RIVIERA HOLDINGS CORP
Form 10-Q
May 12, 2008

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Mark One
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

OR

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

For the transition period from ____________________ to ______________________

Commission file number 000-21430

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

Nevada	88-0296885
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2901 Las Vegas Boulevard South, Las Vegas, Nevada	89109
(Address of principal executive offices)	(Zip Code)

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

N/A
(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 X 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. (Check One)

Large accelerated filer_ Accelerated filer _X_

Non-accelerated filer _ Small 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 _X__

APPLICABLE ONLY TO ISSUERS 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 ______

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 8, 2008, there were 12,498,555 shares of Common Stock, $.001 par value per share, outstanding.

RIVIERA HOLDINGS CORPORATION

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PART I - FINANCIAL INFORMATION ITEM

1. Financial Statements

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

The results of operations for the three months ended March 31, 2008 and 2007 are not necessarily indicative of the results for the entire year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2007, included in our Annual Report on Form 10-K.

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

	(unaudited) March 31, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$26,005	$28,820
Restricted cash and investments	2,772	2,772
Accounts receivable, net of allowances of $553 and $437, respectively	3,816	3,563
Inventories	1,199	1,455
Prepaid expenses and other assets	4,983	3,601
Total current assets	38,775	40,211
PROPERTY AND EQUIPMENT, Net	172,591	172,865
OTHER ASSETS, Net	2,885	2,940
DEFERRED INCOME TAXES, Net	2,446	2,446
TOTAL	$216,697	$218,462
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Current portion of long-term debt	$228	$226
Current portion of obligation to officers	1,000	1,000
Accounts payable	8,792	10,973
Accrued interest	138	188

Accrued expenses	12,518	14,279
Total current liabilities	22,676	26,666
OBLIGATION UNDER SWAP AGREEMENT	21,580	13,272
OBLIGATION TO OFFICERS- net of current portion	503	1,063
LONG-TERM DEBT, net of current portion	225,264	225,287
Total Liabilities	270,023	266,288
COMMITMENTS AND CONTINGENCIES (See Note 6)		
STOCKHOLDERS' DEFICIENCY		
Common stock ($.001 par value; 60,000,000 shares authorized; 17,166,624 and 17,124,624 issued at March 31, 2008 and December 31, 2007, respectively) 12,498,555 and 12,456,555 shares outstanding	17	17
Additional paid-in capital	19,208	18,925
Treasury stock (4,668,069 shares at March 31, 2008 and December 31, 2007, respectively)	(9,635)	(9,635)
Accumulated deficit	(62,916)	(57,133)
Total stockholders' deficiency	(53,326)	(47,826)
TOTAL	$216,697	$218,462

See notes to condensed consolidated financial statements

RIVIERA HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2008	2007
REVENUES		
Casino	$23,966	$28,119
Rooms	15,870	16,314
Food and beverage	8,045	8,188
Entertainment	3,377	2,406
Other	1,876	1,712
Total revenues	53,134	56,739
Less-promotional allowances	5,172	4,712
Net revenues	47,962	52,027
COSTS AND EXPENSES		
Direct costs and expenses of operating departments:		
Casino	12,421	14,252
Rooms	6,864	7,051

Food and beverage	5,826	6,141
Entertainment	2,283	1,626
Other	328	337
Other operating expenses		
Selling, general and administrative	9,911	10,154
Mergers, acquistions and development costs	23	50
Share based compensation	183	199
Depreciation and amortization	3,423	3,256
Total costs and expenses	41,262	43,066
INCOME FROM OPERATIONS	6,700	8,961
Decrease in value of derivative instrument	(8,307)	-
Interest expense, net	(4,176)	(6,399)
NET (LOSS) INCOME	($5,783)	$2,562
(LOSS) INCOME PER SHARE DATA		
(Loss) Income per share		
Basic	$ (0.47)	$ 0.21
Diluted	$ (0.47)	$ 0.20
Weighted-average common shares outstanding	12,341	12,260
Weighted-average common and common equivalent shares	12,341	12,509

