy. Beverage revenues decreased as a result of a 28.4% reduction in drinks served, which was primarily due to fewer complimentary drinks served from our casino bars correlating with reduced casino patronage. Food and beverage revenues include \$0.9 million in revenues related to food and beverages offered to high-value guests on a complimentary basis.

Entertainment revenues for the three months ended September 30, 2009 were \$2.6 million, a decrease of \$0.9 million, or 28.0%, from \$3.5 million for the comparable period in the prior year. The decrease in entertainment revenues is primarily due to weak economic conditions resulting in the closure of select entertainment acts and an overall reduction in ticket sales at all entertainment venues. Entertainment revenues include \$1.4 million in revenues related to show tickets offered to high-value guests on a complimentary basis.

Other revenues for the three months ended September 30, 2009 were \$1.2 million, a decrease of \$0.3 million, or 19.5%, from \$1.5 million for the same period in the prior year. The decrease in other revenues was due primarily to lower tenant rental income as a result of vacancies and rent concessions.

Promotional allowances were \$3.8 million and \$4.4 million for the three months ended September 30, 2009 and 2008, respectively. Promotional allowances are comprised of food, beverage, hotel room nights and other items provided on a complimentary basis primarily to our high-value casino players and convention guests. Promotional allowances decreased due to a concerted effort to reduce promotional costs and due to less complimentary offering redemptions.

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Costs and Expenses

Casino costs and expenses for the three months ended September 30, 2009 were \$5.2 million, a decrease of \$1.5 million, or 22.0%, from \$6.7 million for the comparable period in the prior year. The decrease in casino expenses was primarily due to a \$0.7 million reduction in gaming marketing and promotional expenses, a \$0.6 million reduction in slot and table game payroll and related costs and a \$0.1 million reduction in gaming taxes.

Room rental costs and expenses for the three months ended September 30, 2009 were \$4.8 million, a decrease of \$1.6 million, or 24.7%, from \$6.4 million for the comparable period in the prior year. The decrease in room rental expenses partially offsets the \$3.4 million decrease in room rental revenues and correlates with the 7.6% reduction in occupied rooms. The decrease is primarily due to a \$1.3 million reduction in room division payroll and related costs and a \$0.2 million reduction in convention rebates and credit card processing fees.

Food and Beverage costs and expenses for the three months ended September 30, 2009 were \$3.7 million, a decrease of \$0.9 million, or 20.1%, from \$4.6 million for the comparable period in the prior year. The decrease was primarily due to a \$0.8 million food and beverage payroll and related costs reduction.

Entertainment department costs and expenses for the three months ended September 30, 2009 were \$0.8 million, a decrease of \$1.2 million, or 59.8%, from \$2.0 million for the comparable period in the prior year. The decrease in entertainment department costs and expenses is primarily due to a \$1.0 million reduction in contractual payments to the entertainment producers as a result of less ticket sales due to the weak economy and the closure of select entertainment acts.

Other general and administrative expenses for the three months ended September 30, 2009 were \$6.2 million, a decrease of \$1.0 million, or 14.6%, from \$7.2 million for the comparable period in the prior year. The decrease in other general and administrative expenses was due primarily to a \$0.7 million reduction in general and administrative and property maintenance payroll and related costs due primarily to workforce reductions and the elimination of the 401k matching contribution and a \$0.3 million reduction in insurance, legal and professional costs.

Depreciation and amortization expenses for the three months ended September 30, 2009 were \$2.6 million, a decrease of \$0.2 million, or 9.7%, from \$2.8 million for the comparable period in the prior year. The decrease in depreciation and amortization expenses was due primarily to the full depreciation of select assets since the third quarter of 2008.

Income (Loss) from Operations

Loss from operations for the three months ended September 30, 2009 was \$0.7 million compared to income from operations of \$0.2 million for the comparable period in the prior year. The decrease of \$0.9 million is principally due to decreased net revenues that were not offset with equivalent reductions in costs and expenses.

Operating margin for the three months ended September 30, 2009 was a negative 3.1% due to the loss from operations. Operating margin for the three months ended September 30, 2008 was 0.8%. Operating margins decreased primarily due to the \$15.66, or 20.8%, reduction in average daily room rates and the \$1.3 million decrease in slot machine revenues.

Riviera Black Hawk

Revenues

Net revenues for the three months ended September 30, 2009 were \$12.0 million, an increase of \$2.0 million, or 20.3%, from \$10.0 million for the comparable period in the prior year. The increase was primarily due to a \$1.9 million increase in casino revenues to \$11.6 million for the three months ended September 30, 2009 from \$9.7 million for the same period in the prior year. Casino revenues are comprised of revenues from slot machines and table games.

Slot machine revenues increased \$1.4 million, or 14.8%, to \$10.9 million from \$9.5 million for the comparable period in the prior year. Slot machine revenues increased primarily due to additional wagering as a result of the passage of Colorado Amendment 50 permitting increased betting limits and extended hours. Increased betting and extended hours were implemented July 2, 2009. Amounts wagered on slot machines increased \$33.7 million to \$214.7 million from \$181.0 million for the comparable period in the prior year. Additionally, slot machine win per unit per day increased \$32.18, or 25.7%, to \$157.42 from \$125.24 for the same period in the prior year. The increase in slot win per unit per day was due primarily to additional amounts wagered and approximately 70 less slot machines during the third quarter of 2009 in comparison to the same period in the prior year. There were 750 slot machines on the casino floor as of September 30, 2009. Cash incentives given to slot machine players, which are deducted from slot machine winnings to arrive at slot machine revenues, increased \$1.1 million, or 56.0%, to \$3.2 million for the three months ended September 30, 2009 compared to \$2.1 million for the same period in the prior year. Cash incentives increased as a result of a concerted effort to retain and build our market share.

Table games revenue increased \$0.5 million from \$0.2 million to \$0.7 million for the three months ended September 30, 2009 primarily as a result of increased wagering due to the July 2, 2009 implementation of increased betting limits, extended hours and roulette gaming as permitted with the passage of Colorado Amendment 50.

