

RIVIERA HOLDINGS CORP
Form 10-Q
August 14, 2013

UNITED STATES

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, 2013

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
(I.R.S. Employer Identification No.)

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

89109
(Zip Code)

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(702) 734-5110

(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 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

Non-accelerated filer

(Do not check if smaller reporting company)

Smaller reporting company

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 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

As of August 14, 2013, there were 10 voting common Class A Shares, par value \$.001 per share, outstanding, and 9,039,035 non-voting common Class B Shares, par value \$.001 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 and subsidiaries 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 U.S. generally accepted accounting principles. 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 periods presented are not necessarily indicative of the results for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2012, included in our Form 10-K.

The unaudited condensed consolidated financial statements of Riviera Holdings Corporation and subsidiaries for prior periods have been restated to reflect the treatment of Riviera Black Hawk, Inc. as a discontinued operation. The sale of Riviera Black Hawk, Inc. closed on April 26, 2012.

RIVIERA HOLDINGS CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 27,076	\$ 13,914
Restricted cash	39,110	62,610
Accounts receivable-net of allowances of \$667 and \$2,283, respectively	1,586	1,663
Inventories	491	471
Prepaid expenses and other assets	2,192	2,261
Deferred tax asset	273	273
Total current assets	70,728	81,192
PROPERTY AND EQUIPMENT-net	136,469	138,237
INTANGIBLE ASSETS-net	4,935	5,238
OTHER ASSETS-net	1,703	1,620
TOTAL	\$ 213,835	\$ 226,287
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 79,643	\$ 76,873
Accounts payable	4,919	5,741
Accrued interest	2,196	1,426
Accrued expenses	7,006	7,251
Total current liabilities	93,764	91,291
LONG-TERM DEFERRED TAX LIABILITIES	22,707	22,707
Total liabilities	116,471	113,998
COMMITMENTS and CONTINGENCIES (Note 11)		
STOCKHOLDERS' EQUITY:		
PREFERRED STOCK - 500,000 shares authorized, none issued and outstanding at June 30, 2013 and December 31, 2012	-	-
COMMON STOCK - Class A Voting (\$0.001 par value; 10 shares authorized, issued and outstanding at June 30, 2013 and December 31, 2012) and Class B Non-Voting (\$0.001 par value; 10,000,001 authorized, 9,039,035 issued and outstanding at June 30, 2013 and December 31, 2012)	9	9
WARRANTS ISSUED	7,657	7,657
ADDITIONAL PAID-IN CAPITAL	149,170	149,170
ACCUMULATED DEFICIT	(59,472)	(44,547)
Total stockholders' equity	97,364	112,289

TOTAL	\$ 213,835	\$ 226,287
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The accompanying notes are an integral part of these consolidated financial statements.

RIVIERA HOLDINGS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE LOSS (Unaudited)

(In thousands, except per share amounts)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
REVENUES:				
Casino	\$6,627	\$9,570	\$12,931	\$18,397
Rooms	7,276	9,314	14,094	18,369
Food and beverage	2,552	3,382	4,812	7,168
Entertainment	198	220	376	716
Other	720	867	1,651	1,774
Total revenues	17,373	23,353	33,864	46,424
Less-promotional allowances	(1,659)	(2,343)	(3,264)	(4,554)
Net revenues	15,714	21,010	30,600	41,870
COSTS AND EXPENSES:				
Direct costs and expenses of operating departments:				
Casino	4,301	7,287	9,156	13,626
Rooms	4,392	5,642	8,501	10,909
Food and beverage	2,455	2,695	4,423	5,580
Entertainment	196	305	392	904
Other	257	312	493	572
Other operating expenses:				
Other general and administrative	7,206	6,844	13,616	13,708
Depreciation and amortization	1,511	1,961	3,507	3,863
Total costs and expenses	20,318	25,046	40,088	49,162
LOSS FROM OPERATIONS	(4,604)	(4,036)	(9,488)	(7,292)
OTHER (EXPENSE) INCOME:				
Interest income and expense, net	(2,772)	(2,111)	(5,437)	(4,149)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX BENEFIT	(7,376)	(6,147)	(14,925)	(11,441)
Income tax benefit from continuing operations	-	3,665	-	4,122
LOSS FROM CONTINUING OPERATIONS DISCONTINUED OPERATIONS	(7,376)	(2,482)	(14,925)	(7,319)
Income from discontinued operations	-	22,364	-	23,633
Income tax expense	-	(8,058)	-	(8,515)
Income from discontinued operations	-	14,306	-	15,118

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NET (LOSS) INCOME	(7,376)	11,824	(14,925)	7,799
Other comprehensive (loss) income	-	-	-	-
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	\$(7,376)	\$11,824	\$(14,925)	\$7,799

NET LOSS PER SHARE DATA:

Basic

Loss from continuing operations	\$(0.82)	\$(0.27)	\$(1.65)	\$(0.81)
Income from discontinued operations	-	1.58	-	1.67
Net (Loss) Income, net	\$(0.82)	\$1.31	\$(1.65)	\$0.86

Diluted

Loss from continuing operations	\$(0.82)	\$(0.27)	\$(1.65)	\$(0.81)
Income from discontinued operations	-	1.58	-	1.67
Net (Loss) Income, net	\$(0.82)	\$1.31	\$(1.65)	\$0.86

Basic-weighted average common shares outstanding	9,039	9,039	9,039	9,039
Diluted-weighted average common and common equivalent shares	9,039	9,039	9,039	9,039

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

RIVIERA HOLDINGS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)

	Six months ended June 30, 2013	Six months ended June 30, 2012
OPERATING ACTIVITIES:		
Net (loss) income	\$(14,925)	\$7,799
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,507	3,863
(Benefit) provision for bad debts	(1,616)	481
Gain on sale of Black Hawk	-	(22,084)
Interest paid	90	56
Interest expense – payment in kind	2,770	1,943
Decrease (increase) in restricted cash	23,500	(63,605)
Changes in operating assets and liabilities:		
Accounts receivable	1,693	(1,812)
Inventories	(20)	17
Prepaid expenses and other assets	(104)	(600)
Accounts payable	(822)	(92)
Accrued interest	770	70
Income taxes payable	-	4,393
Accrued expenses	(245)	(480)
Net cash (used in) provided by operating activities	14,598	(70,051)
INVESTING ACTIVITIES:		
Capital expenditures	(1,436)	(4,123)
Net proceeds from Black Hawk sale	-	70,018
Distribution to stockholders	-	(120)
Net cash (used in) provided by investing activities	(1,436)	65,775
FINANCING ACTIVITIES:		
Payments on capitalized leases	-	(14)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,162	(4,290)
Less cash from discontinued operations	-	(5,936)
CASH AND CASH EQUIVALENTS-BEGINNING OF PERIOD	13,914	20,762
CASH AND CASH EQUIVALENTS-END OF PERIOD	\$27,076	\$22,408

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING
ACTIVITIES (including discontinued operations):

Cash paid for interest	\$1,807	\$2,100
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The accompanying notes are an integral part of these 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”) (RHC and ROC, together with ROC’s 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.

On June 21, 2013, RHC and ROC, jointly, entered into a Resort Management Agreement with Paragon Riviera LLC (“Paragon”). Pursuant to the agreement, the Company engaged Paragon to provide oversight of the executive level management at the Riviera Las Vegas. Paragon will also provide financial, marketing, business and organizational strategy services. The term of the Agreement is two years from the date of execution, unless earlier terminated in accordance with its terms and conditions.

