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RIVIERA HOLDINGS CORP
Form 10-Q
August 07, 2003

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 June 30, 2003

OR

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

For the transition period from _____ to _____

Commission file number 000-21430

Riviera Holdings Corporation

(Exact name of Registrant as specified in its charter)

Nevada 88-0296885

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

2901 Las Vegas Boulevard South, Las Vegas, Nevada 89109

(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes___ No X

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE LAST FIVE YEARS

Indicate by check mark whether the registrant has filed all documentation and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes No

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APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of July 31, 2003, there were 3,606,155 shares of Common Stock, \$.001 par value per share, outstanding.

RIVIERA HOLDINGS CORPORATION

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors
Riviera Holdings Corporation

We have reviewed the accompanying condensed consolidated balance sheet of Riviera Holdings Corporation (the "Company") and subsidiaries as of June 30, 2003, and the related condensed consolidated statements of operations and of cash flows for the three and six months ended June 30, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our review, in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Riviera Holdings Corporation as of December 31, 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 14, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

July 22, 2003
Las Vegas, Nevada

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RIVIERA HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, except share amounts)

	June 30	December 31
	2003	2002
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 20,688	\$ 20,220
Accounts receivable, net	2,946	4,010
Inventories	1,541	1,824

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Prepaid expenses and other assets	3,855	3,968
	-----	-----
Total current assets	29,030	30,022
PROPERTY AND EQUIPMENT, Net	181,098	188,233
OTHER ASSETS, Net	14,285	14,677
DEFERRED INCOME TAXES	2,964	2,964
	-----	-----
TOTAL	\$ 227,377	\$ 235,896
	=====	=====
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 3,523	\$ 3,430
Accounts payable	7,794	8,338
Accrued interest	1,064	1,065
Accrued expenses	13,674	15,576
	-----	-----
Total current liabilities	26,055	28,409
	-----	-----
OTHER LONG-TERM LIABILITIES	6,404	6,465
	-----	-----
LONG-TERM DEBT, Net of current portion	215,115	216,694
	-----	-----
SHAREHOLDERS' DEFICIENCY:		
Common stock (\$.001 par value; 20,000,000 shares authorized; 5,162,208 and 5,135,773 shares issued at June 30, 2003 and December 31, 2002, respectively)	5	5
Additional paid-in capital	13,715	13,638
Treasury stock (1,687,957 shares and 1,686,244 shares at June 30, 2003 and December 31, 2002, respectively)	(11,320)	(11,313)
Accumulated Deficit	(22,597)	(18,002)
	-----	-----
Total stockholders' deficiency	(20,197)	(15,672)
	-----	-----
TOTAL	\$ 227,377	\$ 235,896
	=====	=====

See notes to condensed consolidated financial statements

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RIVIERA HOLDINGS CORPORATION				
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)				
FOR THE THREE AND SIX MONTHS ENDED JUNE 30,				
2003 AND 2002				
	Three Months Ended		Six Months Ended	
(In thousands, except per share amounts)	June 30,		June 30,	
	2003	2002	2003	2002
REVENUES:				
Casino	\$ 27,091	\$ 28,863	\$ 53,468	\$ 54,926
Rooms	11,229	10,667	22,454	21,386
Food and beverage	8,529	8,519	16,542	16,378

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Entertainment	4,471	4,372	8,870	8,580
Other	2,059	2,200	4,010	4,251
	-----	-----	-----	-----
Total revenues	53,379	54,621	105,344	105,521
Less promotional allowances	5,051	4,955	9,525	9,357
	-----	-----	-----	-----
Net revenues	48,328	49,666	95,819	96,164
	-----	-----	-----	-----
COSTS AND EXPENSES:				
Direct costs and expenses of operating departments:				
Casino	13,897	14,813	27,967	29,185
Rooms	6,491	6,114	12,344	11,568
Food and beverage	5,749	5,518	11,053	10,608
Entertainment	2,919	2,887	5,875	5,674
Other	709	741	1,358	1,421
Other operating expenses:				
General and administrative	9,980	9,427	19,700	19,363
Depreciation and amortization	4,151	4,459	8,381	8,963
	-----	-----	-----	-----
Total costs and expenses	43,896	43,959	86,678	86,782
	-----	-----	-----	-----
INCOME FROM OPERATIONS	4,432	5,707	9,141	9,382
	-----	-----	-----	-----
OTHER (EXPENSE) INCOME:				
Interest expense	(6,879)	(6,932)	(13,760)	(13,533)
Interest income	11	137	24	229
	-----	-----	-----	-----
Total other expense	(6,868)	(6,795)	(13,736)	(13,304)
	-----	-----	-----	-----
(LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	(2,436)	(1,088)	(4,595)	(3,922)
(BENEFIT) FOR INCOME TAXES	0	0	0	0
	-----	-----	-----	-----
NET (LOSS)	\$ (2,436)	\$ (1,088)	\$ (4,595)	\$ (3,922)
	=====	=====	=====	=====
(LOSS) PER SHARE DATA:				
(Loss) per share:				
Basic & Diluted	\$ (0.70)	\$ (0.32)	\$ (1.32)	\$ (1.14)
	-----	-----	-----	-----
Weighted-average common and common equivalent shares	3,474	3,452	3,471	3,444
	-----	-----	-----	-----

See notes to condensed consolidated financial statements

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RIVIERA HOLDINGS CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2003
AND 2002

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----

CASH FLOWS FROM OPERATING ACTIVITIES:

Net (loss)	(\$2,436)	(\$1,088)	(\$4,595)	(\$3,922)
------------	-----------	-----------	-----------	-----------