Food and beverage revenues were \$2.0 million and \$1.4 million for the three months ended September 30, 2009 and 2008, respectively. Food and beverage revenues for the three months ended September 30, 2009 include \$1.6 million in revenues related to food and beverages offered to high-value guests on a complimentary basis. Food and beverage revenues improved primarily as a result of additional complimentary offerings to high-value guests in an effort to increase visitations and casino revenues.

Promotional allowances were \$1.7 million and \$1.2 million for the three months ended September 30, 2009 and 2008, respectively. Promotional allowances are comprised of food and beverage and other items provided on a complimentary basis primarily to our high-value casino players. Promotional allowances increased due to additional food and beverage items provided to high-value guests on a complimentary basis as described above.

Costs and Expenses

Costs and expenses for the three months ended September 30, 2009 were \$10.7 million, an increase of \$2.0 million, or 22%, from \$8.7 million for the comparable period in the prior year.

Costs and expenses increased primarily due to a \$1.7 million increase in casino costs and expenses and a \$0.2 million increase in food and beverage costs and expenses.

Casino costs and expenses increased primarily due to a \$1.0 million increase in marketing, advertising and promotional expenses and a \$0.5 million increase in gaming taxes as a result of higher casino revenues. The increase in marketing, advertisement and promotional expenses was due to additional costs associated with implementing increased betting limits, extended hours and roulette gaming on July 2, 2009 as permitted with the passage of Colorado Amendment 50 and additional costs associated with efforts to retain and grow our slot machine player customer base.

Food and beverage costs and expenses increased primarily as a result of higher food costs and payroll and related expenses correlating with the \$0.6 million increase in food and beverage revenues.

Income from Operations

Income from operations for the three months ended September 30, 2009 were \$1.3 million, an increase of \$0.1 million, or 8.3%, from \$1.2 million for the comparable period in the prior year. The increase is related primarily to increased casino revenues as described above.

Operating margins were 11.2% for the three months ended September 30, 2009 in comparison to 12.4% for the comparable period in the prior year. Operating margins decreased primarily due to increased costs associated with the implementation of increased betting limits, extended hours and roulette gaming as permitted with the passage of Colorado Amendment 50 as described above.

Consolidated Operations

(Loss) Income from Operations

Loss from operations for the three months ended September 30, 2009 was \$1.0 million, a decline of \$1.2 million, or 616.4%, from income from operations of \$0.2 million for the same period in the prior year. The decline was due to a \$5.6 million decrease in consolidated net revenues partially offset by a \$4.4 million decrease in consolidated costs and expenses. Consolidated net revenues decreased as a result of a \$7.6 million net revenue decrease in Riviera Las Vegas partially offset by a \$2.0 million net revenues increase in Riviera Black Hawk. The decrease in consolidated costs and expenses was due primarily to a costs and expenses reduction of \$6.7 million in Riviera Las Vegas partially offset by costs and expenses increases of \$2.0 million and \$0.4 million in Riviera Black Hawk and Corporate, respectively. Corporate costs and expenses increased primarily due to restructuring fees of \$0.6 million incurred during the three months ended September 30, 2009 (see Notes 3 and 5 to the Condensed Consolidated Financial Statements).

Other Expense

Other expense was of \$3.7 million for the three months ended September 30, 2009 and the three months ended September 30, 2008. Interest expense decreased \$0.6 million during the three months ended September 30, 2009 but was fully offset by a \$0.6 million gain in the fair value of derivative instruments during the three months ended September 30, 2008. The decrease in interest expense was the result of lower interest rates primarily due to the termination of our swap fixed interest rate on July 27, 2009. Interest rates for the Term Loan and Revolver balances are no longer locked and are now subject to changes in underlying LIBOR rates and vary based on fluctuations in the Alternative Base Rate and Applicable Margins which were lower than our swap fixed interest rate during the three months ended September 30, 2009.

Net Loss

Net losses for the three months ended September 30, 2009 and 2008 were \$4.7 million and \$3.5 million, respectively. The \$1.2 million additional loss in comparison to the same period in the prior year was due to the \$1.2 decline in (loss) income from operations.

Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008

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

| (In Thousands) | Nine Months | | Incr \$ (Decr) | Incr % (Decr) |
|---------------------------------------|-------------|------------|-------------------|------------------|
| | 2009 | 2008 | | |
| Net Revenues: | | | | |
| Riviera Las Vegas | \$ 71,995 | \$ 101,206 | \$ (29,211) | (28.9%) |
| Riviera Black Hawk | 31,936 | 32,579 | (643) | (2.0%) |
| Total Net Revenues | \$ 103,931 | \$ 133,785 | \$ (29,854) | (25.9%) |
| Property Income from Operations: | | | | |
| Riviera Las Vegas | 891 | 9,983 | (9,092) | (91.1%) |
| Riviera Black Hawk | 4,178 | 5,580 | (1,402) | (25.1%) |
| Total Property Income from Operations | 5,069 | 15,563 | (10,494) | (67.4%) |
| Other Corporate Expenses: | | | | |
| Equity Compensation | (425) | (620) | 195 | 31.5% |
| M&A and Development Costs | — | (104) | 104 | 100% |
| Other Corporate Expense | (2,762) | (2,900) | 138 | 4.8% |
| Restructuring Fees | (2,106) | — | (2,106) | (100%) |
| Total Corporate Expenses | (5,293) | (3,624) | (1,669) | (46.1%) |
| Total Income from Operations | \$ (224) | \$ 11,939 | \$ (12,163) | (101.9%) |
| Operating Margins (1) | | | | |
| Riviera Las Vegas | 1.2% | 9.9% | | (8.7%) |
| Riviera Black Hawk | 13.1% | 17.1% | | (4.0%) |

(1) Operating margins represent income from operations by property as a percentage of net revenues by property.

Riviera Las Vegas

Revenues

Net revenues for the nine months ended September 30, 2009 were \$72.0 million, a decrease of \$29.2 million, or 28.9%, from \$101.2 million for the comparable period in the prior year.