The Company operated its casino in Black Hawk, Colorado, which was owned through Riviera Black Hawk, Inc. (“RBH”), a wholly-owned subsidiary of ROC, from February 4, 2000 until its sale on April 26, 2012 as described below.

The accompanying condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary for a fair presentation of the results for the interim periods have been made. The interim results reflected in these condensed consolidated financial statements are not necessarily indicative of results to be expected for the full fiscal year. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Form 10-K for the year ended December 31, 2012.

On September 29, 2011, RHC, ROC and RBH, entered into a Stock Purchase Agreement with Monarch Casino and Resorts, Inc., a Nevada corporation, and its wholly-owned subsidiary Monarch Growth Inc., a Nevada corporation (collectively, the “Buyer”), pursuant to which the Buyer agreed to purchase the Company’s casino in Black Hawk, Colorado by acquiring all of the issued and outstanding shares of common stock of RBH. This transaction was

completed on April 26, 2012. The Buyer paid \$76 million for the stock, subject to certain post-closing working capital adjustments. At the closing, ROC paid or satisfied substantially all of RBH's indebtedness and was required to leave at least \$2.1 million of working capital, including at least \$2.1 million of "cage cash" (as defined in the Stock Purchase Agreement).

Casino operations are subject to extensive regulation in the states of Nevada and Colorado (applicable prior to RBH being sold on April 26, 2012) by agencies with jurisdiction over gaming activities 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 accompanying condensed consolidated financial statements include the accounts of RHC and its direct and indirect wholly-owned subsidiaries. With the presentation of RBH as a discontinued operation (as discussed further in Note 2 and Note 7), the Company has one reporting segment. All material intercompany accounts and transactions have been eliminated.

In preparing the accompanying condensed consolidated financial statements, the Company's management reviewed events that occurred from June 30, 2013 until the issuance of the financial statements.

Liquidity

The Company had \$66.2 million in cash and cash equivalents (of which \$39.1 million is restricted) as of June 30, 2013. Additionally, effective April 1, 2011, the Company has a \$10 million Working Capital Facility (as defined in Note 4). However, due to the default under the Series A Credit Agreement (as defined in Note 4) and the Series B Credit Agreement (as defined in Note 4), we do not currently have the ability to draw any funds under the Working Capital Facility until such time as the default is cured or waived. The lenders under our Series A Credit Agreement and our Series B Credit Agreement also hold 100% of our Class B Non-Voting Common Stock (as defined in Note 5). As a result of the default, the Required Lenders (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) have the ability to increase the interest accruing on amounts owed under the Series A Credit Agreement and the Series B Credit Agreement, respectively. An increase in the interest rate would negatively affect our available cash and results from operations. Further, the Required Lenders and administrative agent under the Series A Credit Agreement and the Series B Credit Agreement, respectively, have the right to accelerate repayment of all amounts owed under each of the agreements and require us to repay such amounts immediately. We do not currently have sufficient funds to repay the Series A and Series B debt. Repaying these amounts and covering our operating losses will require additional cash, which may include the issuance of additional equity, debt financing and/or capital contributions from stockholders, if available to us. There can be no assurance that we will be successful in obtaining additional capital resources. The inability to obtain additional capital will restrict our ability to grow and inhibit our ability to continue to conduct business operations. Any additional equity financing may result in substantial dilution to our then existing stockholders. We do not provide any guarantees or assurances that the Company will have ample liquidity and capital resources to meet future financial obligations. If repayment of the indebtedness under our Series A Credit Agreement and Series B Credit Agreement were accelerated, we do not believe the Company has sufficient liquidity and capital resources to meet both debt service and normal course expenditures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

The Company is subject to income taxes in the United States. Authoritative guidance for accounting for income taxes requires that we account for income taxes by recognizing deferred tax assets, net of applicable reserves, and deferred tax liabilities for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating losses and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary

differences are expected to be recovered or settled. The effect of a change in tax rates on the income tax provision and deferred tax assets and liabilities is recognized in the results of operations in the period that includes the enactment date. Authoritative guidance for accounting for income taxes also requires that we perform an assessment of positive and negative evidence regarding the realization of the deferred tax assets. This assessment includes the evaluation of the future reversal of temporary tax differences, the nature and frequency of current and cumulative losses, forecasts of future taxable income and implementation of tax planning strategies.

We have concluded that it is more-likely-than-not that the net deferred tax assets, excluding the deferred tax liability related to the step-up in land recorded in connection with the adoption of fresh-start reporting on the Substantial Consummation Date (as defined in Note 4), will not be realized, and accordingly, we recorded a valuation allowance against our net deferred tax asset balance. Deferred tax liabilities related to indefinite lived assets are not available to be considered as a future source of income for purposes of evaluating the recognition of deferred tax assets. Accordingly, a deferred tax liability related to the step-up in land was recognized on the Company's balance sheet.

Due to the Company being subject to a valuation allowance, historically, the effective tax rate has been 0%. Our effective tax rate from continuing operations for the three and six months ended June 30, 2013 was 0%. However, our effective tax rate from continuing operations for the three and six months ended June 30, 2012 was 59.6% and 36.0%, respectively. Our effective tax rate for the three and six months ended June 30, 2012 was attributable to a tax benefit recorded in continuing operations related to income from discontinued operations. The Company believes it is reasonable to apply a full valuation allowance, offsetting the tax benefit that would otherwise be generated from a net operating loss during the six months ended June 30, 2013; because the Company has concluded there is substantial doubt about it continuing as a going concern, as described in Part I, Item 2 of this Form 10-Q. The deferred tax asset balances remain unchanged from December 31, 2012.

Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes. Authoritative guidance regarding uncertainty in income taxes provides a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more-likely-than-not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely, based solely on the technical merits, of being sustained on examinations. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Based on authoritative guidance, the Company has not recorded a reserve for uncertain tax positions and does not anticipate that this will change over the next twelve months.

Our income tax returns are subject to examination by the Internal Revenue Service and other tax authorities in the locations where we operate. The statute of limitations varies by jurisdiction. Generally, because the Company has losses from prior years, the statute of limitations remains open until the statute of limitations for the tax year in which the losses are utilized expires.

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 and deferred tax assets. Actual results may differ from estimates.

Restricted Cash

As of June 30, 2013, a security deposit in the amount of \$225,000 remains held for the benefit of the State of Nevada Workers' Compensation Division as a requirement of our being self-insured for workers' compensation.

As of June 30, 2013, \$38.9 million of the purchase price proceeds in the sale of RBH is being held in a segregated deposit account. These funds may only be invested, expended or used with the prior written consent of the Required Lenders and Required Revolving Lenders (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively).

Intangible Assets

Intangible assets with a definite life are amortized over their useful life, which is the period over which the asset is expected to contribute directly or indirectly to future cash flows. Management periodically assesses the amortization period of intangible assets with definite lives based upon estimated future cash flows from related operations.

Inherent in the reviews of the carrying amounts of intangible assets are various estimates. Future cash flow estimates are, by their nature, subjective, and actual results may differ materially from our estimates. If our ongoing estimates of future cash flows are not met, we may have to record additional impairment charges in future accounting periods. Our estimates of cash flows are based on the current regulatory, political and economic climates, recent operating information and budgets of the various properties where we conduct operations. These estimates could be negatively impacted by changes in federal, state or local regulations, economic downturns, or other events affecting various forms of travel and access to our properties.