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Adjustments to reconcile net (loss) to net cash (used in) provided by operating activities:				
Depreciation and amortization	4,151	4,459	8,381	8,963
Provision for bad debts	75	22	155	(345)
Provision for gaming discounts	7	(48)	7	(48)
Interest expense	6,879	6,932	13,760	13,533
Interest paid	(12,077)	(3,172)	(12,388)	(12,123)
Changes in operating assets and liabilities:				
Increase in interest receivable on US T-Bills purchased to retire bonds		(57)		(57)
Decrease (increase) in accounts receivable	1,126	966	901	1,000
Decrease (increase) in inventories	99	(11)	283	445
Decrease (increase) in prepaid expenses and other assets	86	(208)	115	(424)
Increase (decrease) in accounts payable	161	1,545	(544)	1,400
Increase (decrease) in accrued liabilities	(696)	(177)	(1,902)	(969)
Increase in deferred compensation plan liability	4	105	12	105
Increase (decrease) in non-qualified pension plan obligation to CEO upon retirement	(365)	(125)	(490)	(250)
Net cash (used in) provided by operating activities	(2,986)	9,143	3,695	7,308
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures - Las Vegas, Nevada	(344)	(1,337)	(783)	(2,268)
Capital expenditures - Black Hawk, Colorado	(174)	(749)	(450)	(1,208)
Decrease (increase) in other assets	(172)	(622)	(375)	(1,737)
Net cash (used in) investing activities	(690)	(2,708)	(1,608)	(5,213)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from long-term borrowings	0	211,781	0	211,781
US Treasury Bills purchased to retire bonds	0	(226,576)	0	(226,576)
Decrease (increase) in deferred loan fees	0	(10,381)	0	(10,381)
Payments on long-term borrowings	(828)	(854)	(1,689)	(1,651)
Increase in paid-in capital	0	0	52	0
Purchase of deferred comp treasury stock	0	0	(7)	0
Issuance of restricted stock	0	25	25	100
Net cash (used in) financing activities	(828)	(26,005)	(1,619)	(26,727)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(4,504)	(19,570)	468	(24,632)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD				
	\$ 25,192	\$ 41,544	\$ 20,220	\$ 46,606
CASH AND CASH EQUIVALENTS, END OF PERIOD				
	\$ 20,688	\$ 21,974	\$ 20,688	\$ 21,974
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:				
Property acquired with debt and accounts payable	\$101	\$65	\$101	\$65

See notes to condensed consolidated financial statements

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Riviera Holdings Corporation and its wholly owned subsidiary, Riviera Operating Corporation ("ROC") (together, the "Company"), were incorporated on January 27, 1993, in order to acquire the assets and liabilities of Riviera, Inc. Casino-Hotel Division on June 30, 1993, pursuant to a plan of reorganization.

Riviera Gaming Management, Inc. ("RGM") was incorporated in the State of Nevada in August 1995 for the purpose of obtaining management contracts in Nevada and other jurisdictions and is a wholly owned subsidiary of ROC. In March 1997 Riviera Gaming Management of Colorado was incorporated in the State of Colorado, and in August 1997 Riviera Black Hawk, Inc. ("RBH") was incorporated in the State of Colorado for the purpose of developing a casino in Black Hawk, Colorado which opened February 4, 2000.

On March 15, 2002 Riviera Gaming Management of New Mexico, Inc. was incorporated in the State of New Mexico. On June 5, 2002 Riviera Gaming Management of Missouri, Inc. was incorporated in the State of Missouri.

Nature of Operations

The Company owns and operates the Riviera Hotel & Casino ("Riviera Las Vegas") on the Strip in Las Vegas, Nevada and in February of 2000, opened its casino in Black Hawk, Colorado ("Riviera Black Hawk"). Riviera Black Hawk is owned through RBH, a wholly owned subsidiary of ROC. Riviera Gaming Management of Colorado, Inc. is a wholly owned subsidiary of RGM, and manages the casino.

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiary ROC and various indirect wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

The financial information at June 30, 2003 and for the three and six months ended June 30, 2003 and 2002 is unaudited. However, such information reflects all adjustments (consisting solely of normal and recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations, and cash flows for the interim periods. The results of operations for the six months ended June 30, 2003 and 2002 are not necessarily indicative of the results that will be achieved for the entire year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2002, included in the Company's Annual Report on Form 10-K.

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Earnings Per Share

Basic per share amounts are computed by dividing net income by weighted average shares outstanding during the period. Diluted net income per share amounts are computed by dividing net income by weighted average shares outstanding plus the

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dilutive effect of common share equivalents. The effect of options outstanding was not included in diluted calculations for the three and six months ended June 30, 2003 and 2002 since the Company incurred a net loss. The number of potentially dilutive options was 82,000 and 82,000 for the three and six months ended June 30, 2003 and 285,500 and 113,000 for the three and six months ended June 30, 2002.

Income Taxes

The cash flow projections used by the Company in the application of Statement of Financial Accounting Standards ("SFAS 109") for the realization of deferred tax assets indicate that a valuation allowance should be recorded on the tax benefit earned by the Company in 2003 and 2002. The estimates used are based upon recent operating results and budgets for future operating results. These estimates are made using assumptions about the economic, social and regulatory environments in which we operate. These estimates could be impacted by numerous unforeseen events including changes to regulations affecting how the Company operates the business, changes in the labor market or economic downturns in the areas where the Company operates.

Estimates and Assumptions

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 allowance for receivables. Actual results may differ from estimates.

Reclassifications

Certain prior-period amounts in the condensed financial statements have been reclassified to conform to the June 30, 2003 presentation. These reclassification had no effect on the Company's net income.

Stock-Based Compensation

As of June 30, 2003, the Company has two stock-based employee compensation plans. The effect of stock options in the income statement is reported in accordance with Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. The Company has adopted the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation. Accordingly, no compensation cost has been recognized for unissued stock options in the stock option plan, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

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No compensation cost has been recognized for unexercised options remaining in the stock option plans. Had compensation cost for the Company's stock option plans been determined based on the fair value at the date of grant for awards consistent with the provisions of SFAS No. 123 (using an intrinsic value method), the Company's net loss and pro forma net loss per common share and common share equivalent would have been increased to the pro forma amounts indicated below for three and six months ended June 30 (in thousands, except per share amounts):

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	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Net loss as reported	\$ (2,436)	\$ (1,088)	\$ (4,595)	\$ (3,922)
Deduct: Total stock-based employee compensation expense determined under fair value-based methods for awards net of related tax effects	(57)	(74)	(117)	(148)
Net loss pro forma	\$ (2,493)	\$ (1,162)	\$ (4,712)	\$ (4,070)
Basic loss per common share as reported	\$ (0.70)	\$ (0.32)	\$ (1.32)	\$ (1.14)
Basic loss per common share pro forma	\$ (0.72)	\$ (0.34)	\$ (1.36)	\$ (1.18)
Diluted loss per common and common share equivalent as reported	\$ (0.70)	\$ (0.32)	\$ (1.32)	\$ (1.14)
Diluted loss per common and common share equivalent pro forma	\$ (0.72)	\$ (0.34)	\$ (1.36)	\$ (1.18)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2003 and 2002 respectively: dividend yield of 0% for both years; expected volatility of 34% and 52%; risk-free interest rates of 2.27% and 4.49%; and expected lives of 10 years for all years. The weighted fair value of options granted in 2003 and 2002 was \$2.69 and \$4.96, respectively.