See notes to condensed consolidated financial statements

RIVIERA HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(in thousands)

	Three Months Ended March 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) Income	($5,783)	$2,562
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,423	3,256
Share based compensation - options	29	30
Share based compensation - restricted stock	154	169
Provision for bad debts	131	15
Change in swap fair value	8,307	-
Change in operating assets and liabilities:		
Accounts receivable	(384)	(1,068)
Inventories	256	129
Prepaid expenses and other assets	(1,326)	1,098
Accounts payable	(3,093)	(901)
Accrued interest	(50)	5,905
Accrued expenses	(1,761)	209

Deferred compensation plan obligation	(60)	(10)
Obligation to officers	(500)	(250)
Net cash (used in) provided by operating activities	(657)	11,144
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures for property and equipment - Las Vegas, Nevada	(1,862)	(1,911)
Capital expenditures for property and equipment - Black Hawk, Colorado	(375)	(311)
Net cash used in investing activities	(2,237)	(2,222)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term borrowings	(21)	(247)
Proceeds from exercise of stock options	100	-
Net cash provided by (used in) financing activities	79	(247)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,815)	8,675
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	28,820	25,285
CASH AND CASH EQUIVALENTS, END OF PERIOD	$26,005	$33,960
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:		
Property acquired with debt and accounts payable	$912	$82
Cash paid for interest, net of capitalized interest	$4,079	$146

See notes to condensed consolidated financial statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Nature of Operations

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

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

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

Principles of Consolidation

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

Earnings Per Share

Basic per share amounts are computed by dividing net (loss) income by weighted average shares outstanding during the period. Diluted net (loss) income per share amounts are computed by dividing net (loss) income by weighted average shares outstanding plus the dilutive effect of common share equivalents. Diluted net loss is computed excluding 189,375 potentially dilutive options and nonvested restricted shares from the calculations for the three months ended March 31, 2008. Net loss per share amount was calculated by dividing only weighted-average shares. No potentially dilutive options were excluded from the diluted shares outstanding calculation for the three months ended March 31, 2007.

Income Taxes

The income tax provision, if any, for the three months ended March 31, 2008 and 2007, were fully offset by the utilization of loss carryforwards for which a valuation allowance had been previously provided. Based on the history of net operating losses, and current year losses, it is not more likely than not that we will be able to recognize the deferred assets. As such, a valuation allowance has been established and the current year tax benefit has not been recognized.

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

Estimates and Assumptions

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 reported period. Significant estimates used by us include estimated useful lives for depreciable and amortizable assets, certain accrued liabilities, the estimated allowance for receivables, cash flow projections for testing asset impairment and establishment of the income tax valuation allowance. Actual results may differ from estimates.

Mergers, Acquisitions and Development Costs

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

Derivative Instruments

We account for derivative instruments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments

and Hedging Activities," and all amendments and interpretations thereto. SFAS No. 133 requires that all derivative instruments be recognized in the financial statements at fair value. Any changes in fair value are recorded in the statement of operations, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair value of our derivative instruments is based on market prices obtained from dealer quotes. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts. We use an interest rate swap to manage the mix of our debt between fixed and variable rate instruments, which were entered into on June 8, 2007. As of March 31, 2008, we have one interest rate swap agreement for the notional amount of $220 million. We have determined that the interest rate swap does not meet the requirements to qualify for hedge accounting and have therefore recorded a $8.3 million loss for the change in fair value of this derivative instrument in our condensed consolidated statements of operations for the three month period ended March 31, 2008.

Recent Accounting Pronouncements

In March 2008, the ("FASB") released ("SFAS") No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 requires additional disclosures related to the use of derivative instruments, the accounting for derivatives and the financial statement impact of derivatives. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. The Company is currently assessing the impact the adoption of SFAS No. 161 will have on the Company's consolidated financial statements.

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In December 2007, the FASB released SFAS No. 141(R), "Business Combinations," to establish accounting and reporting standards to improve the relevance, comparability and transparency of financial information that an acquirer would provide in its consolidated financial statements from a business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact the adoption of SFAS No. 141(R) will have on the Company's consolidated financial position and results of operations.