Casino revenues for the nine months ended September 30, 2009 were \$32.4 million, a decrease of \$6.9 million, or 17.6%, from \$39.3 million for the comparable period in the prior year. Casino revenues are comprised primarily of slot machine and table game revenues. In comparison to the same period in the prior year, slot machine revenue was \$25.7 million, a decrease of \$3.8 million, or 13.0%, from \$29.5 million and table game revenue was \$5.9 million, a decrease of \$2.3 million, or 28.4%, from \$8.2 million. Slot machine and table game revenues decreased primarily due to less wagering as a result of the slower economy and less walk-in business. Slot machine win per unit per day for the nine months ended September 30, 2009 was \$99.56, a decrease of \$18.30, or 15.5%, from \$117.86 for the comparable period in the prior year.

Room revenues for the nine months ended September 30, 2009 were \$27.7 million, a decrease of \$13.9 million, or 33.4%, from \$41.6 million for the comparable period in the prior year. The decrease in room rental revenues was primarily due to a decrease in average daily room rates. The average daily room rate, or ADR, was \$62.27, a decrease of \$26.02, or 29.5%, from \$88.29 for the comparable period in the prior year. The decrease in ADR was due mostly to lower leisure segment rates in the first nine months of 2009 in comparison to the same period in the prior year and a shift in the occupied room mix from higher rated convention segment occupancy to lower rated leisure segment occupancy. Leisure segment average daily room rates were \$42.01 for the nine months ended September 30, 2009, a decrease of \$28.45, or 40.4%, from \$70.46 for the same period in the prior year. Additionally, leisure segment and convention segment occupied rooms comprised 61.1% and 21.5% of total occupied rooms, respectively, for the nine months ended September 30, 2009 in comparison to 41.3% and 40.2%, respectively, for the same period in the prior year. Convention segment demand decreased substantially due to the effects of the ongoing recession and increased competition.

Hotel room occupancy per available room for the nine months ended September 30, 2009 was 76.7% compared to 84.4% for the same period in the prior year. During the nine months ended September 30, 2008, on average, approximately 7% of the hotel rooms were unavailable due to construction related to our room renovation project. Hotel room occupancy, including rooms unavailable due to construction, was 77.9% for the nine months ended September 30, 2008. Revenue per available room, or RevPar, was \$47.73 a decrease of \$26.78, or 35.9%, from \$74.51 for the comparable period in the prior year. RevPar is total revenue from hotel room rentals divided by total hotel rooms available for sale. The decrease in RevPar was the result of decreases in occupied rooms and average daily room rates as described above. Room revenues include \$5.3 million in revenues related to hotel room nights offered to high-value guests on a complimentary basis.

Food and beverage revenues for the nine months ended September 30, 2009 was \$13.3 million, a decrease of \$5.3 million, or 28.3%, from \$18.6 million for the comparable period in the prior year. The decrease was due to a \$3.7 million decrease in food revenues and a \$1.6 million decrease in beverage revenues. Food covers decreased 14.8% and the average check decreased 15.6% from the comparable period in the prior year as a result of the weak economy, reduced hotel occupancy and the strategic closure of select food and beverage outlets during low hotel occupancy periods. Beverage revenues decreased primarily as a result of less complimentary drinks served from our casino bars due to reduced casino patronage. Food and beverage revenues include \$3.3 million in revenues related to food and beverages offered to high-value guests on a complimentary basis.

Entertainment revenues for the nine months ended September 30, 2009 were \$6.5 million, a decrease of \$3.7 million, or 36.1%, from \$10.2 million for the comparable period in the prior year. The decrease in entertainment revenues is primarily due to weak economic conditions resulting in closure of select entertainment acts and an overall reduction in ticket sales at all entertainment venues. Entertainment revenues include \$2.8 million in revenues related to show tickets offered to high-value guests on a complimentary basis.

Other revenues for the nine months ended September 30, 2009 were \$4.0 million, a decrease of \$0.8 million, or 16.4%, from \$4.8 million for the same period in the prior year. The decrease in other revenues was due primarily to a \$0.4 million reduction in tenant rental income as a result of vacancies and rent concessions and a \$0.2 million reduction in telephone revenues as a result of less occupancy and call volume. Additionally, the nine months ended September 30, 2008 included \$0.2 million in income from the reclassification of unclaimed slot token liabilities and the sale of fully depreciated equipment.

Promotional allowances were \$11.9 million and \$13.3 million for the nine months ended September 30, 2009 and 2008, respectively. Promotional allowances are comprised of food, beverage, hotel room nights and other items provided on a complimentary basis primarily to our high-value casino players and convention guests. Promotional allowances decreased due to a concerted effort to reduce promotional costs and as a result of less complimentary offering redemptions.

Costs and Expenses

Casino costs and expenses for the nine months ended September 30, 2009 were \$17.2 million, a decrease of \$4.4 million, or 20.5%, from \$21.6 million for the comparable period in the prior year. The decrease in casino expenses was due primarily to a \$2.6 million reduction in slot and table game payroll and related costs, a \$1.3 million decrease in marketing and promotional costs and a \$0.5 million reduction in gaming related taxes.

Room rental costs and expenses for the nine months ended September 30, 2009 were \$14.5 million, a decrease of \$5.1 million, or 26.3%, from \$19.6 million for the comparable period in the prior year. The decrease in room rental costs and expenses is primarily due to a decrease of \$3.3 million in room division payroll and related costs, a reduction of \$0.9 million in convention commissions and rebates, a decrease of \$0.4 million in rooms division and convention services operating expenses, a decline of \$0.3 million in credit card processing fees and a reduction of \$0.1 million in travel agent commissions.

Food and Beverage costs and expenses for the nine months ended September 30, 2009 were \$11.0 million, a decrease of \$4.3 million, or 28.5%, from \$15.3 million for the comparable period in the prior year. The decrease was due primarily to a \$3.3 million decrease in food and beverage payroll and related costs, a \$0.6 million reduction in food and beverage cost of sales and a \$0.4 million reduction in food and beverage operating expenses. To manage costs during low occupancy periods, select food and beverage venues were closed.

