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RIVIERA HOLDINGS CORP
Form 10-Q
November 10, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Mark One

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

For the quarterly period ended September 30, 2003

OR

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

For the transition period from _____ to _____

Commission file number 000-21430

Riviera Holdings Corporation

(Exact name of Registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization) 88-0296885
(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

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

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

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

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

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APPLICABLE ONLY TO CORPORATE REGISTRANTS

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

As of October 27, 2003, there were 3,610,155 shares of Common Stock, \$.001 par value per share, outstanding.

RIVIERA HOLDINGS CORPORATION

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors
Riviera Holdings Corporation

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

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

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

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

DELOITTE & TOUCHE LLP

October 21, 2003
Las Vegas, Nevada

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

September 30 December 31

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	2003 (unaudited)	2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 25,601	\$ 20,220
Accounts receivable, net	3,595	4,010
Inventories	1,551	1,824
Prepaid expenses and other assets	4,393	3,968
	-----	-----
Total current assets	35,140	30,022
PROPERTY AND EQUIPMENT, Net	179,381	188,233
OTHER ASSETS, Net	13,959	14,677
DEFERRED INCOME TAXES	2,446	2,964
	-----	-----
TOTAL	\$ 230,926	\$ 235,896
	=====	=====
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 3,454	\$ 3,430
Accounts payable	8,786	8,338
Accrued interest	6,964	1,065
Accrued expenses	14,508	15,576
	-----	-----
Total current liabilities	33,712	28,409
	-----	-----
OTHER LONG-TERM LIABILITIES	6,160	6,465
	-----	-----
LONG-TERM DEBT, Net of current portion	214,386	216,694
	-----	-----
SHAREHOLDERS' DEFICIENCY:		
Common stock (\$.001 par value; 20,000,000 shares authorized; 5,166,208 and 5,135,773 shares issued at September 30, 2003 and December 31, 2002, respectively)	5	5
Additional paid-in capital	13,732	13,638
Treasury stock (1,687,957 shares and 1,686,244 shares at September 30, 2003 and December 31, 2002, respectively)	(11,321)	(11,313)
Accumulated Deficit	(25,748)	(18,002)
	-----	-----
Total stockholders' deficiency	(23,332)	(15,672)
	-----	-----
TOTAL	\$ 230,926	\$ 235,896
	=====	=====

See notes to condensed consolidated financial statements

RIVIERA HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

(In thousands, except per share amounts) Three Months Ended Nine Months Ended
September 30, September 30,

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REVENUES:	2003	2002	2003	2002
Casino	27,215	26,806	80,683	81,732
Rooms	11,040	11,020	33,494	32,406
Food and beverage	8,567	8,455	25,109	24,833
Entertainment	4,981	4,698	13,851	13,278
Other	2,024	2,031	6,034	6,282
Total revenues	53,827	53,010	159,171	158,531
Less promotional allowances	4,854	4,560	14,379	13,916
Net revenues	48,973	48,450	144,792	144,615
COSTS AND EXPENSES:				
Direct costs and expenses of operating departments:				
Casino	14,425	14,751	42,392	43,936
Rooms	6,377	5,908	18,721	17,476
Food and beverage	5,840	5,590	16,893	16,198
Entertainment	3,182	3,280	9,057	8,954
Other	747	708	2,105	2,129
Other operating expenses:				
General and administrative	10,812	10,270	30,512	29,632
Depreciation and amortization	3,949	4,440	12,330	13,405
Total costs and expenses	45,332	44,947	132,010	131,730
INCOME FROM OPERATIONS	3,641	3,503	12,782	12,885
OTHER (EXPENSE) INCOME:				
Interest expense	(6,794)	(6,863)	(20,548)	(19,975)
Interest expense-net due to defeasance	0	(2,328)	0	(2,692)
Loss on extinguishment of debt	0	(11,211)	0	(11,211)
Interest income	0	4	18	176
Total other expense	(6,794)	(20,398)	(20,530)	(33,702)
LOSS BEFORE BENEFIT FOR INCOME TAXES	(3,153)	(16,895)	(7,748)	(20,817)
(BENEFIT) FOR INCOME TAXES	0	0	0	0
NET LOSS	\$ (3,153)	\$ (16,895)	\$ (7,748)	\$ (20,817)
LOSS PER SHARE DATA:				
Loss per share:				
Basic & Diluted	\$ (0.91)	\$ (4.89)	\$ (2.23)	\$ (6.04)
Weighted-average common and common equivalent shares	3,477	3,456	3,473	3,448