In December 2007, the FASB also released SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements -- an amendment of Accounting Research Bulletin No. 51," to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact the adoption of SFAS No. 160 will have on the Company's consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The fair value option established by SFAS No. 159 permits all companies to choose to measure eligible items at fair value at specified election dates. At each subsequent reporting date, a company shall report in earnings any unrealized gains and losses on items for which the fair value option has been elected. As of January 1, 2008 the Company adopted the fair value option under SFAS No. 159 and such adoption has no material impact on

our consolidated financial statements.

In September 2006, the FASB issued SFAS No.157, "Fair Value Measurements" which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS No. 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. However, on February 12, 2008, the FASB issued proposed FASB Staff Position ("FSP") SFAS No. 157-2, "Effective Date of FASB Statement No. 157", which defers the effective date for adoption of fair value measurements for nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008. The Company adopted SFAS No. 157 on January 1, 2008, except as it applies to those non-financial assets and non-financial liabilities as noted in proposed FSP No. 157-2. The adoption of SFAS No. 157 did not have a material impact on the Company's financial position, results of operations or cash flows.

2. OTHER ASSETS

Other assets at March 31, 2008 and December 31, 2007 include deferred loan fees of approximately $1.6 million and $1.7 million respectively, associated with the refinancing of our debt in 2007. The Company is amortizing the costs over the life of the debt.

3. LONG -TERM DEBT

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

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

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

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

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

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

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

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

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

4. STOCK REPURCHASES

There were no shares of RHC common stock purchased by our Deferred Compensation Plan for the three months ended March 31, 2008 or 2007. The Deferred Compensation Plan distributed to participants 94,324 shares for the three months ended March 31, 2007. No distribution was made for the three months ended March 31, 2008.

5. SHARED-BASED PAYMENTS

During the three months ended March 31, 2008 the Company recorded share-based compensation of $183,000; $154,000 related to restricted stock and $29,000 related to stock options. For the three months ended March 31, 2007 the Company recorded share-based compensation of $199,000; $169,000 related to restricted stock and $30,000 related to stock options. Such amounts have been included as a component of operating expenses.

No options were granted during the three months ended March 31, 2008 and 2007. As of March 31, 2008 there were exercisable options of 168,000 shares. 42,000

options were exercised during the three months ended March 31, 2008. No options were forfeited or canceled during the three months ended March 31, 2008.

The activities of all stock option plans are as follows:

	Shares	Weighted Average Share Exercise Price	Remaining Life	Aggregate Intrinsic Value
Outstanding, December 31, 2007	258,000	$ 7.33		
Exercised	42,000	2.40		
Outstanding, March 31, 2008	216,000	$ 8.28	4.82 years	$2,662,420
Exercisable March 31, 2008	168,000	$ 2.34	4.19 years	$3,069,360

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

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6. COMMITMENTS AND CONTINGENCIES

Salary Continuation Agreements

Approximately 60 executive officers and certain other employees (excluding Mr. Westerman and Mr. Vannucci) of ROC and RBH have salary continuation agreements effective through December 2008, pursuant to which they will be entitled to receive (1) six months salary if their employment with the Company is terminated, without cause, within 12 months of a change of control of the Company; and (2) group health insurance for a period of 6 months. The base salary payments are payable in biweekly installments, subject to the employee's duty to mitigate by using his or her best efforts to find employment. In addition, one officer and three significant employees have salary continuation agreements effective through December 31, 2008, pursuant to which each of them will be entitled to receive one year's base salary and health insurance benefits for two years, if their employment is terminated without cause within 24 months of a change of control of the Company. These four salary continuation agreements are not subject to a duty to mitigate. The estimated total amount payable under all such agreements was approximately $3.4 million, which includes $700,000 in benefits, as of March 31, 2008.

Legal Proceedings

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

7. GUARANTOR INFORMATION

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

8. SUBSEQUENT EVENTS

Mark Lefever our Chief Financial Officer resigned effective March 31, 2008 and Philip Simons has accepted the position and is scheduled to commence employment on May 12, 2008.