Recently Issued Accounting Standards

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

3. INTANGIBLE ASSETS

Intangible assets consist of the following (in thousands):

Estimated life (years)	As of June 30, 2013	As of December
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		(unaudited)	31, 2012
Trade name	15	\$ 2,400	\$ 2,400
Customer lists	5	1,400	1,400
Software	15	2,500	2,500
Total intangible assets		6,300	6,300
Less accumulated amortization:			
Trade name		(360) (280
Customer lists		(630) (490
Software		(375) (292
Total accumulated amortization		(1,365) (1,062
Intangible assets, net		\$ 4,935	\$ 5,238

In connection with the adoption of fresh-start reporting, the Company recognized \$2.4 million in a trade name related to the Riviera name, which will be amortized on a straight-line basis over fifteen years. Customer lists were valued at \$1.4 million, representing the value associated with our customers under our customer loyalty programs and are being amortized on a straight-line basis over five years. Other intangibles of \$2.5 million include the value of software which is amortized on a straight-line basis over fifteen years.

The Riviera trade name was valued based on the relief from royalty method which is a function of projected revenue, the royalty rate that would hypothetically be charged by a licensor of an asset to unrelated licensee and a discount rate. The royalty rate was based on factors such as age, market competition, absolute and relative profitability, market share and prevailing rates for similar assets to reach a 1% royalty rate. The discount rate applied was 16%, based on the weighted average cost of capital of the properties benefiting from the trade name. The value assigned to customer lists is based on the present value of future earnings using the replacement cost method based on internally developed estimates.

Amortization expense for the period ended June 30, 2013 for those assets amortized was \$303,300. Estimated annual amortization expense for the intangible assets of the Company for the years ending December 31, 2013 through 2015 is anticipated to be \$0.6 million for each such year, \$0.4 million for 2016, and \$0.3 million for 2017.

4. LONG TERM DEBT AND COMMITMENTS

Long Term Debt consists of the following (in thousands):

	June 30, 2013 (unaudited)	December 31, 2012
Series A Term Loan, due April 1, 2016, interest at LIBOR plus 5%, 7% at June 30, 2013	\$ 50,000	\$ 50,000
Series B Term Loan, due April 1, 2019, interest at LIBOR plus 18% PIK, 20% at June 30, 2013	29,643	26,873
Total long term debt	79,643	76,873
Less current portion of long term debt	(79,643)	(76,873)
Total long term debt, net of current portion	\$ -	\$ -

Series A Credit Agreement

On April 1, 2011, pursuant to the Company's second Amended Joint Plan of Reorganization (as amended and supplemented, the "Plan"), entered into in connection with the Company's reorganization proceedings under the United States Bankruptcy Code that were consummated on April 1, 2011 (the "Substantial Consummation Date"), RHC entered into a first lien credit agreement (the "Series A Credit Agreement") with ROC and RBH, as guarantors, Cantor Fitzgerald Securities, as administrative agent, and the lenders from time to time party thereto. The Series A Credit Agreement provides for initial aggregate lender commitments of \$60 million, including a \$50 million term loan facility (the "Series A Term Loan") and a \$10 million revolving loan (the "Working Capital Facility"). The Working Capital Facility provides for a letter of credit facility and a swingline loan facility with sublimits of \$5 million and

\$2 million, respectively. The Series A Credit Agreement has a maturity date of April 1, 2016. Availability of the revolving loans under the Working Capital Facility is subject to certain conditions provided for in the Series A Credit Agreement. The proceeds of extensions of credit under the Series A Credit Agreement can be used by RHC for working capital and other general corporate purposes.

Interest accrues at a LIBOR Rate (as defined in the Series A Credit Agreement) for a specified interest period (with a floor of 2.0%) plus a margin rate of 5.0% per annum or the Alternate Base Rate (as defined below) plus a margin rate of 4.0% per annum. Alternate base rate ("Alternate Base Rate") interest is an alternate base rate equal to the highest of (i) the prime rate (as defined in the Series A Credit Agreement), (ii) the Federal Funds Effective rate (as defined in the Series A Credit Agreement) in effect on such day plus 1/2 of 1.0% and (iii) the LIBOR Rate that would be payable on such day for LIBOR Rate Loan (as defined in the Series A Credit Agreement) with one month interest period plus 1.0%.

RHC is required to pay a quarterly unused commitment fee and customary fees to the administrative agent. RHC is also required to pay quarterly participation and fronting fees based on the amount of the letter of credit exposure of the applicable lenders and letter of credit issuers, respectively.

The obligations under the Series A Credit Agreement are guaranteed by RHC's Domestic Subsidiaries (as defined in the Series A Credit Agreement) pursuant to the terms of the Series A Credit Agreement and are secured by a first priority security interest on substantially all of RHC's and its Domestic Subsidiaries' assets, other than a deposit account into which the proceeds of the Series B Term Loan (as defined below) was deposited on the Substantial Consummation Date (the "Series B Term Loan Controlled Account"). Proceeds deposited in the Series B Term Loan Controlled Account are earmarked primarily for capital improvements. On April 26, 2012, the Required Lenders (as defined in the Series A Credit Agreement) released the security interest in RBH and RBH's assets so that the sale of RBH could be completed. The proceeds from the sale are segregated as required by the Required Lenders.

The Series A Credit Agreement subjects RHC to certain customary affirmative covenants, including the delivery of financial statements and annual operating budgets. In addition, the Series A Credit Agreement contains customary restrictive covenants, including, but not limited to, restrictions on RHC's ability to incur additional indebtedness, create liens, make investments, pay dividends, and merge. As of June 30, 2013, the Company was not in compliance with the financial covenants in, and in default under, the Series A Credit Agreement. The Required Lenders (as defined in the Series A Credit Agreement) temporarily waived such default and this waiver expired on July 31, 2012. Beginning on August 1, 2012 and continuing through the date of this report, the Company has been in default under the Series A Credit Agreement. The lenders and administrative agent under the Series A Credit Agreement have not taken any action to exercise any remedies under the Series A Credit Agreement.

In addition, the Series A Credit Agreement contains provisions concerning customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults, certain events of bankruptcy and insolvency, judgment defaults, failure of any guarantee of the loan obligations or any loan document to be in full force and effect, the occurrence of a Change of Control (as defined in the Series A Credit Agreement), certain ERISA defaults and failure to keep any necessary casino licenses in full force and effect. If an event of default occurs and is continuing, amounts due under the Series A Credit Agreement may be accelerated, and the rights and remedies of the lenders under the Series A Credit Agreement may be exercised, including rights with respect to the collateral securing obligations under the Series A Credit Agreement. As such, the balance of the Series A Term Loan, as of June 30, 2013, has been classified as a current obligation.

Upon the occurrence of the event of default described above, and for so long as such event of default is continuing, the Required Lenders (as defined in the Series A Credit Agreement) have the ability to increase the interest accruing on amounts owned under the Series A Credit Agreement. Different default interest rates would apply to the principal of the loans, the accrued but unpaid interest on the loans and any other amounts owed under the Series A Credit Agreement. With respect to the principal of the loans made pursuant to the Series A Credit Agreement, the default interest rate is equal to the current interest rate plus 2.0%. Although the Required Lenders under the Series A Credit Agreement have not taken any action to increase the interest rate under the Series A Credit Agreement, the Company

is accruing for the additional 2.0% default interest.