Entertainment department costs and expenses for the nine months ended September 30, 2009 were \$2.6 million, a decrease of \$3.8 million, or 59.1%, from \$6.4 million for the comparable period in the prior year. The decrease in entertainment department costs and expenses is primarily due to a \$2.9 million reduction in contractual payments to the entertainment producers and reductions in payroll and related costs as a result of less ticket sales due to the weak economy and the closure of select entertainment acts.

Other general and administrative expenses for the nine months ended September 30, 2009 were \$17.4 million, a decrease of \$3.3 million, or 16.1%, from \$20.7 million for the comparable period in the prior year. The decrease in other general and administrative expenses was due primarily to a \$2.0 million reduction in general and administrative and property maintenance payroll and related costs primarily due to workforce reductions and the elimination of the 401k matching contribution, a \$0.4 million reduction in utilities expenses primarily due to lower natural gas costs and a \$0.6 million reduction in various general and administrative and property maintenance operating expenses.

Depreciation and amortization expenses for the nine months ended September 30, 2009 were \$8.2 million, an increase of \$0.5 million, or 7.5%, from \$7.7 million for the comparable period in the prior year. The increase in depreciation and amortization expenses was due primarily to asset additions during 2008 related to our hotel room renovation.

Income from Operations

Income from operations for the nine months ended September 30, 2009 were \$0.9 million, a decrease of \$9.1 million, or 91.1%, from \$10.0 million for the comparable period in the prior year. The decrease is principally due to the \$29.2 million decrease in net revenues with insufficient offsetting reductions in costs and expenses.

Operating margins were 1.2% for the nine months ended September 30, 2009 in comparison to 9.9% for the comparable period in the prior year. Operating margins decreased primarily due to the \$26.02 decrease in ADR and a \$3.8 million decrease in revenue in the high margin slot profit center.

Riviera Black Hawk

Revenues

Net revenues for the nine months ended September 30, 2009 were \$31.9 million, a decrease of \$0.7 million, or 2.0%, from \$32.6 million for the comparable period in the prior year. The decrease was primarily due to a \$0.6 decrease in casino revenues to \$31.1 million from \$31.7 million in the comparable period in the prior year. Casino revenues are comprised of revenues from slot machines and revenues from table games.

Slot machine revenues were \$30.0 million, a decrease of \$0.9 million, or 2.9%, from \$30.9 million for the comparable period in the prior year. Slot machine revenues decreased primarily as a result of higher cash incentives to our high-value slot machine players. Cash incentives given to slot machine players, which are deducted from slot machine winnings, increased \$1.7 million, or 25.6%, to \$8.1 million for the nine months ended September 30, 2009. Cash incentives increased as a result of a concerted effort to retain and build market share. Amounts wagered on slot machines during the nine months ended September 30, 2009 were \$575.0 million, an increase of \$4.4 million, or 0.8%, from \$570.6 million for the comparable period in the prior year. Additionally, slot machine win per unit per day increased \$13.34, or 10.2%, to \$144.68 from \$131.34 for the same period in the prior year. The increase in slot win per unit per day was the result of approximately 100 fewer slot machines on the casino floor during the nine months ended September 30, 2009 in comparison to the same period in the prior year. There were 750 slot machines on the casino floor as of September 30, 2009.

Table games revenue increased \$0.3 million to \$1.1 million for million for the nine months ended September 30, 2009 from \$0.8 million for the comparable period in the prior year. The increase was the result of increased wagering due to the July 2, 2009 implementation of increased betting limits, extended hours and roulette gaming as permitted with the passage of Colorado Amendment 50.

Food and beverage revenues were \$4.6 million for the nine months ended September 30, 2009 and were \$3.9 million for the comparable period in the prior year. Food and beverage revenues increased due to additional items offered to high-value casino customers on a complimentary basis. Food and beverage revenues related to items offered on a complimentary basis were \$3.7 million and \$3.0 million for the nine months ended September 30, 2009 and 2008, respectively. The increase was the result of a concerted effort to increase customer visitations and casino revenues.

Promotional allowances were \$4.1 million for the nine months ended September 30, 2009 and \$3.4 million for the comparable period in the prior year. Promotional allowances are comprised of food and beverage and other items provided on a complimentary basis primarily to our high-value casino players. Promotional allowances increased primarily due to additional food and beverage items provided to high-value casino customers on a complimentary basis as referenced above.

Costs and Expenses

Costs and expenses for the nine months ended September 30, 2009 were \$27.8 million, an increase of \$0.8 million, or 2.8%, from \$27.0 million for the comparable period in the prior year.

Costs and expenses increased primarily as a result of a \$1.5 million increase in casino costs and expenses offset by lower general and administrative costs and expenses.

Casino costs and expenses increased as a result of a \$0.9 million increase in advertising expenses, a \$0.2 million increase in payroll and related expenses, a \$0.1 million increase in gaming taxes and a \$0.1 million increase in contract labor. Advertising expenses increased as a result of additional costs associated with a marketing awareness campaign to launch increased betting limits, extended hours and roulette gaming on July 2, 2009 as permitted with the passage of Colorado Amendment 50.

General and administrative expenses decreased primarily due to the elimination of the 401k matching contribution, reduced legal and consulting fees and the realization of a workers compensation insurance refund.

Income from Operations

Income from operations for the nine months ended September 30, 2009 were \$4.2 million, a decrease of \$1.4 million, or 25.1%, from \$5.6 million for the comparable period in the prior year. The decrease is related primarily to the lower casino revenues and higher casino costs as described above.

Operating margins were 13.1% for the nine months ended September 30, 2009 in comparison to 17.1% for the comparable period in the prior year. Operating margins decreased primarily due to increased implementation costs associated with increasing betting, extending hours and commencing roulette gaming on July 2, 2009 as permitted with the passage of Colorado Amendment 50.

Consolidated Operations

(Loss) Income from Operations

Loss from operations for the nine months ended September 30, 2009 was \$0.2 million, a decline of \$12.1 million, or 101.9%, from income from operations of \$11.9 million for the same period in the prior year.