9. SEGMENT DISCLOSURES

We determine our segments based upon the two geograplical markets that we operate Riviera Las Vegas and Riviera Black Hawk. The indicator reviewed by the chief- decision maker is earnings before interest, income taxes, depreciation and amortization ("EBITDA") as described below. All inter-segment revenues have been eliminated.

(In thousands)	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Net revenues		
Riviera Las Vegas	$ 36,450	$ 38,472
Riviera Black Hawk	11,512	13,555
Total net revenues	$ 47,962	$ 52,027
EBITDA (1)		
Riviera Las Vegas	$7,371	$8,607
Riviera Black Hawk	3,903	4,815
Other Costs and Expenses		
Corporate Expenses		
Equity Compensation	183	199
Other Corporate Expenses	945	956
Depreciation and Amortization	3,423	3,256
Mergers, Acquisitions and Development Costs	23	50
Interest Expense, net	12,483	6,399
Total Costs and Expenses	17,057	10,860
Net (Loss) Income	$ (5,783)	$ 2,562

Property and Equipment, net	March 31, 2008	December 31, 2007
Las Vegas	$ 110,096	$ 109,885
Black Hawk	62,495	62,980

Total Property and Equipment, net	$ 172,591	$ 172,865

Capital Expenditures	
Las Vegas	$ 2,563
Black Hawk	586
Total Capital Expenditures	$ 3,149

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

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

Overall Outlook and Recent Developments

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

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

In Black Hawk, the $5 maximum bet restricts our ability to generate table games revenues. The Black Hawk market is basically a "locals" slot customer market. Our capital expenditures for Riviera Black Hawk are geared to maintain competitive slot product compared to that market.

Results of Operations

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

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

(In Thousands)	First Quarter 2008	2007	Incr/ (Dec)	Incr/ (Dec)%
Net revenues				
Riviera Las Vegas	$36,450	$38,472	$(2,022)	(5.3)%
Riviera Black Hawk	11,512	13,555	(2,043)	(15.1)%
Total Net Revenues	$47,962	$52,027	$(4,065)	(7.8)%
Income from Operations				
Riviera Las Vegas	$5,539	$6,910	$(1,371)	(19.8)%
Riviera Black Hawk	2,312	3,256	(944)	(29.0)%
Property Income from Operations	7,851	10,166	(2,351)	(22.8)%
Corporate Expenses				
Equity Compensation	(183)	(199)	16	8.0%
Other Corporate Expenses	(945)	(956)	11	1.2%
Mergers, Acquisitions and Development Costs, net	(23)	(50)	27	54.0%
Total Income from Operations	$6,700	$8,961	$(2,261)	(25.2)%
Operating Margins (1)				
Riviera Las Vegas	15.2%	18.0%	(2.8)%	
Riviera Black Hawk	20.1%	24.0%	(3.9)%	

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

Riviera Las Vegas

Revenues

Net revenues decreased by approximately $2.0 million, to $36.5 million in the quarter ended March 31, 2008 (the "first quarter of 2008") from $38.5 million in the quarter ended March 31, 2007 (the "first quarter of 2007"), due primarily to decreased casino and hotel revenues offset by increased entertainment revenues during the period.

Casino revenues decreased by approximately $2.2 million, or 14.5% for the quarter, from $14.9 million for the same period the prior year to $12.7 million for the first quarter of 2008, primarily due to lower slot coin-in. The slot coin-in decreased by $21.6 million or 14.2% in the period, as a result of lower casino volume related to the ramifications of the slower U.S. economy affecting our target customers and the encumbered access to the Las Vegas property due to neighboring construction projects.

Room revenues decreased $444,000, or 2.7%, from $16.3 million for the first quarter of 2007 to $15.9 million for the first quarter of 2008 due to a decrease in hotel occupancy offset by an increase in average daily room rate. Average

daily room rate increased $9.93 from $89.70 in the first quarter of 2007 to $99.63 in the first quarter of 2008 and hotel occupancy decreased 11.62% to 81.59% in the first quarter of 2008 from 93.21% for the same period the prior year. Rev Par (revenue per available room) decreased 2.8% or $2.32 to $81.29. The decline in occupancy is related to our leisure market segment. The leisure market decline is due to a combination of airline flight cancellations due to bad weather throughout the East and Midwest, and declining economic conditions affecting our targeted customers.