See notes to condensed consolidated financial statements

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September 30, 2003 and 2002	2003	2002	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	(\$3,153)	(\$16,895)	(\$7,748)	(\$20,817)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	3,949	4,440	12,330	13,405
Provision for bad debts	69	127	225	(218)
Provision for gaming discounts	0	0	7	(48)
Interest expense	6,788	6,863	20,548	19,975
Interest paid	(212)	(216)	(12,600)	(12,339)
Interest expense, net, Bonds held for retirement		(220)		144
Loss on extinguishment of debt		11,211		11,211
Loss on extinguishment of debt paid		(6,646)		(6,646)
Changes in operating assets and liabilities:				
Decrease (increase) in accounts receivable	(719)	(733)	183	267
Decrease (increase) in inventories	(9)	151	274	596
Increase in prepaid expenses and other assets	(538)	(515)	(425)	(926)
Increase (decrease) in accounts payable	992	(538)	448	862
Increase (decrease) in accrued liabilities	834	1,678	(1,068)	709
Increase in deferred compensation plan liability	7	10	19	115
Increase in deferred income taxes	517	2,125	518	2,125
Decrease in non-qualified pension plan obligation to CEO upon retirement	(426)	(125)	(916)	(375)
Net cash provided by operating activities	8,099	717	11,795	8,040
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures - Las Vegas, Nevada	(1,512)	(666)	(2,294)	(2,934)
Capital expenditures - Black Hawk, Colorado	(713)	(387)	(1,163)	(1,595)
Increase in other assets	(80)	(147)	(458)	(1,899)
Net cash used in investing activities	(2,305)	(1,200)	(3,915)	(6,428)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from long-term borrowings	0	0	0	211,781
US Treasury Bills purchased to retire bonds	0	226,576	0	0
Decrease (increase) in deferred loan fees	0	0	0	(10,381)
Payments on long-term borrowings	(899)	(220,674)	(2,585)	(222,325)
Increase in paid-in capital	18	0	69	0
Purchase of deferred comp treasury stock	0	0	(8)	0
Issuance of restricted stock	0	25	25	125
Net cash (used in) provided by financing activities	(881)	5,927	(2,499)	(20,800)

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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,913	5,444	5,381	(19,188)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 20,688	\$ 21,974	\$ 20,220	\$ 46,606
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 25,601	\$ 27,418	\$ 25,601	\$ 27,418
	=====	=====	=====	=====

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:

Property acquired with debt and accounts payable	\$472	\$65	\$472	\$65
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See notes to condensed consolidated financial statements

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Nature of Operations

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

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

Principles of Consolidation

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

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

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Earnings Per Share

Basic per share amounts are computed by dividing net income by weighted average shares outstanding during the period. Diluted net income per share amounts are computed by dividing net income by weighted average shares outstanding plus the dilutive effect of common share equivalents. The effect of options outstanding was not included in diluted calculations for the three and nine months ended September 30, 2003 and 2002 since the Company incurred a net loss. The number of potentially dilutive options was 206,500 and 78,000 for the three and nine months ended September 30, 2003 and 115,000 for the three and nine months ended September 30, 2002.

Income Taxes

The cash flow projections used by the Company in the application of Statement of Financial Accounting Standards ("SFAS") No. 109 for the realization of deferred tax assets indicate that a valuation allowance should be recorded on the tax benefit earned by the Company in 2003 and 2002. The estimates used are based upon recent operating results and budgets for future operating results. These estimates are made using assumptions about the economic, social and regulatory environments in which we operate. These estimates could be impacted by numerous unforeseen events including changes to regulations affecting how the Company operates the business, changes in the labor market or economic downturns in the areas where the Company operates.