The decrease in income from operations was due to a \$29.9 million decrease in consolidated net revenues partially offset by a \$17.8 million decrease in consolidated costs and expenses. Consolidated net revenues decreased as a result of a \$29.2 million net revenue decrease in Riviera Las Vegas and a \$0.6 million net revenues increase in Riviera Black Hawk. The decrease in consolidated costs and expenses was due primarily to a costs and expenses reduction of \$20.1 million in Riviera Las Vegas partially offset by costs and expenses increases of \$0.8 million and \$1.7 million in Riviera Black Hawk and Corporate, respectively. Corporate costs and expenses increased primarily due to restructuring fees of \$2.1 million incurred during the nine months ended September 30, 2009 (see Notes 3 and 5 to the Condensed Consolidated Financial Statements).

Other Expense

Other expense was \$19.0 million and \$11.1 million for the nine months ended September 30, 2009 and 2008, respectively. The primary reason for the \$7.9 million increase in other expense was a decrease in the fair value of derivatives of \$6.9 million and a \$1.1 million increase in interest expense. During the nine month period ended September 30, 2009, the change in the fair value of derivatives resulted in a loss of \$5.3 million compared to a gain of \$1.6 million for the comparable period in the prior year. The increase in interest expense was due primarily to the assessment of default interest expense as described in Note 5 to the Condensed Consolidated Financial Statements in this Form 10-Q.

Net (Loss) Income

Net loss for the nine months ended September 30, 2009 was \$19.2 million, a decline of \$20.0 million, from net income of \$0.8 million for the comparable period in the prior year. The decline was due to the \$12.1 million decrease in consolidated income from operations combined with the \$7.9 million increase in other expense.

Liquidity and Capital Resources

Our independent registered public accounting firm included an explanatory paragraph that expresses doubt as to our ability to continue as a going concern in their audit report contained in our Form 10-K report for the year ended December 31, 2008. We cannot provide any assurance that we will in fact operate our business profitably, maintain existing financings, or obtain sufficient financing in the future to sustain our business in the event we are not successful in our efforts to generate sufficient revenue and operating cash flow.

Our ability to continue as a going concern will be determined by our ability to obtain additional funding or restructure or negotiate waivers on our existing indebtedness and to generate sufficient revenue to cover our operating expenses. The accompanying condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts of liabilities that might be necessary should we be unable to continue in existence.

We had cash and cash equivalents of \$21.2 million and \$13.5 million as of September 30, 2009 and December 31, 2008, respectively. Our cash and cash equivalents increased \$7.8 million during the nine months ended September 30, 2009 as a result of \$9.8 million in net cash provided by operating activities partially offset by \$2.0 million in net cash used in investing activities due to maintenance capital expenditures at both Riviera Las Vegas and Black Hawk. Cash and cash equivalents would have decreased by approximately \$5.9 million had we paid accrued interest of \$13.7 million related to our Credit Facility (see Note 5 to the Condensed Consolidated Financial Statements). The \$9.8 million in net cash provided by operating activities was due primarily to \$19.2 million in net loss plus \$11.3 million in non-cash depreciation and amortization, \$5.3 million in non-cash changes in the fair value of derivatives and \$13.6 million in interest expense recorded but not paid partially offset by \$1.4 million in changes in operating assets and liabilities (excluding changes in accrued interest liability).

Cash and cash equivalents decreased by \$8.3 million during the nine months ended September 30, 2008 due to \$18.0 million in net cash used in investing activities partially offset by \$7.2 million in net cash provided by operating activities and \$2.5 million in net cash provided by financing activities. Net cash used in investing activities included \$16.3 million in capital expenditures for Riviera Las Vegas primarily as a result of expenditures related to our hotel room renovation project and \$1.6 million in capital expenditure for Riviera Black Hawk maintenance capital expenditures. The \$7.2 million in net cash provided by operating activities was due primarily to \$0.8 million in net income plus \$11.1 million in non-cash depreciation and amortization and \$0.6 million in non-cash stock based compensation partially offset by \$1.6 million in non-cash changes in the fair value of derivative instruments and \$4.0 million in changes in operating assets and liabilities due mostly to reductions in accounts payable and accrued expense liabilities. The \$2.5 million in net cash provided by financing activities was primarily the result of a \$2.5 million draw on our revolving credit facility during the three months ended September 30, 2008.

Our cash and cash equivalents includes amounts that could be required, upon five days' notice, to fund our CEO's (Mr. Westerman's) pension obligation in a rabbi trust. As of September 30, 2009, the pension obligation due Mr. Westerman was \$250,000 plus interest. The entire pension obligation, plus interest, was paid to Mr. Westerman on October 2, 2009.

2007 Credit Facility and Swap Agreement

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 Credit Agreement together with related security agreements and other credit-related agreements, the Credit Facility) with Wachovia Bank, National Association (Wachovia), as administrative agent. On June 29, 2007, in conjunction with the Credit Facility, the Company entered into an interest rate swap agreement with Wachovia as the counterparty that became effective June 29, 2007 (the Swap Agreement).

The 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 therein. The Credit Facility included a \$20 million five-year Revolver (Revolver) under which RHC could obtain extensions of credit in the form of cash loans or standby letters of credit (Standby L/Cs). Pursuant to Section 2.6 of the Credit Agreement, on June 5, 2009, the Company voluntarily reduced the Revolver commitment from \$20 million to \$3 million. RHC is permitted to prepay the Credit Facility without premium or penalties except for payment of any funding losses resulting from prepayment of any LIBOR rate loans. The Credit Facility is guaranteed by the Subsidiaries and is secured by a first priority lien on substantially all of the Company's assets.

Prior to certain events of default that occurred in fiscal 2009 (the 2009 Credit Defaults) described below, the rate for the Term Loan was LIBOR plus 2.0%. Pursuant to the Swap Agreement that RHC entered into with Wachovia under the Credit Facility, substantially the entire Term Loan, with quarterly step-downs, bore interest at an effective fixed rate of 7.485% (7.405% for 2008) per annum (2.0% above the LIBOR Rate in effect on the lock-in date of the Swap Agreement) prior to the Credit Facility Defaults. The Swap Agreement specifies that the Company pay an annual interest rate spread on a notional balance that approximates the Term Loan balance and steps down quarterly. The interest rate spread is the difference between the LIBOR rate and 5.485% and the notional balance was \$203.9 million as of September 30, 2009.