The Company is currently in discussions with the Required Lenders (who also hold similar percentage equity interests in the Company) concerning new financial covenants and other amendments to the Series A Credit Agreement to resolve the existing default. There can be no assurance that the Company and its Required Lenders (in their dual capacity as debt holder and equity holder) will be successful in doing so or that such amendments will be on favorable terms to the Company.

Series B Credit Agreement

On April 1, 2011, pursuant to the Plan, RHC also entered into a second lien credit agreement (the “Series B Credit Agreement”) with ROC and RBH, as guarantors, Cantor Fitzgerald Securities, as administrative agent, and the lenders from time to time party thereto. The Series B Credit Agreement provides for, and governs the terms of, a \$20 million term loan facility (the “Series B Term Loan”).

The Series B Term Loan bears interest at a per annum rate equal to the sum of the LIBOR Rate (as defined in the Series B Credit Agreement) plus 3.0%, payable in cash, and the LIBOR Rate plus 13.0%, payable in kind (PIK) in interest that will be recapitalized as principal. The Series B Credit Agreement has a maturity date of April 1, 2019. Upon completion of the sale of RBH on April 26, 2012, the cash portion of interest converted to PIK.

RHC is required to pay a customary fee to the administrative agent. The obligations under the Series B Credit Agreement are guaranteed by RHC's Domestic Subsidiaries (as defined in the Series B Credit Agreement) pursuant to the terms of the Series B Credit Agreement and are secured by (i) a first priority security interest on Series B Term Loan Controlled Account and (ii) a second priority security interest on substantially all of RHC's and its Domestic Subsidiaries' other assets. On April 26, 2012, the Required Lenders (as defined in the Series B Credit Agreement) released the security interest in RBH and RBH's assets so that the sale of RBH could be completed. The proceeds from the sale are segregated as required by the Required Lenders (as defined in the Series B Credit Agreement).

The Series B Credit Agreement subjects RHC to certain customary affirmative covenants, including the delivery of financial statements and annual operating budgets. In addition, the Series B Credit Agreement contains customary restrictive covenants, including, but not limited to, restrictions on RHC's ability to incur additional indebtedness, create liens, make investments, pay dividends, and merge. As of June 30, 2013, the Company was not in compliance with the financial covenants in, and in default under, the Series B Credit Agreement. The Required Lenders (as defined in the Series B Credit Agreement) temporarily waived such default and this waiver expired on July 31, 2012. Beginning on August 1, 2012 and continuing through the date of this report, the Company has been in default under the Series B Credit Agreement; the lenders and administrative agent under the Series B Credit Agreement have not taken any action to exercise any remedies under the Series B Credit Agreement.

In addition, the Series B Credit Agreement contains provisions concerning customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults, certain events of bankruptcy and insolvency, judgment defaults, failure of any guarantee of the loan obligations or any loan document to be in full force and effect, the occurrence of a Change of Control (as defined in the Series B Credit Agreement), certain ERISA defaults and failure to keep any necessary casino licenses in full force and effect. If an event of default occurs and is continuing, amounts due under the Series B Credit Agreement may be accelerated and the rights and remedies of the lenders under the Series B Credit Agreement may be exercised, including rights with respect to the collateral securing obligations under the Series B Credit Agreement. As such, the balance of the Series B Term Loan, as of June 30, 2013, has been classified as a current obligation.

Upon the occurrence of the event of default described above, and for so long as such event of default is continuing, the Required Lenders (as defined in the Series B Credit Agreement) have the ability to increase the interest accruing on amounts owned under the Series B Credit Agreement. Different default interest rates would apply to the principal of the loan, the accrued but unpaid interest on the loan and any other amounts owed under the Series B Credit Agreement. With respect to the principal of the loan made pursuant to the Series B Credit Agreement, the default interest rate is equal to the current interest rate plus 2.0%. Although the Required Lenders under the Series A Credit Agreement have not taken any action to increase the interest rate under the Series A Credit Agreement, the Company is accruing for the additional 2.0% default interest.

The Company is currently in discussions with the Required Lenders (who also hold similar percentage equity interests in the Company) concerning new financial covenants and other amendments to the Series B Credit Agreement to resolve the existing default. There can be no assurance that the Company and its Required Lenders (in their dual capacity as debt holder and equity holder) will be successful in doing so or that such amendments will be on favorable terms to the Company.

5. STOCKHOLDERS' EQUITY

Common Stock

The Company is authorized to issue up to 10,000,011 shares of common stock, consisting of (i) 10 Class A Shares, par value \$0.001 per share (the "Class A Voting Common Stock"), and (ii) 10,000,001 Class B Shares, par value \$0.001 per share (the "Class B Non-Voting Common Stock"), of which 10 shares of Class A Voting common stock, and 9,039,035 shares of Class B Non-Voting Common Stock were issued and outstanding as of June 30, 2013.

The Company, Riviera Voteco, L.L.C. ("Voteco"), the stockholder holding 100% of the Class A Voting Common Stock, and certain stockholders holding a majority of the Class B Non-Voting Common Stock entered into a Stockholders

Agreement (the “Stockholders Agreement”). The Stockholders Agreement, among other things, contemplates an agreed composition of the Company’s Board of Directors and prohibits the transfer of the Class A Voting Common Stock and Class B Non-Voting Common Stock unless Voteco determines that such transfer is not to a person who is a competitor of, or otherwise adverse to, the Company, and the Company is reasonably satisfied that such transfer will comply with certain requirements relating to securities, regulatory and other specified laws. Any purported transfer of the Class A Voting Common Stock and Class B Non-Voting Common Stock will be null and void if not made in compliance with all applicable gaming laws and following receipt of all required gaming approvals. The Stockholders Agreement also subjects transfers of Class B Non-Voting Common Stock, other than to certain affiliated transferees, to specified tag-along rights, drag-along rights, and a right of first offer. In addition, the Stockholders Agreement contains agreements among the parties with respect to certain governance matters, including director appointment and board observer rights and restrictions on the issuance of shares of Class A Voting Common Stock, Class B Non-Voting Common Stock and other equity securities of the Company or other rights convertible into or to acquire such securities, restrictions on distributions, repurchases and pledges of Class B Non-Voting Common Stock, registration rights with respect to holders of Class B Non-Voting Common Stock, rights to indemnification and contribution and provisions related to conflicts of interests and transactions with affiliates.

Preferred Stock

We are authorized to issue up to 500,000 shares of preferred stock, \$0.01 par value per share, of which none were issued as of June 30, 2013. Our Board of Directors, without further action by the holders of common stock, may issue shares of preferred stock in one or more classes or series and to fix for each such class or series such voting powers, preferences and relative participating, optional or other special rights, and such qualifications, limitations or restrictions thereof. Our Board of Directors, without further stockholder approval, may issue shares of preferred stock with rights that could adversely affect the rights of the holders of common stock.