Estimates and Assumptions

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

Reclassifications

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

Stock-Based Compensation

As of September 30, 2003, the Company has two stock-based employee compensation

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Net loss as reported	\$ (3,153)	\$ (16,895)	\$ (7,748)	\$ (20,817)
Deduct: Total stock based employee compensation expense determined under fair value based methods for awards net of related tax effects	(67)	(74)	(184)	(222)
Net loss pro forma	\$ (3,220)	\$ (16,969)	\$ (7,932)	\$ (21,039)
Basic loss per common share as reported	\$ (0.91)	\$ (4.89)	\$ (2.23)	\$ (6.04)
Basic loss per common share pro forma	\$ (0.93)	\$ (4.91)	\$ (2.28)	\$ (6.10)
Diluted loss per common and common share equivalent as reported	\$ (0.91)	\$ (4.89)	\$ (2.23)	\$ (6.04)
Diluted loss per common and common share equivalent pro forma	\$ (0.93)	\$ (4.91)	\$ (2.28)	\$ (6.10)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2003 and 2002 respectively: dividend yield of 0% for both years; expected volatility of 34% and 52%; risk-free interest rates of 2.27% and 4.49%; and expected lives of 10 years for all years. The weighted fair value of options granted in 2003 and 2002 was \$2.53 and \$4.96, respectively.

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

Recently Adopted Accounting Standards

In May 2003, the Financial Accounting Standards Board (FASB) issued SFAS No.150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted SFAS No. 150 for the third quarter beginning on July 1, 2003 and it had no effect on its financial position or results of operations.

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2. OTHER ASSETS

Other assets at September 30, 2003 include deferred loan fees of approximately \$9.7 million associated with the refinancing of the Company's debt and capitalized costs associated with the RGM Missouri proposed venture of approximately \$1.5 million and the RGM New Mexico proposed venture of approximately \$1.2 million.

3. LONG TERM DEBT AND COMMITMENTS

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

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

4. LEGAL PROCEEDINGS

On April 15, 2003, a class action complaint was filed in the Clark County, Nevada District Court (Case No. A466204) in the name of Brian Placzek, on behalf of himself and all others similarly situated, against the Company and Company directors William L. Westerman, Robert R. Barengo, Jeffrey A. Silver and Paul A. Harvey (the "Placzek Action"). The complaint was served on the Company on April 28, 2003. The named plaintiff was a shareholder of the Company. In the complaint, the plaintiff sought an order requiring the individual defendants to take the following actions, among others: cooperate with any individual who makes a bona fide offer to acquire the Company, take steps that are calculated to result in a buy-out or takeover of the Company at the highest price, comply with their fiduciary duties, and reimburse the plaintiff's class for damages, costs and disbursements related to the lawsuit. The complaint also sought to have all of the Company's public shareholders, excluding the defendants, certified as a class for purposes of the class action suit and sought plaintiff to be the representative of the class. On July 10, 2003, the defendants filed a

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Motion to Dismiss the Placzek Action on the grounds that the Placzek Action was filed without the authorization of the plaintiff. Prior to this Motion to Dismiss being heard, the plaintiff agreed to dismiss the lawsuit with prejudice and on August 28, 2003, a Stipulation and Order For Dismissal was entered dismissing the Placzek Action with prejudice.

On May 2, 2003, a class action complaint was filed in the Clark County, Nevada District Court (Case No. A467159) in the name of Paul Rosa against the Company and Company directors William L. Westerman, Robert R. Barengo, Jeffrey A. Silver, Paul A. Harvey and Vincent L. DiVito (the "Rosa Action"). The named plaintiff in this action was a shareholder of the Company and sought to have all of the Company's public shareholders, excluding defendants and related

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shareholders, certified as a class for purposes of the class action suit. The complaint also sought substantially the same relief sought in the Placzek Action. On July 21, 2003, the defendants filed a Motion to Dismiss the Rosa Action on the grounds that the complaint failed to state a claim upon which relief may be granted. Prior to this Motion to Dismiss being heard, the plaintiff agreed to dismiss the lawsuit with prejudice and on October 10, 2003, a Stipulation and Order For Dismissal was entered dismissing the Rosa Action with prejudice.

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

5. STOCK REPURCHASES

There were 1,703 shares of treasury stock purchased by the Deferred Compensation Plan Trustee at \$4.27 for the nine months ended September 30, 2003.