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 executed on July 9, 2007.

Prior to the 2009 Credit Defaults, the interest rate on loans under the Revolver depended on whether they were in the form of revolving loans or swingline loans (Swingline Loans). Prior to the 2009 Credit Defaults, the interest rate for each revolving loan depended on whether RHC elects to treat the loan as an Alternate Base Rate loan (ABR Loan) or a LIBOR Rate loan; and Swingline Loans bore interest at a per annum rate equal to the Alternative Base Rate plus the Applicable Percentage for revolving loans that were ABR Loans. Prior to the 2009 Credit Defaults, the applicable percentage for Swingline Loans ranged from 0.50% to 1% depending on the Consolidated Leverage Ratio as defined in our Credit Facility Credit Agreement. Our Consolidated Leverage Ratio was 14.99 for the four quarters ending September 30, 2009, which exceeded the maximum allowable Consolidated Leverage Ratio set forth in the Credit Agreement. This ratio test is only applicable if we have more than \$2.5 million in Revolver borrowings at the end of the applicable quarter.

Fees payable under the Revolver include: (i) a commitment fee in an amount equal to either 0.50% or 0.375% (depending on the Consolidated Leverage Ratio) per annum on the average daily unused amount of the Revolver; (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. An annual administrative fee of \$35,000 is also payable in connection with the Revolver.

The 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 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 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.

2009 Credit Defaults

As previously disclosed on a Form 8-K filed with the SEC on March 4, 2009, the Company received a notice of default on February 26, 2009 (the February Notice), from Wachovia with respect to the Credit Facility in connection with the Company's failure to provide a Deposit Account Control Agreement, or DACA, from each of the Company's depository banks per a request made by Wachovia to the Company on October 14, 2008. The DACA that Wachovia requested the Company to execute was in a form that the Company ultimately determined to contain unreasonable terms and conditions as it would enable Wachovia to access all of the Company's operating cash and order it to be transferred to a bank account specified by Wachovia. The Notice further provided that as a result of the default, the Company would no longer have the option to request the LIBOR Rate loans described above. Consequently, the Term Loan was converted to an ABR Loan effective March 31, 2009.

On March 25, 2009, the Company engaged XRoads Solution Group LLC as our financial advisor. Based on an extensive analysis of our current and projected liquidity, and with our financial advisor's input, we determined it was in the best interests of the Company to not pay the Credit Facility and Swap Agreement accrued interest of \$13.9 million for the nine months ended September 30, 2009. Consequently, we elected not to make these payments. The Company's failure to pay interest due on any loan within our Credit Facility within a three-day grace period from the due date was an event of default under our Credit Facility. As a result of these events of default, the Company's lenders have the right to seek to charge additional default interest on the Company's outstanding principal and interest under the Credit Agreement, and automatically charge additional default interest on any overdue amounts under the Swap Agreement. These default rates are in addition to the interest rates that would otherwise be applicable under the Credit Agreement and Swap Agreement.

As previously disclosed on a Form 8-K filed with the SEC on April 6, 2009, the Company received an additional notice of default on April 1, 2009 (the April Default Notice) from Wachovia. The April Default Notice alleges that subsequent to the Company's receipt of the February Notice, additional defaults and events of default had occurred and were continuing under the terms of the Credit Agreement including, but not limited to: (i) the Company's failure to deliver to Wachovia audited financial statements without a "going concern" modification; (ii) the Company's failure to deliver Wachovia a certificate of an independent certified public accountant in conjunction with the Company's financial statement; and (iii) the occurrence of a default or breach under a secured hedging agreement. The April Default Notice also states that in addition to the foregoing events of default that there were additional potential events of default as a result of, among other things, the Company's failure to pay: (i) accrued interest on the Company's LIBOR rate loan on March 30, 2009 (the LIBOR Payment), (ii) the commitment fee on March 31, 2009 (the Commitment Fee Payment), and (iii) accrued interest on the Company's ABR Loans on March 31, 2009 (the ABR Payment and together with the LIBOR Payment and Commitment Fee Payment, the March 31st Payments). The Company has not paid the March 31st Payments and the applicable grace period to make these payments has expired. The April Default Notice states that as a result of these events of defaults, (a) all amounts owing under the

Credit Agreement thereafter would bear interest, payable on demand, at a rate equal to: (i) in the case of principal, 2% above the otherwise applicable rate; and (ii) in the case of interest, fees and other amounts, the ABR Default Rate (as defined in the Credit Agreement), which as of April 1, 2009 was 6.25%; and (b) neither Swingline Loans nor additional Revolving Loans are available to the Company at this time.

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As a result of the February Notice and the April Default Notice, effective March 31, 2009, the Term Loan interest rate increased to approximately 10.5% per annum and effective April 1, 2009, the Revolver interest rate is approximately 6.25% per annum. Consequently, the Company has incurred approximately \$3 million in default interest related to the Credit Facility and Swap Agreement for the nine months ended September 30, 2009.

On April 1, 2009, we also received Notice of Event of Default and Reservation of Rights (Swap Default Notice) in connection with an alleged event of default under our Swap Agreement. Receipt of the Swap Default Notice was previously disclosed on a Form 8-K filed with the SEC on April 6, 2009. The Swap Default Notice alleges that (a) an event of default exists due to the occurrence of an event of default(s) under the Credit Agreement and (b) that the Company failed to make payments to Wachovia with respect to one or more transactions under the Swap Agreement. The Company has not paid the overdue amount and the applicable grace period to make this payment has expired. As previously announced by the Company, any default under the Swap Agreement automatically results in an additional default interest of 1% on any overdue amounts under the Swap Agreement. This default rate is in addition to the interest rate that would otherwise be applicable under the Swap Agreement. As of September 30, 2009, the amount outstanding under the Swap Agreement was \$22.1 million.