Due to the fact that the Company's stock option programs vest over several years and additional awards are made each year, the above pro forma numbers are not indicative of the financial impact had the disclosure provisions of SFAS No. 123 been applicable to all years of previous option grants. The above numbers do not include the effect of options granted prior to 1995.

Recently Adopted Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 143, Accounting for Asset Retirement Obligations. ("SFAS No. 143"). SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company adopted SFAS No. 143 and it had no effect on its financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities ("SFAS No. 146"). SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS No. 146 requires

that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. A fundamental conclusion reached by

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the FASB in this statement is that an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company adopted SFAS No. 146 and it had no effect on its financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure--an Amendment of FASB Statement No. 123. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation. Although it does not require use of fair value method of accounting for stock-based employee compensation, it does provide alternative methods of transition. It also amends the disclosure provisions of SFAS No. 123 and APB Opinion No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. SFAS No. 148's amendment of the transition and annual disclosure requirements are effective for fiscal years ending after December 15, 2002. The amendment of disclosure requirements of APB No. 28 is effective for interim periods beginning after December 15, 2002. The Company adopted SFAS No. 148 and it had no effect on its financial position or results of operations.

Recently Issued Accounting Standards

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. Additionally, a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial liability recognition and measurement provisions of FIN No. 45 apply prospectively to guarantees issued or modified after December 31, 2002. The disclosure requirements in FIN No. 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company has determined that FIN No. 45 did not have a material impact on its financial position or results of operations.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities," which addresses consolidation by business enterprises where equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as "special purpose entities." Companies are required to apply the provisions of FIN No. 46 prospectively for all variable interest entities created after January 31, 2003. The Company has determined that FIN No. 46 did not have a material impact on its financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment to Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is applied prospectively and is effective for contracts

entered into or modified after June 30, 2003, except for SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003 and certain provisions relating to forward purchases and

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sales on securities that do not yet exist. The Company has not determined the effect, if any, that SFAS No. 149 will have on its consolidated financial statements.

In May 2003, the FASB issued FIN No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." The Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company will adopt the standard during the third quarter beginning on July 1, 2003. The Company is currently evaluating the effects, if any, that this Statement will have on its financial position and results of operations.

2. OTHER ASSETS

Other assets at June 30, 2003 include deferred loan fees of approximately \$10.1 million associated with the refinancing of the Company's debt and capitalized costs associated with the RGM Missouri proposed venture of approximately \$1.4 million and the RGM New Mexico proposed venture of approximately \$1.2 million.

3. LONG TERM DEBT AND COMMITMENTS

On June 26, 2002, the Company issued 11% Senior Secured Notes due 2010 with a principal amount of \$215 million, substantially all of which were later exchanged for Securities Act of 1933-registered Notes of the Company with substantially the same terms (collectively, the "11% Notes"). The 11% Notes were issued at a discount in the amount of \$3.2 million. The discount is being amortized over the life of the 11% Notes. The Company incurred fees of approximately \$9.3 million with the issuance of the \$215 million 11% Notes which are included in other assets at June 30, 2002 and 2003 and are being amortized to interest expense over the life of the indebtedness.

Effective July 26, 2002 the Company entered into a \$30 million, five year revolving credit arrangement with a financial institution. Terms of the arrangement include interest at prime plus .75 percent or a LIBOR derived rate. There were no advances outstanding on this revolver at June 30, 2003. The Company incurred loan fees of approximately \$1.5 million which are being expensed over the life of the agreement.

4. LEGAL PROCEEDINGS

On April 15, 2003, a class action complaint was filed in the Clark County, Nevada District Court (Case No. A466204) in the name of Brian Placzek, on behalf of himself and all others similarly situated, against the Company and Company directors William L. Westerman, Robert R. Barengo, Jeffrey A. Silver and Paul A. Harvey (the "Placzek Action"). The complaint was served on the Company on April 28, 2003. The named plaintiff in this action is a shareholder of the Company. In the complaint, the plaintiff seeks an order which would require the individual defendants to take the following actions, among others: cooperate with any individual who makes a bona fide offer to acquire the Company, take steps that are calculated to result in a buy-out or takeover of the Company at the highest price, comply with their fiduciary duties, and reimburse the plaintiff's class for damages, costs and disbursements related to the lawsuit. The complaint

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states that the named plaintiff also seeks to have all of the Company's public shareholders, excluding the defendants, certified as a class for purposes of the class action suit and seeks to be the representative of the class. On July 10, 2003, the defendants filed a Motion to Dismiss the Placzek Action against all defendants on the grounds that the Placzek Action was filed without the authorization of the plaintiff. This Motion to Dismiss has not yet been heard or ruled upon. An amended complaint was filed in the Placzek Action on July 11, 2003, alleging, among other things, that the Director defendants are attempting to entrench themselves in their position of control.

On May 2, 2003, a class action complaint was filed in the Clark County, Nevada District Court (Case No. A467159) in the name of Paul Rosa against the Company and Company directors William L. Westerman, Robert R. Barengo, Jeffrey A. Silver, Paul A. Harvey and Vincent L. DiVito (the "Rosa Action"). The named plaintiff in this action is a shareholder of the Company and also seeks to have all of the Company's public shareholders, excluding defendants and related shareholders, certified as a class for purposes of the class action law suit. On July 21, 2003, the defendants filed a Motion to Dismiss the Rosa Action on the grounds that the complaint fails to state a claim upon which relief may be granted. This Motion to Dismiss has not yet been heard or ruled upon.

The plaintiffs in both of these lawsuits are represented by the same law firm. Both complaints assert, among other things, that the defendants violated their fiduciary duties because they did not take affirmative steps in furtherance of an offer by a third party to purchase all of the outstanding Common Stock at a premium price. That offer was contingent upon, among other things, a waiver by the holders of the 11% Notes of the right to an accelerated repayment of the 11% Notes at a premium, which would be triggered by that third party's purchase of the Common Stock.

We believe the claims in these lawsuits are without merit and we intend to defend against them vigorously.