Warrants

Creditors under our \$245 million Credit Agreement, dated June 8, 2007 that ceased to be in effect on April 1, 2011 upon consummation of the bankruptcy plan, who elected to participate in the designated new money investment and Working Capital Facility received warrants exercisable into Class B Non-Voting Common Stock (the "Class B Warrants") to purchase an aggregate of 950,000 shares of our Class B Non-Voting Common Stock. The Class B Warrants do not have a stated term; the stated exercise price is \$0.01 per exercise. The Company evaluated the Class B Warrants under current accounting pronouncements and determined they were properly classified as equity on the accompanying condensed consolidated balance sheet. The Company valued the shares of Class B Non-Voting Common Stock with attached Class B Warrants using the Chaffee option valuation model assuming a life of 1 and 1.5 years, volatility factors of 48.5% and 53.18%, risk free rates of 0.27% and 0.54% and implied discounts for lack of marketability of 20% and 25%, respectively. The resulting value of the Class B Non-Voting Common Stock (with attached Class B Warrants) for future holders of, or current stockholders viewed as having an indirect interest in, Class A Voting Common Stock held by Riviera Voteco, L.L.C. for accounting purposes, is \$17.72 per share. The resulting value of the Class B Non-Voting Common Stock (with attached Class B Warrants) for holders of warrants exercisable into membership interests in Riviera Voteco, L.L.C. is \$16.61 per share.

6. FAIR VALUE MEASUREMENT

The fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate carrying values due to the short maturity of these items.

Fair value is defined in the authoritative guidance as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The fair value framework requires the categorization of assets and liabilities into three levels based upon assumptions (inputs) used to price the assets and liabilities. Level 1 provides the most reliable measure of fair value, whereas, Level 3

generally requires significant management judgment. The three levels are defined as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.

- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Fair Value of Long-term Debt

The following table presents information about the estimated fair value of the Company's long-term debt compared with its carrying value (amounts in thousands):

	June 30, 2013 (unaudited)	December 31, 2012
Aggregate carrying amount, Series A Term Loan	\$ 50,000	\$ 50,000
Aggregate carrying amount, Series B Term Loan	29,643	26,873
Total aggregate carrying amount	\$ 79,643	\$ 76,873
Aggregate fair value, Series A Term Loan	\$ 45,000	\$ 45,000
Aggregate fair value, Series B Term Loan	23,714	21,498
Total aggregate fair value	\$ 68,714	\$ 66,498

The estimated fair value of the Company's long-term debt is based on quoted market prices from various banks for similar instruments, which is considered a Level 2 input under the fair value measurement hierarchy.

7. DISCONTINUED OPERATION

RBH is presented as a discontinued operation in the accompanying statement of operations through the date the transaction was completed, as discussed in Note 1. The sale of RBH closed on April 26, 2012.

Operating results of discontinued operations are summarized as follows (in thousands):

Three Months	Six Months	Three Months	Six Months
-----------------	---------------	-----------------	---------------

	Ended June 30, 2013	Ended June 30, 2013	Ended June 30, 2012	Ended June 30, 2012
Net revenues	\$ -	\$ -	\$2,673	\$12,686
Operating costs and expenses	-	-	2,393	11,137
Income from operations	-	-	280	1,549
Gain on disposal	-	-	22,084	22,084
Income tax expense	-	-	(8,058)	(8,515)
Net income	\$ -	\$ -	\$14,306	\$15,118

8. COMMITMENTS AND CONTINGENCIES

As of June 30, 2013, the Company had no commitments or contingencies that are not already accounted for in the condensed consolidated financial statements or disclosed in the accompanying notes.

Legal Proceedings and Related Events

The Company is a party to routine lawsuits arising from the normal operations of a casino or hotel. We do not believe that the outcome of such litigation, in the aggregate, will have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

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

Overview

We own and operate Riviera Las Vegas on the Las Vegas Strip in Las Vegas, Nevada, and owned and operated Riviera Black Hawk in Black Hawk, Colorado until its sale on April 26, 2012.

On September 29, 2011, RHC, ROC and RBH, entered into the Stock Purchase Agreement with the Buyer, pursuant to which the Buyer agreed to purchase the Riviera Black Hawk by acquiring all of the issued and outstanding shares of common stock of RBH. This transaction was completed on April 26, 2012. The Buyer paid \$76 million for the stock, subject to certain post-closing working capital adjustments. Our capital expenditures for Riviera Las Vegas are geared primarily toward maintaining and upgrading our hotel rooms, gaming products, convention space, restaurants, bars and entertainment venues.

Our primary marketing focus in Las Vegas is to maximize gaming revenues and grow revenue per available room, or RevPar. To maximize gaming revenues, we market directly to members of our Club Riviera utilizing customized mail offerings and special promotions to entice players to visit and game at the property. We frequently use complimentary room, food and beverage and entertainment products to increase player visits and gaming revenues. We also use various promotions to entice hotel guests that are not members of Club Riviera to join Club Riviera and game at the property. To grow RevPar, we are leveraging our refreshed hotel rooms and significant convention space to entice meeting planners and convention coordinators to choose Riviera Las Vegas for their events. Moreover, we are showcasing our hotel room product to grow our tour and travel and internet sales.

In addition to the above, we continuously strive to maximize the number of people who patronize Las Vegas but who are not guests in our hotel. We achieve this by capitalizing on our Las Vegas Strip location, convention center proximity and availability of our entertainment productions and other amenities. We are well situated for walk-in traffic on the Las Vegas Strip near several major properties, including the Circus Circus Las Vegas Resort and Casino, LVH (Las Vegas Hotel and Casino), Las Vegas Convention Center, Wynn Las Vegas, Wynn Encore and several timeshare and condominium projects. While we benefit from our proximity to the aforementioned major properties, the dormant Resorts World Las Vegas (formerly known as Echelon) and Fontainebleau construction projects, along with the SLS Las Vegas property (formerly known as the Sahara Hotel & Casino) closed for renovation, have caused a major reduction in walk-in traffic. We anticipate that our walk-in traffic will be adversely impacted for the foreseeable future.

Results of Operations*Three Months Ended June 30, 2013 Compared to 2012 (unaudited)*

(In thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Percentage Increase (Decrease) 2013 vs 2012	
Revenues				
Casino	\$6,627	\$9,570	(30.8	%)
Rooms	7,276	9,314	(21.9	%)
Food and beverage	2,552	3,382	(24.5	%)
Entertainment	198	220	(10.0	%)
Other	720	867	(17.0	%)
Total revenues	17,373	23,353	(25.6	%)
Less-promotional allowances	(1,659)	(2,343)	(29.2	%)
Net revenues	15,714	21,010	(25.2	%)
Expenses				
Casino	4,301	7,287	(41.0	%)
Rooms	4,392	5,642	(22.2	%)
Food and beverage	2,455	2,695	(8.9	%)
Entertainment	196	305	(35.7	%)
Other	257	312	(17.6	%)
Other operating expenses:				
Other general and administrative	7,206	6,844	5.3	%
Depreciation and amortization	1,511	1,961	(22.9	%)
Total expenses	20,318	25,046	(18.9	%)
Loss from Operations	\$(4,604)	\$(4,036)	14.1	%

Revenues

Net revenues for the three months ended June 30, 2013 were \$15.7 million, a decrease of \$5.3 million, or 25.2%, from \$21.0 million for the comparable period in the prior year.