On July 23, 2009, the Company received a Notice of Early Termination for Event of Default (the Early Termination Notice) from Wachovia in connection with an alleged event of default that occurred under the Swap Agreement. Receipt of the Early Termination Notice was previously disclosed on a Form 8-K filed with the SEC on July 29, 2009. The Early Termination Notice alleges that an event of default has occurred and is continuing pursuant to Sections 5(a)(i) and 5(a)(vi)(1) of the Swap Agreement. Section 5(a)(i) of the Swap Agreement addresses payments and deliveries specified under the Swap Agreement and Section 5(a)(vi)(1) of the Swap Agreement addresses cross defaults. The Early Termination Notice provides that Wachovia designated an early termination date of July 27, 2009 in respect of all remaining transactions governed by the Swap Agreement, including an interest rate swap transaction with a trade date of May 31, 2007.

On July 28, 2009, in connection with the Early Termination Notice, the Company received a Notice of Amount Due Following Early Termination from Wachovia that claimed the amount due and payable to Wachovia under the Swap Agreement is \$26.6 million, which includes \$4.4 million in accrued interest. As a result of the Early Termination Notice, the interest rates for the Term Loan and Revolver balances are no longer locked and are now subject to changes in underlying LIBOR rates and vary based on fluctuations in the Alternative Base Rate and Applicable Margins. As of September 30, 2009, our Term Loan and Revolver bear interest at approximately 6.25%.

With the aid of our financial advisors and outside counsel, we are continuing to negotiate with our various creditor constituencies to refinance or restructure our debt. We cannot assure you that we will be successful in completing a refinancing or consensual out-of-court restructuring, if necessary. If we were unable to do so, we would likely be compelled to seek protection under Chapter 11 of the U. S. Bankruptcy Code.

Current Economic and Operating Environment

We believe that due to a number of factors affecting consumers, including but not limited to a slowdown in global economies, contracting credit markets and reduced consumer spending, the outlook for the gaming and hospitality industries remains highly uncertain. Based on these adverse circumstances, we believe that the Company will continue to experience lower than expected hotel occupancy rates and casino volumes.

As a result of the economic factors and the defaults on the Credit Facility, there is substantial doubt about our ability to continue as a going concern.

Off-Balance Sheet Arrangements

It is not our usual business practice to enter into off-balance sheet arrangements such as guarantees on loans and financial commitments, indemnification arrangements and retained interests in assets transferred to an unconsolidated entity for securitization purposes. Consequently, we have no off-balance sheet arrangements.

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, 2008. For a further discussion of our accounting policies, see Note 3, Summary of Significant Accounting Policies, in the Notes to the Condensed Consolidated Financial Statements in this Form 10-Q.

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 Exchange Act of 1934, as amended (the “Exchange Act”). Forward looking statements include the words “may,” “would,” “could,” “likely,” “estimate,” “intend,” “plan,” “continue,” “believe,” “project” or “anticipate” and similar words and our discussions about our ongoing or future plans, objectives or expectations and our liquidity projections. We do not guarantee that any of the transactions or events described in this report will happen as described or that any positive trends referred to in this report will continue. These forward looking statements generally relate to our plans, objectives and expectations for future operations and results and are based upon what we consider to be reasonable estimates. Although we believe that our forward looking statements are reasonable at the present time, we may not achieve or we may modify our plans, objectives and expectations. 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 our plans or objectives, or might affect our ability to meet our expectations include, but are not limited to:

- the effect of events of default or alleged events of default associated with our Credit Agreement, Credit Facility and Swap Agreement;
- the effect of the Company's announcement that trading of its common stock on the NYSE AMEX LLC was suspended as of the close of trading on June 25, 2009 as previously disclosed on Form 8-K filed with the SEC on June 25, 2009. Effective June 26, 2009 the Company's common stock was available for quotation on the Pink OTC Markets, Inc. under the symbol "RVHL";
- the impact of Colorado Amendment 50, which enabled Black Hawk casino operators to extend casino hours, add craps and roulette gaming and increase the maximum betting limit to \$100 effective July 2, 2009;
- the effect of the termination of our previously announced strategic process to explore alternatives for maximizing stockholder value and the possible resulting fluctuations in our stock price that will affect other parties' willingness to make a proposal to acquire us;
 - fluctuations in the value of our real estate, particularly in Las Vegas;
- the availability and adequacy of our cash flow to meet our requirements, including payment of amounts due under our debt instruments;
 - our substantial indebtedness, debt service requirements and liquidity constraints;
 - our ability to meet the affirmative and negative covenants set forth in our Credit Facility;
 - the availability of additional capital to support capital improvements and development;
- the smoking ban in Colorado on our Riviera Black Hawk property which became effective on January 1, 2008;
- competition in the gaming industry, including the availability and success of alternative gaming venues, and other entertainment attractions, and the approval of an initiative that would allow slot machines in Colorado race tracks;
 - retirement or other loss of our senior officers;
- economic, competitive, demographic, business and other conditions in our local and regional markets;
 - the effects of a continued or worsening global and national economic recession;
- changes or developments in laws, regulations or taxes in the gaming industry, specifically in Nevada where initiatives have been proposed to raise the gaming tax;
- 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;

- changes in personnel or their compensation, including federal minimum wage requirements;
- 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;
- 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;
- 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;
- changes in our business strategy, capital improvements or development plans;
- the consequences of the war in Iraq and other military conflicts in the Middle East, concerns about homeland security and any future security alerts or terrorist attacks such as the attacks that occurred on September 11, 2001;
- other risk factors discussed elsewhere in this report; and
- a decline in the public acceptance of gaming.

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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

As of September 30, 2009, we had \$227.7 million in borrowings. The borrowings include a balance of \$225.0 million on our Term Loan and \$2.5 million outstanding on our \$3.0 million Revolving Credit Facility both of which were in default as of September 30, 2009. The borrowings also include a balance on a capital equipment lease, which matures in 2013 and bears interest at 5.5%.

Prior to July 27, 2009, we were not susceptible to interest rate risk because our outstanding debt was primarily at a fixed rate as a result of the interest rate swap associated with our Term Loan. Under our Swap Agreement, we paid a fixed rate of 5.485% plus 2% on the notional amount, which was \$203.9 million at September 30, 2009, with a June 8, 2014 expiration date.