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

5. STOCK REPURCHASES

There were 1,703 shares of treasury stock purchased by the Deferred Compensation Plan Trustee at \$4.27 for the six months ended June 30, 2003 and no shares were purchased for the six months ended June 30, 2002.

6. ISSUANCE OF RESTRICTED STOCK

There were 5,435 shares of restricted stock issued at an average price of \$4.60 under the Restricted Stock Plan in the first six months ended June 30, 2003 for executive compensation earned in the last quarter of 2002.

7. GUARANTOR INFORMATION

The 11% Notes and the \$30 million line of credit are guaranteed by all of the Company's restricted subsidiaries. These guaranties are full, unconditional, and joint and several. RGM Missouri and RGM New Mexico are unrestricted subsidiaries of RHC and are not guarantors of the 11% Notes. Each of these entities is in the

development stage, and has no operating results. Their assets totaled \$2.6

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million (RGM Missouri \$1.4 million and RGM New Mexico \$1.2 million in 2002 and 2003), which assets were created through advances from RHC.

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8. SEGMENT DISCLOSURES

The Company determines its segments based upon review process of the chief decision maker who reviews by geographic gaming market segments: Riviera Las Vegas and Riviera Black Hawk. The key indicator reviewed by the chief decision maker is EBITDA as defined below. All intersegment revenues have been eliminated.

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Net revenues:				
Riviera Las Vegas	\$36,027	\$37,039	\$71,762	\$71,748
Riviera Black Hawk	12,301	12,627	24,057	24,416
Total net revenues	\$48,328	\$49,666	\$95,819	\$96,164
Income (loss) from operations:				
Riviera Las Vegas	\$3,703	\$4,588	\$7,953	\$7,897
Riviera Black Hawk	2,034	2,181	3,604	3,609
Corporate Expenses (3)	(1,305)	(1,062)	(2,416)	(2,124)
Total income from operations	\$4,432	\$5,707	\$9,141	\$9,382
EBITDA (1):				
Riviera Las Vegas	\$6,378	\$7,479	\$13,403	\$13,774
Riviera Black Hawk	3,510	3,749	6,535	6,695
Corporate Expenses (3)	(1,305)	(1,062)	(2,416)	(2,124)

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Total EBITDA	\$8,583	\$10,166	\$17,522	\$18,345
	=====	=====	=====	=====
EBITDA margins (2):				
Riviera Las Vegas	17.7%	20.2%	18.7%	19.2%
Riviera Black Hawk	28.5%	29.7%	27.2%	27.4%
	-----	-----	-----	-----
Total EBITDA	17.8%	20.5%	18.3%	19.1%
	=====	=====	=====	=====

(1) EBITDA consists of earnings before interest, income taxes, depreciation, and amortization. EBITDA is presented solely as a supplemental disclosure because management believes 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. Management uses property-level EBITDA (EBITDA before corporate expense) as the primary measure of the Company's business segment properties' performance, including the evaluation of operating personnel. EBITDA should not be construed as an alternative to operating income, as an indicator of the Company's operating performance, as an alternative to cash flows from operating activities, as a measure of liquidity, or as any other measure determined in accordance with generally accepted accounting principles. The Company has significant uses of cash flows, including capital expenditures, interest payments and debt principal repayments, which are not reflected in EBITDA. Also, other companies that report EBITDA information may calculate EBITDA in a different manner than the Company. A reconciliation of EBITDA to operating income is included in the following financial schedules.

(2) EBITDA margin is EBITDA as a percent of net revenues.

(3) Corporate expenses increased in 2003 as due to additional professional fees and costs associated with corporate governance, business proposals and the shareholder vote on the removal of certain voting restrictions in the Company's articles of incorporation.

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Riviera Holdings Corporation						
Reconciliation of Operating Income (Loss) to EBITDA						
	(\$ in 000's)			Depreciation		
	Net Income	Net Interest Expense (5)	Operating Income/(Loss)	Management Fee	EBITDA	
Second Quarter 2003						
Riviera Las Vegas	\$ 3,660	\$ (43)	\$ 3,703	\$ 3,059	\$ (384)	\$ 6,378
Riviera Black Hawk	(22)	(2,056)	2,034	1,092	384	3,510
Corporate	(6,074)	(4,769)	(1,305)	-	-	(1,305)
	-----	-----	-----	-----	-----	-----
	\$ (2,436)	\$ (6,868)	\$ 4,432	\$ 4,151	-	\$ 8,583

Second Quarter 2002						
Riviera Las Vegas	\$ (251)	\$ (4,839)	\$ 4,588	\$ 3,302	\$ (411)	\$ 7,479
Riviera Black Hawk	542	(1,639)	2,181	1,157	411	3,749
Corporate	(1,379)	(317)	(1,062)	-	-	(1,062)
	-----	-----	-----	-----	-----	-----
	\$ (1,088)	\$ (6,795)	\$ 5,707	\$ 4,459	-	\$ 10,166

Six Months ended						
June 30, 2003						
Riviera Las Vegas	\$ 7,868	\$ (85)	\$ 7,953	\$ 6,180	\$ (730)	\$ 13,403
Riviera Black Hawk	(512)	(4,116)	3,604	2,201	730	6,535
Corporate	(11,951)	(9,535)	(2,416)	-	-	(2,416)

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	\$ (4,595)	\$ (13,736)	\$ 9,141	\$ 8,381	-	\$ 17,522
Six Months ended June 30, 2002						
Riviera Las Vegas	\$ (1,803)	\$ (9,700)	\$ 7,897	\$ 6,647	\$ (770)	\$ 13,774
Riviera Black Hawk	322	(3,287)	3,609	2,316	770	6,695
Corporate	(2,441)	(317)	(2,124)	-	-	(2,124)
	\$ (3,922)	\$ (13,304)	\$ 9,382	\$ 8,963	-	\$ 18,345

	June 30, 2003	December 31, 2002
Assets (4):	(in thousands)	
Riviera Las Vegas	\$ 118,371	\$ 123,740
Riviera Black Hawk	62,727	64,493
Total assets	\$ 181,098	\$ 188,233

(4) Asset represent property and equipment and intangible assets, net of accumulated depreciation and amortization.

(5) Interest expense net of interest income

RIVIERA LAS VEGAS REVENUES

The primary marketing of the Riviera Las Vegas is not aimed toward residents of Las Vegas, Nevada. Significantly all revenues derived from patrons visiting the Riviera Las Vegas are from other parts of the United States and other countries. Revenues for Riviera Las Vegas from a foreign country or region may exceed 10 percent of all reported segment revenues; however, the Riviera Las Vegas cannot identify such information, based upon the nature of gaming operations.