Casino revenues for the quarter ended June 30, 2013 were \$6.6 million, a decrease of \$3.0 million, or 30.8%, from \$9.6 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 revenues were \$5.4 million, down 36.5% compared to the comparable period in the prior year, and table game revenues were \$1.4 million, a decrease of \$0.9 million, or 39.4%, from \$2.3 million. Taking into consideration the adjustment for promotional free play, the slot machine revenues actually decreased \$2.0 million for this period year over year. Slot machine visitation was lower during 2013, with coin-in decreasing to \$69.1 million for the quarter ended June 30, 2013 from \$105.4 million in the prior year, while hold percentage decreased to 7.9% from 8.1% the prior year. Table games volume substantially decreased due to the curtailment of our strategy to target gamers that prefer Craps and Baccarat along with traditionally Asian style games, along with our decision to reduce casino credit risk based on collection experience. Table game drop was \$8.9 million for the quarter ended June 30, 2013, compared to \$20.1 million in the prior year; however, hold percentage increased to 15.7% from 11.6%.

Room revenues for the quarter ended June 30, 2013 were 21.9% lower than the prior year period. The decrease in room revenues was seen in all channels, but primarily in the wholesale and group business channels. Occupancy decreased to 55.3% for the quarter ended June 30, 2013 from 81.3% in the prior year period based on comparative room inventory of 2,075 rooms. Our average daily room rate increased \$9.03 across all channels. Room revenues included \$1.0 million and \$1.1 million related to rooms provided to casino guests on a complimentary basis for each of the quarters ended June 30, 2013 and 2012. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Food and beverage revenues for the quarter ended June 30, 2013 declined 24.5% from the prior year period. The decrease was due primarily to lower hotel occupancy and gaming visitation. We implemented selective reduction of hours of operation and closure of outlets during low occupancy dates. Food and beverage revenues included \$0.6 million and \$1.0 million related to food and beverage provided to casino guests on a complimentary basis for the quarters ended June 30, 2013 and 2012, respectively. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Entertainment revenues for the quarter ended June 30, 2013 decreased 10.0% from the prior year period. The decrease in entertainment revenues is primarily due to shows in 2012 that did not perform in 2013, specifically Icons of Comedy, Andrew Dice Clay and LaCage, and also a result of using new contracts having a revenue share with producers of the show versus contracted entertainment expense payments. Adjusting for this change, entertainment revenues increased by 35.7%. Entertainment revenues included \$34 thousand and \$0.1 million in revenues related to show tickets offered to guests on a complimentary basis for the quarters ended June 30, 2013 and 2012, respectively. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Other revenues for the quarter ended June 30, 2013 decreased 17.0% from the prior year period. The decrease in other revenues was primarily due to declines in retail sales, tenant rents related to the termination of the Queen Victoria Pub lease in May 2013, and ATM revenue related to lower hotel occupancy and gaming play. Miscellaneous income was recognized in 2012 related to the adjustment of certain contingent liabilities. Additionally, there was no revenue from the business center this year, as it was closed in May 2012, with the space being leased to the UPS Store, which offset the lost revenues and related additional expenses of self-operating.

Promotional allowances were \$1.7 million and \$2.3 million for the three months ended June 30, 2013 and 2012, 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 primarily due to our decreased gaming play as well as efforts to focus complimentaries on our best customers.

Costs and Expenses

Costs and expenses for the quarter ended June 30, 2013 were \$20.3 million, a decrease of \$4.7 million, or 18.9%, from \$25.0 million for the comparable period in the prior year.

Casino costs and expenses for the quarter ended June 30, 2013 decreased 41.0% from the prior year period. The decrease in casino expenses was primarily due to a reduction in staffing due to lower gaming volumes. Promotional

expenses decreased as a result of lower redemptions/visitation and the bad debt reserve decreased related to the decrease in exposure related to credit issuance.

Room department costs and expenses for the quarter ended June 30, 2013 decreased 22.2% from the prior year period. The decrease in room expenses was primarily due to a reduction in staffing and other expenses related to the lower hotel occupancy.

Food and beverage costs and expenses for the quarter ended June 30, 2013 decreased 8.9% from the comparable period in the prior year. The decrease was primarily due to a reduction in food and beverage expenses related to the lower volume as explained above.

Entertainment department costs and expenses for the quarter ended June 30, 2013 decreased 35.7% as we reduced contract payments to entertainers due to reduction of entertainment provided in the LeBistro Lounge and the elimination of some shows, in addition to revenue share agreements for shows.

Other operating costs and expenses, excluding depreciation and amortization, increased as a result of corporate professional services incurred.

Loss from Operations

Loss from Operations for the three months ended June 30, 2013 and 2012 were \$4.6 million and \$4.0 million, respectively.

Six Months Ended June 30, 2013 Compared to 2012 (unaudited)

(In thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Percentage	
			Increase (Decrease) 2013 vs 2012	%
Revenues				
Casino	\$12,931	\$18,397	(29.7	%)
Rooms	14,094	18,369	(23.3	%)
Food and beverage	4,812	7,168	(32.9	%)
Entertainment	376	716	(47.5	%)
Other	1,651	1,774	(6.9	%)

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Total revenues	33,864	46,424	(27.1	%)
Less-promotional allowances	(3,264)	(4,554)	(28.3	%)
Net revenues	30,600	41,870	(26.9	%)
Expenses				
Casino	9,156	13,626	(32.8	%)
Rooms	8,501	10,909	(22.1	%)
Food and beverage	4,423	5,580	(20.7	%)
Entertainment	392	904	(56.6	%)
Other	493	572	(13.8	%)
Other operating expenses:				
Other general and administrative	13,616	13,708	(0.7	%)
Depreciation and amortization	3,507	3,863	(9.2	%)
Total expenses	40,088	49,162	(18.5	%)
Loss from Operations	\$(9,488)	\$(7,292)	30.1	%

Net revenues for the six months ended June 30, 2013 were \$30.6 million, a decrease of \$11.3 million, or 26.9%, from \$41.9 million for the comparable period in the prior year.

Casino revenues for the six months ended June 30, 2013 were \$12.9 million, a decrease of \$5.5 million, or 29.7%, from \$18.4 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 revenues were \$10.9 million, down 32.6% compared to the comparable period in the prior year, and table game revenues were \$2.5 million, a decrease of \$1.6 million, or 39.0%, from \$4.1 million. Taking into consideration the adjustment for promotional free play, the slot machine revenues actually decreased \$3.7 million for this period year over year. Slot machine visitation was lower during 2013, with coin-in decreasing to \$134.4 million for the six months ended June 30, 2013 from \$201.5 million in the prior year, while hold percentage increased to 8.1% from 8.0% the prior year. Table games volume substantially decreased due to the curtailment of our strategy to target gamers that prefer Craps and Baccarat along with traditionally Asian style games, along with our decision to reduce casino credit risk based on collection experience. Table game drop was \$17.4 million for the six months ended June 30, 2013, compared to \$42.3 million in the prior year; however, hold percentage increased to 14.1% from 9.6%.