On July 23, 2009, the Company received a Notice of Early Termination for Event of Default (See Note 5 to the Condensed Consolidated Financial Statements) from Wachovia in connection with an alleged event of default that occurred under our Swap Agreement. The Early Termination Notice provides that Wachovia designated an early termination date of July 27, 2009 (the "Early Termination Date"). On July 28, 2009, in connection with the Early Termination Notice, we received a Notice of Amount Due Following Early Termination from Wachovia that claimed the amount due and payable to Wachovia under the Swap Agreement is \$26.6 million, which includes \$4.4 million

recorded in accrued interest. Pursuant to the Swap Agreement, upon the occurrence of an Early Termination Date, no further payments by either party under the Swap Agreement are required to be made other than the total amounts owing to Wachovia by the Company, which were accelerated and are due immediately.

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Prior to the Early Termination Date, for the reasons described in Note 5 to the Condensed Consolidated Financial Statements in this Form 10-Q, effective March 31, 2009, the Term Loan interest rate was increased to and locked at approximately 10.5% per annum and effective April 1, 2009, the Revolver interest rate was locked at approximately 6.25% per annum, plus the interest rate swap incurred additional interest of 1% per annum on any overdue amounts under the Swap Agreement. As a result of the Early Termination Notice, the interest rates for the Term Loan and Revolver balances are no longer locked and are now subject to changes in underlying LIBOR rates and vary based on fluctuations in the Alternative Base Rate and Applicable Margins (see Note 5 to the Condensed Consolidated Financial Statements). As of September 30, 2009, our Term Loan and Revolver bear interest at approximately 6.25%.

As of the Early Termination Date, a hypothetical one percent change in interest rates would result in additional annual interest expense of approximately \$2.3 million, which would have material effect on our financial statements. Prior to receipt of the Early Termination Notice, a hypothetical one percent change in interest rates would not have a material effect on our financial statements as the borrowings bore interest primarily at fixed interest rates as described above.

Changes in value of our interest rate swap between the end of each reporting period were recorded as an increase/(decrease) in swap fair value as the swap does not qualify for hedge accounting.

In addition, authoritative guidance for accounting for uncertainty in income taxes requires that we book any future unrealized tax payments (see Note 3 to the Condensed Consolidated Financial Statements above). However, the Company does not have any reserves for uncertain tax positions at this time.

Interest Rate Sensitivity

Principal (Notational Amount by Expected Maturity)

Average Interest Rate

(Dollars in
Thousands)

| | 2009 | 2010 | 2011 | 2012 | 2013 | There- after | Total | Fair Value at 9/30/09 |
|--|------------|-------|-------|-------|------|-----------------|------------|-----------------------------|
| Long -Term Debt Including Current Portions | | | | | | | | |
| Equipment loans and capital leases-Black Hawk | \$ 44 | \$ 43 | \$ 44 | \$ 39 | | | \$ 170 | \$ 170 |
| Average interest rate | 5.5% | 5.5% | 5.5% | 5.5% | | | | |
| \$225 million Term Loan | \$ 225,000 | | | | | | \$ 225,000 | \$ 108,000 |
| Average interest rate | 6.25% | | | | | | | |
| Notes Payable | \$ 2,500 | | | | | | \$ 2,500 | \$ 1,200 |
| Average interest rate | 6.25% | | | | | | | |
| Total of all Long-Term | \$ 227,544 | \$ 43 | \$ 44 | \$ 39 | \$ 0 | \$ 0 | \$ 227,670 | \$ 109,370 |

Debt, Including
Current Portions

Other Long - Term Liabilities Including Current Portion

| | | | | | | | | |
|--------------------------------|----|-----|--|--|----|-----|----|-----|
| CEO pension plan obligation | \$ | 253 | | | \$ | 253 | \$ | 253 |
|--------------------------------|----|-----|--|--|----|-----|----|-----|

| | |
|--------------------------|------|
| Average interest rate | 5.5% |
|--------------------------|------|

Interest rate
derivatives

| | | | | | | | | |
|--------------------------|----|--------|--|--|--|--|----|--------|
| Derivative instrument | \$ | 22,148 | | | | | \$ | 22,148 |
|--------------------------|----|--------|--|--|--|--|----|--------|

| | |
|----------------------------|-------|
| Average receivable rate | 1.25% |
|----------------------------|-------|

| | |
|-------------------------|------|
| Average payable rate | 5.5% |
|-------------------------|------|

| | | | | | | | | | | |
|-------------------|----|--------|----|--------|----|--------|----|--------|----|-------|
| Expected Interest | \$ | 14,590 | \$ | 15,035 | \$ | 15,484 | \$ | 12,879 | \$ | 1,051 |
|-------------------|----|--------|----|--------|----|--------|----|--------|----|-------|

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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 Securities and Exchange Commission, 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, 2009, 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 15d-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

On February 9, 2009, multiple plaintiffs commenced an action in the Superior Court of the State of California, Los Angeles County, against the Company and seven other defendants. The action stems from a tour bus accident that occurred in Arizona on January 30, 2009, in which 7 passengers died and 10 other passengers were injured. On May 12, 2009, the plaintiffs filed a First Amended Complaint for Damages (the Complaint) in which the plaintiffs allege, among other things, that the Company had a contractual relationship with the other defendants, including the tour bus operator. The plaintiffs are seeking monetary damages in connection with this matter. On June 23, 2009, the Company filed a Motion to Quash the matter on a jurisdictional basis. The hearing on this Motion took place on July 27, 2009, at which time the Plaintiffs requested an opportunity to file a supplemental brief after conducting additional discovery. The Court reheard this Motion on September 28, 2009, and granted the Company’s Motion to Quash at that time.

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

Item 3. Defaults Upon Senior Securities

See Note 5 to the Condensed Consolidated Financial Statements in this Form 10-Q.

Item 6.

Exhibits

See list of exhibits below.

SIGNATURES

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

RIVIERA HOLDINGS CORPORATION

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

By: /s/ Phillip B. Simons
Phillip B. Simons
Treasurer and Chief Financial
Officer

Date: November 9, 2009

Exhibits

Exhibits:

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