RIVIERA BLACK HAWK REVENUES

The casino in Black Hawk, Colorado, primarily serves the residents of metropolitan Denver, Colorado. As such, management believes that significantly all revenues are derived from within 250 miles of that geographic area.

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

Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

The following table sets forth, for the periods indicated, certain operating data for the Riviera Las Vegas and Riviera Black Hawk. Income from Operations includes intercompany management fees.

(In Thousands)	Second Quarter		Incr/ (Decr)	%Incr/ (Decr)
	2003	2002		
Net revenues:				
Riviera Las Vegas	\$36,027	\$37,039	\$ (1,012)	-2.7%

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Riviera Black Hawk	12,301	12,627	(326)	-2.6%
	-----	-----	-----	
Total Net Revenues	\$48,328	\$49,666	\$ (1,338)	-2.7%
	=====	=====	=====	
 Income (Loss) from Operations				
Riviera Las Vegas	\$3,703	\$4,588	\$ (885)	-19.3%
Riviera Black Hawk	2,034	2,181	(147)	-6.7%
	-----	-----	-----	
Property Income from Operations	5,737	6,769	(1,032)	-15.2%
Corporate Expenses	(1,305)	(1,062)	(243)	-22.9%
	-----	-----	-----	
Total Income from Operations	\$4,432	\$5,707	\$ (1,275)	-22.3%
	=====	=====	=====	
 Operating Margins				
Riviera Las Vegas	10.3%	12.4%	-2.1%	
Riviera Black Hawk	16.5%	17.3%	-0.8%	
Consolidated	9.2%	11.5%	-2.3%	

Riviera Las Vegas

Revenues

Net revenues decreased by approximately \$1.0 million, or 2.7%, from \$37.0 million in 2002 to \$36.0 million in 2003 due primarily to decreased casino revenues, which were partially offset by increased hotel revenues.

Casino revenues decreased by approximately \$1.6 million, or 9.3%, from \$17.0 million during 2002 to \$15.5 million during 2003 due to a 9.8% decrease in slot machine revenue.

Room revenue increased \$562,000, or 5.3%, from \$10.7 million in 2002 to \$11.2 million in 2003 due to an increase in convention room nights. Hotel occupancy decreased to 93.4%, down from last year's 95.8% and average daily room rate increased \$3.74 from \$56.70 in 2002 to \$60.44 in 2003. Rev Par (revenue per available room), however, increased 3.9% or \$2.11 to \$56.43. Convention room nights increased from 28.7% to 34.5% of total occupancy, while gaming occupancy decreased from 17.6% to 14.3%. The increases in convention business are due, in part, to the reinvestment of internal cash flows in excess of \$100 million in the property, including \$25 million to double the size of our convention facilities and \$20 million in the last five years to refurbish our hotel rooms.

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Promotional allowances increased by approximately \$158,000, or 4.1%, from \$3.9 million during 2002 to \$4.0 million during 2003 primarily due to increases in comps related to increased convention activity.

Costs and Expenses

Casino expenses decreased \$898,000 or 9.7% from \$9.3 million in 2002 to \$8.4 million in 2003 due to decreased casino activity. Casino expenses as a percentage of casino revenues remained constant at 54%.

Rooms departmental costs and expenses increased by 6.2% in the quarter, due primarily to the wage scale increases under the renewed union contracts.

Income from Operations

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Income from operations in Las Vegas decreased \$885,000, or 19.3%, from \$4.6 million in 2002 to \$3.7 million in 2003 due to the \$1.0 million or 2.7% decrease in net revenues as explained above.

Riviera Black Hawk

Revenues

Net revenues decreased by approximately \$326,000 or 2.6% from \$12.6 million in 2002 to \$12.3 million in 2003. Food and beverage revenues were approximately \$1.5 million in 2003, of which \$1.0 million was complimentary (promotional allowance). The Denver area economy continued to show weakness during the quarter. These negative factors resulted in a decrease in gaming revenues for the Black Hawk market, however we were able to increase market share during the quarter. We continue to monitor market conditions and have made several adjustments to our marketing programs to insure that we stay competitive.

Income from Operations

Income from operations in Black Hawk, Colorado decreased \$147,000, or 6.7%, from \$2.2 million in 2002 to \$2.0 million in 2003 due to the \$326,000 decrease in revenues.

Consolidated Operations

Other Income (Expense)

Interest income decreased \$126,000 from \$137,000 in 2002 to \$11,000 in 2003 as a result of the lower cash balances available for investment and decreasing rates. Corporate expenses increased 243,000 or 22.9% from \$1.1 million in 2002 to \$1.3 million in 2003 as a result of additional professional fees and costs associated with corporate governance, business proposals and the shareholder vote on the removal of certain voting restrictions in the Company's articles of incorporation.

Net Income (Loss)

Net loss increased \$1.3 million or 123.9% from a net loss of \$1.1 million in 2002 to a net loss of \$2.4 million in 2003 due primarily to decreased net revenues as discussed above.

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Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

The following table sets forth, for the periods indicated, certain operating data for the Riviera Las Vegas and Riviera Black Hawk. Operating Income includes intercompany management fees.

(In Thousands)	Six Months Ended		Incr/ (Decr)	% Incr/ (Decr)
	2003	2002		
	----	----	-----	-----
Net revenues:				

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Riviera Las Vegas	\$71,762	\$71,748	\$14	0.0%
Riviera Black Hawk	24,057	24,416	(359)	-1.5%
	-----	-----	-----	
Total Net Revenues	\$95,819	\$96,164	\$(345)	-0.4%
	=====	=====	=====	
Income (Loss) from Operations				
Riviera Las Vegas	\$7,953	\$7,897	\$56	0.7%
Riviera Black Hawk	3,604	3,609	(5)	-0.1%
	-----	-----	---	
Property Income from Operations	11,557	11,506	51	0.4%
Corporate Expenses	(2,416)	(2,124)	(292)	-13.7%
	-----	-----	-----	
Total Income from Operations	\$9,141	\$9,382	\$(241)	-2.6%
	=====	=====	=====	
Operating Margins				
Riviera Las Vegas	11.1%	11.0%	0.1%	
Riviera Black Hawk	15.0%	14.8%	0.2%	
Consolidated	9.5%	9.8%	-0.3%	

Riviera Las Vegas

Revenues

Net revenues were approximately \$71.8 million for both 2002 and 2003 due primarily to decreased casino revenues which were partially offset by increased hotel revenues.