Entertainment revenues increased by approximately $971,000, or 40.4%, from $2.4 million during the first quarter of 2007 to $3.4 million during the first quarter of 2008 due primarily to the opening of our new show "Ice - Direct from Russia" ("Ice") in April 2007. The showroom was closed in the first quarter of 2007.

Costs and Expenses

Casino departmental expenses decreased 13.1% from $8.5 for the first quarter of 2007 to $7.4 million for the first quarter of 2008, due primarily to lower casino volume and reduced marketing expenses.

Food and beverage departmental costs and expenses decreased 5.6% in the quarter due to lower cost of sales and payroll.

Entertainment departmental costs increased 40.4% due to costs related to our new show Ice and the fact that the showroom was closed in the first quarter of 2007.

Income from Operations

Income from operations at Riviera Las Vegas decreased $1.4 million, or 19.8%, from $6.9 million in the first quarter of 2007 to $5.5 million in the first quarter of 2008 due primarily to the reduced casino revenue as discussed above.

Riviera Black Hawk

Revenues

Net revenues decreased $2.0 million or 15.1% from $13.6 million in the first quarter of 2007 to $11.5 million in the first quarter of 2008 due to decreased slot coin-in. We feel the smoking ban in Colorado that went into effect January 1, 2008 has impacted our coin-in in the first quarter of 2008. Food and beverage revenues were approximately $1.3 million in the first quarter of 2008, of which $1.1 million was complimentary (promotional allowance).

Income from Operations

Income from operations at Riviera Black Hawk decreased $944,000, or 29.0%, from $3.3 million in the first quarter of 2007 to $2.3 million in the first quarter of 2008 due to decreased casino revenue, as explained above, offset by reduced casino marketing expenses and general and administrative costs primarily due to reduced costs related to payroll benefits.

Consolidated Operations

Interest Expense, net

Net interest expense decreased $2.2 million or 34.2% as a result of refinancing our debt in June 2007 to a lower interest rate.

In the first quarter of 2008 we recorded a non-cash decrease in our swap fair value of $8.3 million because our swap does not qualify for hedge accounting.

Net Income (Loss)

Net income decreased $8.3 million, or approximately 325.7%, from net income of $2.6 million in the first quarter of 2007 to a net loss of $5.8 million in the first quarter of 2008, due primarily to the $8.3 million non-cash charge for the decrease in our swap fair value during the quarter.

Liquidity and Capital Resources

At March 31, 2008, we had cash and cash equivalents of $26.0 million. Our cash and cash equivalents decreased $2.8 million during the first quarter of 2008, as a result of $657,000 of cash used in operations, $2.2 million of cash outflow for investing activities primarily due to capital expenditures and approximately $79,000 provided by financing activities primarily due to the exercise of stock options. We also have restricted cash of $2.8 million held in a certificate of deposit for the benefit of the Nevada Department of Insurance for our workmen compensation insurance. Cash balances include amounts that could be required to pay our Chief Executive Officer's (William L. Westerman's) retirement account

balance into a rabbi trust upon 5 days notice. We pay Mr. Westerman $250,000 per quarter from his retirement account balance plus interest. In exchange for these payments, Mr. Westerman has agreed to forbear his right to receive full transfer of his retirement account balance to the rabbi trust. This does not limit his ability to give the five-day notice at any time. Although we are aware of no current intention on the part of Mr. Westerman to require this funding into a rabbi trust, under certain circumstances we may have to disburse this balance, which amounts to approximately $1.5 million as of March 31, 2008, within a short period.

We believe that cash flow from operations, combined with the $26.0 million cash and cash equivalents and the $20 million revolving credit facility, will be sufficient to cover our debt service requirements and enable investment in budgeted capital expenditures of $26.5 million for 2008 for both Riviera Las Vegas and Riviera Black Hawk.