Room revenues for the six months ended June 30, 2013 were 23.3% lower than the prior year period. The decrease in room revenues was seen in all channels, but primarily in the wholesale, group and retail channels. Occupancy decreased to 53.0% for the six months ended June 30, 2013 from 80.8% in the prior year period based on comparative room inventory of 2,075 rooms. Our average daily room rate increased \$10.60 across all channels. Room revenues included \$1.8 million and \$2.2 million related to rooms provided to casino guests on a complimentary basis for each of the six months ended June 30, 2013 and 2012. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Food and beverage revenues for the six months ended June 30, 2013 declined 32.9% from the prior year period. The decrease was due primarily to lower hotel occupancy and gaming visitation. We implemented selective reduction of hours of operation and closure of outlets during low occupancy dates. Food and beverage revenues included \$1.4 million related to food and beverage provided to casino guests on a complimentary basis for the six months ended June 30, 2013 and 2012. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Entertainment revenues for the six months ended June 30, 2013 decreased 47.5% from the prior year period. The decrease in entertainment revenues is primarily due to shows in 2012 that did not perform in 2013, specifically Icons of Comedy, Andrew Dice Clay and LaCage, and also a result of using new contracts that have a revenue share with producers of the show versus contracted entertainment expense payments. Adjusting for this change, entertainment revenues increased by 20.0%. Entertainment revenues included less than \$0.1 million and \$0.2 million in revenues related to show tickets offered to guests on a complimentary basis for the six months ended June 30, 2013 and 2012, respectively. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Other revenues for the six months ended June 30, 2013 decreased 6.9% from the prior year period. The decrease in other revenues was primarily due to a decline in retail sales and ATM revenue related to lower hotel occupancy and gaming play. Additionally, there was no revenue from the business center this year, as it was closed in May 2012, with the space being leased to the UPS Store, which offset the lost revenues and related additional expenses of self-operating.

Promotional allowances were \$3.3 million and \$4.6 million for the six months ended June 30, 2013 and 2012, 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 primarily due to our decreased gaming play as well as efforts to focus complimentary on our best customers.

Costs and Expenses

Costs and expenses for the six months ended June 30, 2013 were \$40.1 million, a decrease of \$9.1 million, or 18.5%, from \$49.2 million for the comparable period in the prior year.

Casino costs and expenses for the six months ended June 30, 2013 decreased 32.8% from the prior year period. The decrease in casino expenses was primarily due to a reduction in staffing due to lower gaming volumes. Promotional expenses decreased as a result of lower redemptions/visitation and the bad debt reserve decreased related to the decrease in exposure related to credit issuance.

Room department costs and expenses for the six months ended June 30, 2013 decreased 22.1% from the prior year period. The decrease in room expenses was primarily due to a reduction in staffing and other expenses related to the lower hotel occupancy.

Food and beverage costs and expenses for the six months ended June 30, 2013 decreased 20.7% from the comparable period in the prior year. The decrease was primarily due to a reduction in food and beverage expenses related to the lower volume as explained above.

Entertainment department costs and expenses for the six months ended June 30, 2013 decreased 56.6% as we reduced contract payments to entertainers due to reduction of entertainment provided in the LeBistro Lounge and the elimination of some shows, in addition to revenue share agreements for shows.

Other operating costs and expenses, excluding depreciation and amortization, decreased as a result of non-recurring costs in 2012 associated with the sale of RBH, a decrease in marketing and advertising spend in 2013, a decline in energy costs related to lighting retrofits throughout the property and lower occupancy in 2013, and a decrease in staffing in property operations in 2013 due to lower occupancy.

Loss from Operations

Loss from Operations for the six months ended June 30, 2013 and 2012 were \$9.5 million and \$7.3 million, respectively.

Discontinued Operation

On September 29, 2011, we entered into the Stock Purchase Agreement to sell our Black Hawk Colorado operation. We have reflected the operation as a discontinued operation through the sale completion date of April 26, 2012.

Liquidity and Capital Resources as of June 30, 2013

Our independent registered public accounting firm included an explanatory paragraph in its audit report contained in our Form 10-K for the year ended December 31, 2012 that expresses doubt as to our ability to continue as a going concern. 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. The accompanying unaudited 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.

The Company had \$66.2 million in cash and cash equivalents (of which \$39.1 million is restricted) as of June 30, 2013. Additionally, effective April 1, 2011, the Company has a \$10 million Working Capital Facility. However, due to the default under the Series A Credit Agreement and the Series B Credit Agreement described in Part II, Item 3 of this Form 10-Q, we do not currently have the ability to draw any funds under the Working Capital Facility until such time as the default is cured or waived. The lenders under our Series A Credit Agreement and our Series B Credit Agreement also hold 100% of our Class B Non-Voting Common Stock. As a result of the default, the Required Lenders (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) have the ability to increase the interest accruing on amounts owed under the Series A Credit Agreement and the Series B Credit Agreement, respectively. An increase in the interest rate would negatively affect our available cash and results from operations. Further, the Required Lenders and administrative agent under the Series A Credit Agreement and the Series B Credit Agreement, respectively, have the right to accelerate repayment of all amounts owed under each of the agreements and require us to repay such amounts immediately. We do not currently have sufficient funds to repay the Series A and Series B debt. Repaying these amounts and covering our operating losses will require additional cash, which may include the issuance of additional equity, debt financing and/or capital contributions from stockholders, if available to us. There can be no assurance that we will be successful in obtaining additional capital resources. The inability to obtain additional capital will restrict our ability to grow and inhibit our ability to continue to conduct business operations. Any additional equity financing may result in substantial dilution to our then existing stockholders. We do not provide any guarantees or assurances that the Company will have ample liquidity and capital resources to meet future financial obligations. If repayment of the indebtedness under our Series A Credit Agreement and Series B Credit Agreement were accelerated, we do not believe the Company has sufficient liquidity and capital resources to meet both debt service and normal course expenditures.

Current Economic and Operating Environment

We believe that a number of factors are affecting consumer sentiment and behavior, including the continued economic slowdown, high unemployment and decreasing home values. We believe that consumers have and will continue to save more and spend less on discretionary items such as vacations and gaming. Thus, we believe that 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 historical hotel occupancy, room rates and casino volumes.

Contractual Obligations and Other Commitments

The following table summarizes our contractual obligations and other commitments as of June 30, 2013:

Contractual Obligations	Payments Due by Period (In thousands)				
	Total	less than 1	1 to 3 years	4 to 5 years	more than

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		year			5	
					years	
Operating Leases	\$34	\$34	\$-	\$ -	#	\$ -
Capital Leases	415	102	221	92		-
Resort Management Agreement*	4,800	825	3,975	-		-
Maturities of Borrowings Under Credit Facility						
	79,643	79,643	-	-		-
(Note 6)						
Purchase Obligations	863	863	-	-		-
Total Contractual Cash Obligations	\$85,755	\$81,467	\$4,196	\$ 92		\$ -

*\$3.0 million of the \$3.975 million is due and payable to Paragon if Riviera achieves certain EBITDAM according to the agreement

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, 2012. For a further discussion of our accounting policies, see Note 2 to the condensed consolidated financial statements in this Form 10-Q. During the three months ended June 30, 2013, there were no significant changes other than those described in this Form 10-Q, from the critical accounting policies described in our Form 10-K for the year ended December 31, 2012.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

At times, we are exposed to market risk from adverse changes in interest rates with respect to the short-term floating interest rate on borrowings under our credit agreements. As of June 30, 2013, we had \$79.6 million in borrowings outstanding under our credit agreements. Any borrowings outstanding accrue interest at LIBOR plus a margin determined by the credit agreements. As of June 30, 2013, if LIBOR rates were to increase or decrease by one percentage point, our interest expense would increase or decrease by approximately \$0.8 million per year.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) 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 June 30, 2013, 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

We are from time to time 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.