Casino revenues decreased by approximately \$1.2 million, or 3.7%, from \$31.9 million during 2002 to \$30.7 million during 2003 primarily due to a decrease of \$896,000 or 3.7% in slot machine revenue.

Room revenue increased \$1.1 million, or 5.0%, from \$21.4 million in 2002 to \$22.5 million in 2003 due to an increase in convention room nights. Hotel occupancy increased to 92.7%, up from last year's 91.9% and average daily room rate increased \$1.76 to \$61.13 in 2003 from \$59.37 in 2002. Rev Par (revenue per available room) increased 3.9% or \$2.13 to \$56.67. Convention room nights were up 5.8% while gaming occupancy decreased 3.3%. The change in our occupancy mix has stimulated increases in entertainment and food and beverage revenues.

Entertainment revenues increased by approximately \$341,000, or 4.1%, from \$8.4 million during 2002 to \$8.8 million during 2003 due primarily to an increase in our Le Bistro Theater revenues.

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Promotional allowances increased by approximately \$491,000, or 7.0%, from \$7.0 million during 2002 to \$7.5 million during 2003 primarily due to increases in comps related to higher convention activity.

Costs and Expenses

Casino expenses decreased \$1.1 million or 6.2% from \$18.1 million in 2002 to \$17.0 million in 2003 due to reduced casino activity.

Rooms departmental costs and expenses increased by 6.7% as occupancy increased, requiring more variable labor costs. In addition, wage scale

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increases under the renewed union contracts contributed to the increased costs.

Income from Operations

Income from operations in Las Vegas increased \$56,000, or 0.7%, from \$7.9 million in 2002 to \$8.0 million in 2003 based on comparable revenues and decreased costs as management was able to maintain operating margins.

Riviera Black Hawk

Revenues

Net revenues decreased by approximately \$359,000, or 1.5%, from \$24.4 million in 2002 to \$24.1 million in 2003. Casino revenues decreased \$269,000, or 1.2%, from \$23.0 million in 2002 and \$22.8 million in 2003.

Riviera Black Hawk continues to refine its marketing efforts by constantly measuring the success rates of its programs, while monitoring the offerings of competitors. The operation is attempting to strike a balance between player incentives, gaming product, food offerings and entertainment as its primary marketing programs.

Income from Operations

Income from operations in Black Hawk, Colorado was approximately \$3.6 million in both 2002 and 2003 as a result of refining direct marketing and promotional programs for the casino to match the economic conditions in the Denver area.

Consolidated Operations

Other Income (Expense)

Interest expense increased \$227,000 due to costs associated with the \$30 million credit facility and increased amortization of loan fees. Interest expense on the \$215 million 11% Senior Secured Notes issued by the Company (the "11% Notes") of \$11.8 million plus related amortization of loan fees and other financing costs totaled approximately \$13.0 million in 2003. Interest expense on equipment and other financing totaled approximately \$796,000 for the first six months of 2003.

Interest income decreased \$205,000 from \$229,000 in 2002 to \$24,000 in 2003 as a result of the lower cash balances available for investment and decreasing rates. Corporate expenses increased \$292,000 or 13.7% from \$2.1

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million in 2002 to \$2.4 million in 2003 as a result of additional professional fees and costs associated with corporate governance, business proposals and the shareholder vote on the removal of certain voting restrictions in the Company's articles of incorporation.

Net Income (Loss)

Net loss increased \$673,000 or 17.2% from a net loss of \$3.9 million in 2002 to a net loss of \$4.6 million in 2003 due primarily to decreased operating income and increased net interest costs.

Liquidity and Capital Resources

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At June 30, 2003, the Company had cash and cash equivalents of \$20.7 million. The cash and cash equivalents increased \$468,000 during the first six months of 2003, as a result of \$3.7 million of cash provided by operations, \$1.6 million of cash outflow for investing activities and \$1.6 million outflow for financing activities. Cash balances include amounts that could be required to fund the Chief Executive Officer's pension obligation in a rabbi trust with 5 days notice. (See Note 7 to the 2002 annual consolidated financial statements, Other Long-Term Liabilities included in Form 10-K as filed with the SEC on March 17, 2003.) Effective April 1, 2003, the Company began paying Mr. Westerman \$250,000 per quarter from his pension plan. In exchange for these payments, Mr. Westerman has agreed to continue his forbearance of his right to receive full transfer of his pension fund balance to the rabbi trust. This does not limit his ability to give the five-day notice at any time. Although there is no current intention to require this funding, under certain circumstances the Company might have to disburse approximately \$5.9 million for this purpose in a short period.

Management believes that cash flow from operations, combined with the \$20.7 million cash and cash equivalents and the \$30 million revolving credit facility, will be sufficient to cover the Company's debt service and enable investment in budgeted capital expenditures for 2003 for both the Las Vegas and Black Hawk properties and provide initial investments in the potential Missouri and New Mexico projects.

Cash flow from operations may not to be sufficient to pay 100% of the principal of the 11% Notes at maturity on June 15, 2010. Accordingly, our ability to repay the 11% Notes at maturity may be dependent upon our ability to refinance them. There can be no assurance that we will be able to refinance the principal amount of the 11% Notes at maturity.

The 11% Notes provide that, in certain circumstances, the Company and its subsidiaries must offer to repurchase the 11% Notes, upon the occurrence of a change of control, at 101% of the principal amount. Each Bondholder has the right but not the obligation to accept this offer. In the event of such mandatory redemption or repurchase prior to maturity, the Company and its subsidiaries would be unable to pay the principal amount of the 11% Notes without a refinancing.

At any time prior to June 15, 2005, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the 11% Notes at a redemption price of 111% of the principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date, with the net cash proceeds of one or more public equity offerings; provided that:

- (1) at least 65% of the aggregate principal amount of the 11% Notes

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remains outstanding immediately after the occurrence of such redemption (excluding such notes held by the Company or its subsidiaries); and

- (2) the redemption occurs within 45 days of the date of the closing of such public equity offering.

Except pursuant to the preceding paragraph, the 11% Notes are not redeemable at the Company's option prior to June 15, 2006.