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

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

assets.

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

We utilize derivative instruments for a substantial portion of our Term Loan to manage certain interest rate risk. Our interest rate swap agreement has a rate of 5.48% compared to the three month LIBOR rate of 2.70% as of March 31, 2008. In addition we pay 2.0% above the LIBOR Rate for a total cost of borrowing.

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

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

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

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

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

As of March 31, 2008, we believe that we are in compliance with the covenants of the $225 million Term Loan and all of our credit facilities.

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, 2007. For a more extensive discussion of our accounting policies, see Note 1, Summary of Significant Accounting Policies, in the Notes to the Condensed Consolidated Financial Statements in this Form 10-Q.

Forward-Looking Statements

Throughout this report we make "forward-looking statements," as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include the words "may," "would," "could," "likely," "estimate," "intend," "plan," "continue," "believe," "expect" "projection "or "anticipate" and similar words and include all discussions about our ongoing or future plans, objectives or expectations. We do not guarantee that any of the transactions or events described in this report will happen as described or that any positive trends referred to in this report will continue. These forward-looking statements generally relate to our plans, objectives and expectations for future operations and results and are based upon what we consider to be reasonable estimates. Although we believe that our forward-looking statements are reasonable at the present time, we may not achieve or we may modify our plans, objectives and expectations. You should read this report completely and with the understanding that actual future results maybe materially different from what we expect. We do not plan to update forward-looking statements even though our situation or plans may change in the future, unless applicable law requires us to do so.

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

- the effect of the termination of our previously announced strategic process to explore alternatives for maximizing shareholder value and the possible resulting fluctuations in our stock price that will affect other parties' willingness to make a proposal to acquire us;

- fluctuations in the value of our real estate, particularly in Las Vegas;

- the availability and adequacy of our cash flow to meet our requirements, including payment of amounts due under our debt instruments;

- our substantial indebtedness, debt service requirements and liquidity constraints;

- the smoking ban in Colorado on our Riviera Black Hawk property, which became effective on January 1, 2008;

- the availability of additional capital to support capital improvements and development;

- the ability to renegotiate union contracts in Las Vegas;

- competition in the gaming industry, including the availability and success of alternative gaming venues and other entertainment attractions, and the approval of an initiative that would allow

slot machines in Colorado race tracks;

- retirement or other loss of our senior officers;
- economic, competitive, demographic, business and other conditions in our local and regional markets;
- changes or developments in laws, regulations or taxes in the gaming industry, specifically in Nevada where initiatives have been proposed to raise the gaming tax;
- actions taken or not taken by third parties, such as our customers, suppliers, and competitors, as well as legislative, regulatory, judicial and other governmental authorities;
- changes in personnel or compensation, including federal in minimum wage requirements;
- our failure to obtain, delays in obtaining, or the loss of, any licenses, permits or approvals, including gaming and liquor licenses, or the limitation, conditioning, suspension or revocation of any such licenses, permits or approvals, or our failure to obtain an unconditional renewal of any of our licenses, permits or approvals on a timely basis;

- the loss of any of our casino, hotel or convention facilities due to terrorist acts, casualty, weather, mechanical failure or any extended or extraordinary maintenance or inspection that may be required;
- other adverse conditions, such as further economic downturns, changes in general customer confidence or spending, increased transportation costs, travel concerns or weather-related factors, that may adversely affect the economy in general or the casino industry in particular;
- changes in our business strategy, capital improvements or development plans;
- the consequences of the war in Iraq and other military conflicts in the Middle East, concerns about homeland security and any future security alerts or terrorist attacks such as the attacks that occurred on September 11, 2001;
- other risk factors and uncertainties discussed elsewhere in this report, and
- a decline in the public acceptance of gaming.

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

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Market risks relating to our operations result primarily from changes in interest rates. We invest our cash and cash equivalents in U.S. Treasury Bills

with maturities of 30 days or less. Such investments are generally not affected by changes in interest rates.