Item 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Item 1A of our Form 10-K for the year ended December 31, 2012, and the additional risk factors below.

As a result of existing default under our credit facilities, if the interest rate we pay thereunder is increased or the amounts outstanding thereunder are accelerated, our available cash, results from operations and ability to conduct business operations will be negatively affected.

As of June 30, 2013, the Company was in default under the Series A Credit Agreement and the Series B Credit Agreement. As a result, the interest rate we pay on amounts outstanding thereunder may increase. An increase in the interest rate would negatively affect our available cash and results from operations. Further, the Required Lenders (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) and administrative agent under the Series A Credit Agreement and the Series B Credit Agreement, respectively, have the right to accelerate repayment of all amounts owed under each of the agreements and requires us to repay such amounts immediately. In the event that we were to repay all such amounts owed, we would not have sufficient capital resources to cover our operating losses and would need to obtain additional capital, including additional equity financing, debt financing or capital contributions from stockholders, if available to us. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. Failure to secure any necessary additional financing would have a material adverse affect on our operations and ability to continue as a going concern. Any additional equity financing may result in substantial dilution to our then existing stockholders.

If we are required to impair our other amortizable intangible assets, our financial condition and results of operations would be adversely affected.

Pursuant to Accounting Standards Codification (“ASC”) 350, Intangibles - Goodwill and Other and ASC 360, Property, Plant and Equipment, we are required to perform an annual impairment review of goodwill, intangibles and other long lived assets which could result in an impairment charge if it is determined that the carrying value of the assets are in excess of the fair value. We perform the impairment test annually during our fourth fiscal quarter. Goodwill, intangibles and other long lived assets are also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. When changes in circumstances, such as changes in the variables associated with the judgments, assumptions and estimates made in assessing the appropriate fair value indicate the carrying amount of certain assets may not be recoverable, the assets are evaluated for impairment. If actual operating results differ from these assumptions, it may result in an asset impairment. Future write-downs of intangibles and other long lived assets could affect certain of the financial covenants under our debt agreements, could restrict our financial flexibility, and would impact our results of operations.

Forward-Looking Statements

Throughout this Form 10-Q, 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. Forward-looking statements include the words “may,” “would,” “could,” “likely,” “estimate,” “intend,” “plan,” “continue,” “believe,” “expect,” “project” or “anticipate” 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 Form 10-Q will happen as described or that any positive trends referred to in this Form 10-Q 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 Form 10-Q 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:

· our limited operating history;

· our inability to generate positive cash flow could prevent us from funding operations and servicing our debt obligations;

· negative effects of our recent reorganization proceedings under the United States Bankruptcy Code on our image;

· risks associated with successor liability and liabilities arising before the Substantial Consummation Date not provided for in the Plan;

· the effects of disruption in the credit markets and its effects on the global and national economic conditions;

· competition in the gaming industry, including the availability and success of alternative gaming venues, and other entertainment attractions;

· risks related to geographic market concentration;

· loss of management and key personnel;

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;

· risks related to environmental liabilities;

· increasing energy prices;

· adverse effects of factors that are beyond our control;

· uninsured losses or losses that are not adequately covered by insurance;

· costs and liabilities associated with litigation;

- the consequences of concerns associated with wars, terrorism and homeland security;
 - labor disputes and work stoppages;
 - volatility in our hold percentage;
- the availability of additional capital to support capital improvements and development;
 - the loss on technological services and electrical power;
 - the loss in value of the Riviera brand;
 - our inability to protect our brands;
- adverse effects from climate change, climate change regulations and greenhouse gas effects;
- costs associated with legal claims and litigation related to the alleged effect of our operations on climate change;
 - adverse consequences from data breaches and other cyber security related risks;
- the availability and adequacy of our cash flow to meet our capital requirements, including payment of amounts due under our credit agreements, and our inability to raise additional capital if needed;
 - adverse consequences of interest rate fluctuations;
- restrictions imposed by the terms of our indebtedness and our ability to meet the affirmative and negative covenants set forth in our credit agreements, and
- adverse consequences from our current default under our credit facilities, such as the imposition of default interest rate or acceleration of the amounts outstanding thereunder.

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. Defaults Upon Senior Securities

As of June 30, 2013, the Company was in default under the Series A Credit Agreement and the Series B Credit Agreement for failure to satisfy the financial covenant that neither the Credit Parties (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) nor any Subsidiary (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) permit the Consolidated Interest Coverage Ratio (as defined and calculated as set forth in the Series A Credit Agreement and the Series B Credit Agreement, respectively) to be less than 1:00 to 1:00 for the quarter ended June 30, 2013.

Upon the occurrence of the event of default described above, and for so long as such event of default is continuing, the Required Lenders (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) have the ability to increase the interest accruing on amounts owned under the Series A Credit Agreement and the Series B Credit Agreement, respectively. Different default interest rates would apply to the principal of the loans, the accrued but unpaid interest on the loans and any other amounts owed under the Series A Credit Agreement and the Series B Credit Agreement, respectively. With respect to the principal of the loans made pursuant to the Series A Credit Agreement and the Series B Credit Agreement, respectively, the default interest rate is equal to the current interest rate plus 2.0%.

The Required Lenders (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) temporarily waived such default and this waiver expired on July 31, 2012. Although the Required Lenders under the Series A Credit Agreement and the Series B Credit Agreement, respectively, have not taken any action to increase the interest rate under the Series A Credit Agreement and the Series B Credit Agreement, the Company is accruing for the additional 2.0% default interest.

The Company is currently in discussions with its Required Lenders (who also hold similar percentage equity interests in the Company) concerning new financial covenants and other amendments to the Series A Credit Agreement and the Series B Credit Agreement to resolve the existing default. There can be no assurance that the Company and its Required Lenders (in their dual capacity as debt holder and equity holder) will be successful in doing so or that such amendments will be on favorable terms to the Company.

Item 5. Other Information

As previously disclosed, on June 21, 2013, the Company's Board of Directors appointed Robert James Kunkle as the Company's President. Further, Mr. Kunkle was also appointed as the President of ROC on June 21, 2013 and was hired as General Manager of ROC on June 24, 2013. Pursuant to the terms of an offer letter dated June 24, 2013, Mr. Kunkle's annual base salary is \$200,000 and he is eligible for a bonus equaling 30% of his annual base salary based on certain performance criteria. In the event the Company terminates his employment without cause during the first 18 months of employment, the Company is obligated to pay him six months' salary continuation. If the Company terminates his employment without cause after 18 months but before 24 months of employment, the salary continuation amount proportionally decreases and reaches zero after 24 months of employment.

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

Date: August 14, 2013 By: /s/ Robert Kunkle
President and General Manager

(Authorized Officer)

Date: August 14, 2013 By: /s/ Paul Roshetko
Treasurer and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibits

Exhibit No.:	Description:
10.1*	Resort Management Agreement, dated as of June 21, 2013, by and between Riviera Holdings Corporation and Riviera Operating Corporation.
10.2*	Employment Offer Letter, dated June 24, 2013, between Riviera Operating Corporation and Robert Kunkle
31.1*	Certification of Robert Kunkle, President, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Paul Roshetko, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Robert Kunkle, President, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Paul Roshetko, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

*Filed herewith.

**Furnished herewith.