On or after June 15, 2006, the Company may redeem all or part of the 11% Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and liquidated damages, if any, on the 11% Notes redeemed, to

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the applicable redemption date, if redeemed during the twelve-month period beginning on June 15 of the years indicated below:

Year	Percentage
----	-----
2006	105.500%
2007.....	103.667%
2008.....	101.833%
2009 and thereafter.....	100.000%

The 11% Notes contain certain covenants, which limit the ability of the Company and its restricted subsidiaries, subject to certain exceptions, to do, among other things, the following: (i) incur additional indebtedness; (ii) pay dividends or other distributions, repurchase capital stock or other equity interests or subordinated indebtedness; (iii) enter into certain transactions with affiliates; (iv) create certain liens or sell certain assets; and (v) enter into certain mergers and consolidations. As a result of these restrictions, the ability of the Company and its subsidiaries to incur additional indebtedness to fund operations or to make capital expenditures is limited. In the event that cash flow from operations is insufficient to cover cash requirements, the Company and its subsidiaries would be required to curtail or defer certain capital expenditure programs under these circumstances, which could have an adverse effect on operations.

At June 30, 2003, the Company believes that it is in compliance with the covenants of the 11% Notes and the \$30 million revolving credit facility.

Subsequent Amendment of Articles of Incorporation

On July 15, 2003 the shareholders of the Company approved an amendment to Article 3, Section 7, of our Articles of Incorporation. The amendment became effective on July 18, 2003. Prior to the amendment, the Articles of Incorporation contained two distinct limitations on common stock voting rights of a Substantial Stockholder, which is defined as a person who, within a three year period, acquires beneficial ownership of more than 10% of the Company's outstanding common stock.

The first limitation was that a Substantial Stockholder's voting power was reduced by 99% for all shares of common stock owned in excess of 10% (the "10% Limit"). The second limitation was a nullification of the Substantial Stockholder's ability to vote any of his shares of common stock that exceeded 15% of the outstanding shares of common stock (the "15% Limit"). The Substantial Stockholder was able to avoid the 10% Limit by either making a cash tender offer for all outstanding shares of common stock, or by obtaining a waiver by our Board of Directors. The Substantial Stockholder could only avoid the 15% Limit by making a cash tender offer for all outstanding shares of common stock.

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The 15% Limit could not be waived by our Board of Directors, even if we considered a particular person's infusion of new capital into the Company to be in the best interests of the Company.

The amendment of the Articles of Incorporation, which eliminated the 15% Limit, left the 10% Limit intact. Consequently, the Board of Directors now has the authority to waive the voting limitations in the Articles of Incorporation when

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the Board of Directors considers such a waiver to be appropriate for the Company. This may include instances where the Board of Directors chooses to pursue an opportunity to increase The Company's equity base or to attract a strategic partner that could provide additional financial resources for the Company.

Recently Adopted Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 143, Accounting for Asset Retirement Obligations. ("SFAS No. 143"). SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company adopted SFAS No. 143 and it had no effect on its financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities ("SFAS No. 146"). SFAS No.146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. A fundamental conclusion reached by the FASB in this statement is that an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company adopted SFAS No. 146 and it had no effect on its financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure--an Amendment of FASB Statement No. 123. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation. Although it does not require use of fair value method of accounting for stock-based employee compensation, it does provide alternative methods of transition. It also amends the disclosure provisions of SFAS No. 123 and APB Opinion No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. SFAS No. 148's amendment of the transition and annual disclosure requirements are effective for fiscal years ending after December 15, 2002. The amendment of disclosure requirements of APB No. 28 is effective for interim periods beginning

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after December 15, 2002. The Company adopted SFAS No. 148 and it had no effect on its financial position or results of operations.

Recently Issued Accounting Standards

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires disclosures

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to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. Additionally, a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial liability recognition and measurement provisions of FIN No. 45 apply prospectively to guarantees issued or modified after December 31, 2002. The disclosure requirements in FIN No. 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company has determined that FIN No. 45 did not have a material impact on its financial position or results of operations.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities," which addresses consolidation by business enterprises where equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as "special purpose entities." Companies are required to apply the provisions of FIN No. 46 prospectively for all variable interest entities created after January 31, 2003. The Company has determined that FIN No. 46 did not have a material impact on its financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment to Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is applied prospectively and is effective for contracts entered into or modified after June 30, 2003, except for SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003 and certain provisions relating to forward purchases and sales on securities that do not yet exist. The Company has not determined the effect, if any, that SFAS No. 149 will have on its consolidated financial statements.

In May 2003, the FASB issued FIN No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." The Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company will adopt the standard during the third quarter beginning on July 1, 2003. The Company is currently evaluating the effects, if any, that this Statement will have on its financial position and results of operations.

Critical Accounting Policies

A description of our critical accounting policies and estimates can be found in Item 7 of our 2002 Form 10-K and for a more extensive discussion of our accounting policies, see Note 2, Summary of Significant Accounting Policies, in the Notes to the Consolidated Financial Statements in our 2002 Form 10-K filed with the SEC on March 17, 2003.

Forward-Looking Statements

This report includes "forward-looking statements," as defined in Section 21E of the Securities Exchange Act of 1934, as amended. Statements in this report regarding future events or conditions, including statements regarding industry

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prospects and the Company's expected financial position, business and financing plans, are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in this report as well as the Company's most recent annual report on Form 10-K, and include the Company's substantial leverage, the risks associated with the expansion of the Company's business, as well as factors that affect the gaming industry generally. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

- o the availability and adequacy of our cash flow to meet our requirements, including payment of amounts due under our indebtedness;
 - o our substantial indebtedness, debt service requirements and liquidity constraints;
 - o risks related to our 11% Notes and to high-yield securities and gaming securities generally;
 - o changes in our business strategy, capital improvements or development plans;
 - o the need for additional capital to support capital improvements and development;
 - o economic, competitive, demographic, business and other conditions in our local and regional markets;
 - o changes or developments in laws, regulations or taxes in the gaming industry;
 - o actions taken or omitted to be taken by third parties, including our customers, suppliers, and competitors as well as legislative, regulatory, judicial and other governmental authorities;
 - o competition in the gaming industry, including the availability and success of alternative gaming venues and other entertainment attractions;
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- o a decline in the public acceptance of gaming;
 - o changes in personnel or compensation, including federal minimum wage requirements;
 - o our failure to obtain, delays in obtaining, or the loss of any, licenses, permits or approvals, including gaming and liquor licenses, or the limitation, conditioning, suspension or revocation of any such licenses, permits or approvals, or our failure to obtain an unconditional renewal of any such