As of March 31, 2008, we had $225.5 million in borrowings. The borrowings include a $225 million Term Loan maturing in 2014 and a two capital leases one maturing in 2009 and the other maturing in 2012. The equipment leases have a fixed interest rate of 5.5%. The borrowings also include $283,000 in a special improvement district ("SID") bond offering with the City of Black Hawk. Our share of the debt on the SID bonds of $1.2 million, is payable over ten years beginning in 2000. The SID bonds bear interest at 5.5%. We are not susceptible to interest rate risk because our outstanding debt is at fixed rates. As of March 31, 2008, we had no borrowing outstanding under our Revolving Credit Facility. As of March 31, 2008, we have one interest rate swap arrangement to hedge the underlying interest rate risk on a total of $225 million of borrowings under the Term Loan, which bears interest at LIBOR plus 2%. Under this interest rate swap agreement, we receive payments at a variable rate of LIBOR and pay a fixed rate of 5.485% on the $220 million notional amount, which expires on June 8, 2014. In addition we pay 2.0% above the LIBOR Rate for a total cost of borrowing. As of March 31, 2008, we have one interest rate swap arrangement with periodic step-downs beginning in 2008, which expires on June 8, 2014. Although this interest rate swap agreement is highly effective economically in fixing the interest rate on this borrowing under the Term Loan at approximately 7.485%, changes in fair value of our interest rate swap for each reporting period are, and will continue to be, recorded as an increase /(decrease) in swap fair value as the swap does not qualify for hedge accounting.

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A hypothetical one percent change in interest rate would not have a material effect on our financial statements, as the interest rate swap we currently have effectively locks our debt at 7.485%.

Principal (Notational Amount by Expected Maturity)
Average Interest Rate

(Dollars in thousands)	2008	2009	2010	2011	2012	Thereafte
Long-Term Debt Including Current Portions						
Equipment loans and						
capital leases-Las Vegas	$ 67	$ 76	$ 23	$ 24	$ 19	
Average interest rate	5.5%	5.5%	5.5%	5.5%	5.5%	
$225 million Term Loan			$ 1,125	$ 2,250	$2,250	$219,375
Average interest rate			7.5%	7.5%	7.5%	7.5%
SID Bonds -						
Black Hawk, Colorado	$ 138	$ 145				
Average interest rate	5.5%	5.5%				
Total all long-term debt, including current portions	$ 205	$ 221	$ 1,148	$ 2,274	$2,269	$219,37
Other Long-Term Liabilities including Current Portion						
CEO pension plan obligation	$ 750	$ 753				

Average interest rate	9.7%	9.7%	
Interest rate derivatives			
Derivative instrument			
Pay fixed			$220,265
Average receivable rate			2.7
Average payable rate			5.4

FIN 48 requires that we book any future unrealized tax payments however, due to uncertainties surrounding future taxable earnings and future audits related to our income taxes and the potential utilization of our net operating losses, we cannot establish a reasonably reliable estimate of the period of future cash settlements, if any; therefore, we have excluded this amount from the contractual obligations table above.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, 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 March 31, 2008, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our chief executive officer and chief financial officer 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 party to routine lawsuits, either as plaintiff or as defendant, arising from the normal operations of a hotel or casino. We do not believe that the outcome of such litigation, in the aggregate, will have a material adverse effect on our financial position or results of our operations.

Item 1A. Risk Factors

Our annual report on Form 10-K for the fiscal year ended December 31, 2007 (our "2007 Form 10-K") contains a detailed discussion of our risk factors. The information below updates and should be read in conjunction with the risk

factors and other information disclosed in our 2007 Form 10-K.

Those same uncertainties about our future prospects might add to our difficulties in finding suitable replacements for any of our executives or other key personnel if we lose their services.

Item 5. Other Information

Item 6. Exhibits.

See list of exhibits on page 23.

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,
Chief Executive Officer
(Principle Executive Officer)

Interim Treasurer and Interim Principal
Financial and Accounting Officer
(Principle Financial Officer)

Date: May 9, 2008

Exhibits

Exhibits:

31.1 Certification of the Principal Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).

31.2 Certification of the Principal Financial Officer of the Registrant

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