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licenses, permits or approvals on a timely basis;

- o the loss of any of our casino facilities due to terrorist acts, casualty, weather, mechanical failure or any extended or extraordinary maintenance or inspection that may be required;
- o other adverse conditions, such as adverse economic conditions, changes in general customer confidence or spending, increased transportation costs, travel concerns or weather-related factors, that may adversely affect the economy in general and/or the casino industry in particular; and
- o factors relating to the current state of world affairs and any further acts of terrorism or any other destabilizing events in the United States or elsewhere.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

As of June 30, 2003, we had \$218.6 million in borrowings. The borrowings include \$215 million in 11% Notes maturing in 2010 and capital leases maturing at various dates through 2005. Interest under the \$215 million 11% Notes is based on a fixed rate of 11%. The equipment loans and capital leases have interest rates ranging from 5.4% to 13.5%. The borrowings also include \$812,000 in a special improvement district bond offering with the City of Black Hawk. The Company's share of the debt on the SID bonds of \$1.2 million when the project is complete, is payable over ten years beginning in 2000. The SID bonds bear interest at 5.5%.

Interest Rate Sensitivity

Principal (Notational Amount by Expected Maturity)
Average Interest Rate

(Amounts in thousands)	2003	2004	2005	2006	2007	Thereafter	Total	Fair Value at 6/30/03
Long Term Debt Including Current Portion								
Equipment loans and capital leases Las Vegas	\$642	\$1,019	\$ 11				\$ 1,672	\$ 1,672

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Average interest rate	8.0%	7.8%	8.4%					
11% Senior Secured Notes						\$215,000	\$215,000	\$212,850
Less unamortized Discount						\$ (2,815)	\$ (2,815)	\$ (2,815)
Average interest rate						11.8%		
Capital leases								
Black Hawk, Colorado	\$1,048	\$2,263	\$ 658				\$ 3,969	\$ 3,969
Average interest rate	10.8%	10.8%	10.8%					
Special Improvement District Bonds								
Black Hawk, Colorado	\$ 52	\$ 109	\$ 116	\$ 124	\$ 129	\$ 282	\$ 812	\$ 812
Average interest rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%		
Total all long-term debt, including current portion							\$218,638	\$216,488
Other Long Term Liabilities								
CEO pension plan obligation	\$500	\$1,000	\$1,000	\$1,000	\$ 1,000	\$ 1,400	\$ 5,900	\$ 5,900
	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%		

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Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings under the Exchange Act.

(b) Changes in Internal Controls. Since the Evaluation Date, there have not been any significant changes in the Company's internal controls or in other factors that could significantly affect such controls.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 15, 2003, a class action complaint was filed in the Clark County, Nevada District Court (Case No. A466204) in the name of Brian Placzek, on behalf of himself and all others similarly situated, against the Company and Company directors William L. Westerman, Robert R. Barengo, Jeffrey A. Silver and Paul A. Harvey (the "Placzek Action"). The complaint was served on the Company on April 28, 2003. The named plaintiff in this action is a shareholder of the Company. In the complaint, the plaintiff seeks an order which would require the individual defendants to take the following actions, among others: cooperate with any individual who makes a bona fide offer to acquire the Company, take

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steps that are calculated to result in a buy-out or takeover of the Company at the highest price, comply with their fiduciary duties, and reimburse the plaintiff's class for damages, costs and disbursements related to the lawsuit. The complaint states that the named plaintiff also seeks to have all of the Company's public shareholders, excluding the defendants, certified as a class for purposes of the class action suit and seeks to be the representative of the class. On July 10, 2003, the defendants filed a Motion to Dismiss the Placzek Action against all defendants on the grounds that the Placzek Action was filed without the authorization of the plaintiff. This Motion to Dismiss has not yet been heard or ruled upon. An amended complaint was filed in the Placzek Action on July 11, 2003, alleging, among other things, that the Director defendants are attempting to entrench themselves in their position of control.

On May 2, 2003, a class action complaint was filed in the Clark County, Nevada District Court (Case No. A467159) in the name of Paul Rosa against the Company and Company directors William L. Westerman, Robert R. Barengo, Jeffrey A. Silver, Paul A. Harvey and Vincent L. DiVito (the "Rosa Action"). The named plaintiff in this action is a shareholder of the Company and also seeks to have all of the Company's public shareholders, excluding defendants and related shareholders, certified as a class for purposes of the class action law suit. On July 21, 2003, the defendants filed a Motion to Dismiss the Rosa Action on the grounds that the complaint fails to state a claim upon which relief may be granted. This Motion to Dismiss has not yet been heard or ruled upon.

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The plaintiffs in both of these lawsuits are represented by the same law firm. Both complaints assert, among other things, that the defendants violated their fiduciary duties because they did not take affirmative steps in furtherance of an offer by a third party to purchase all of the outstanding Common Stock at a premium price. That offer was contingent upon, among other things, a waiver by the holders of the 11% Notes of the right to an accelerated repayment of the 11% Notes at a premium, which would be triggered by that third party's purchase of the Common Stock.

We believe the claims in these lawsuits are without merit and we intend to defend against them vigorously.

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

Item 6. Exhibits and Reports on Form 8-K.

(a) See list of exhibits on page 31.

(b) During the second quarter of 2003, the Company filed reports on Form 8-K on April 22, June 3 and June 6, 2003. The Form 8-K dated June 3 and June 5 reported Item Nos. 5 and 7. The April 22, 2003 filing reported Item Nos. 7, 9 and 12 and included summary financial information for the Company's first quarter.

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

RIVIERA HOLDINGS CORPORATION

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

By: /s/ Duane Krohn
Duane Krohn
Treasurer and
Chief Financial Officer

Date: August 7, 2003

CERTIFICATIONS

I, William L. Westerman, the Chief Executive Officer of Riviera Holdings Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Riviera Holdings Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 7, 2003
William L. Westerman

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William L. Westerman
Chairman of the Board and
Chief Executive Officer

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I, Duane Krohn, the Chief Financial Officer of Riviera Holdings Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Riviera Holdings Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 7, 2003
Duane Krohn
Duane Krohn
Treasurer and
Chief Financial Officer

Riviera Holdings Corporation
Form 10Q
June 30, 2003

Exhibit No.	Description
99.1	CEO Officers Certification
99.2	CFO Officers Certification