6. ISSUANCE OF RESTRICTED STOCK

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

7. GUARANTOR INFORMATION

The 11% Notes and the \$30 million line of credit are guaranteed by all of the Company's restricted subsidiaries. These guaranties are full, unconditional, and joint and several. RGM Missouri and RGM New Mexico are unrestricted subsidiaries of RHC and are not guarantors of the 11% Notes. Each of these entities is in the development stage, and has no operating results. Their assets totaled \$2.7 million (RGM Missouri \$1.5 million and RGM New Mexico \$1.2 million in 2002 and 2003), which assets were created through advances from RHC.

8. SUBSEQUENT EVENTS

On October 13, 2003, Riviera Las Vegas finalized an agreement with Alliance Gaming to provide ACSC slot systems, including ticket-in, ticket-out capability.

In Colorado Amendment 33 to establish Racinos in the state was defeated in the November 4, 2003 general election by a four to one vote.

9. SEGMENT DISCLOSURES

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

(Dollars in thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Net revenues:				
Riviera Las Vegas	\$35,944	\$35,412	\$107,706	\$107,161
Riviera Black Hawk	13,029	13,038	37,086	37,454
Total net revenues	\$ 48,973	\$ 48,450	\$ 144,792	\$ 144,615
Income (loss) from operations:				
Riviera Las Vegas	\$2,556	\$2,821	\$10,509	\$10,732
Riviera Black Hawk	2,147	1,802	5,751	5,411
Corporate Expenses (3)	(1,062)	(1,120)	(3,478)	(3,258)
Total income from operations	\$3,641	\$3,503	\$12,782	\$12,885
EBITDA (1):				
Riviera Las Vegas	\$5,073	\$5,753	\$18,476	\$19,543
Riviera Black Hawk	3,579	3,310	10,114	10,005
Corporate Expenses (3)	(1,062)	(1,120)	(3,478)	(3,258)
Total EBITDA	\$7,590	\$7,943	\$25,112	\$26,290
EBITDA margins (2):				
Riviera Las Vegas	14.1%	16.2%	17.2%	18.2%
Riviera Black Hawk	27.5%	25.4%	27.3%	26.7%

(1) EBITDA consists of earnings before interest, income taxes, depreciation, and amortization. EBITDA is presented solely as a supplemental disclosure because management believes that it is 1) a widely used measure of operating performance in the gaming industry, and 2) a principal basis for valuation of gaming companies by certain analysts and investors. Management uses property-level EBITDA (EBITDA before corporate expense) as the primary measure of the Company's business segment properties' performance, including the evaluation of operating personnel. EBITDA should not be construed as an alternative to operating income, as an indicator of the Company's operating performance, as an alternative to cash flows from operating activities, as a measure of liquidity, or as any other measure determined in accordance with generally accepted accounting principles. The Company has significant uses of cash flows, including capital expenditures, interest payments and debt principal repayments, which are not reflected in

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EBITDA. Also, other companies that report EBITDA information may calculate EBITDA in a different manner than the Company. A reconciliation of EBITDA to operating income is included in the following financial schedules.

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

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

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Riviera Holdings Corporation
Reconciliation of Operating Income (Loss) to EBITDA
(\$ in 000's)

	Net Income (Loss)	Net Interest Expense(5)	Operating Income/(Loss)	Management Depreciation	Fee	EBITDA
Third Quarter 2003						
Riviera Las Vegas	\$ 2,513	\$ (43)	\$ 2,556	\$ 2,871	\$ (354)	\$ 5,073
Riviera Black Hawk	114	(2,033)	2,147	1,078	354	3,579
Corporate	(5,780)	(4,718)	(1,062)	-	-	(1,062)
	<u>\$ (3,153)</u>	<u>\$ (6,794)</u>	<u>\$ 3,641</u>	<u>\$ 3,949</u>	<u>-</u>	<u>\$ 7,590</u>
Third Quarter 2002						
Riviera Las Vegas	\$ 2,826	\$ 5	\$ 2,821	\$ 3,276	\$ (344)	\$ 5,753
Riviera Black Hawk	930	(872)	1,802	1,164	344	3,310
Corporate	(20,651)	(19,531)	(1,120)	-	-	(1,120)
	<u>\$ (16,895)</u>	<u>\$ (20,398)</u>	<u>\$ 3,503</u>	<u>\$ 4,440</u>	<u>-</u>	<u>\$ 7,943</u>
Nine Months ended September 30, 2003						
Riviera Las Vegas	\$ 10,381	\$ (128)	\$ 10,509	\$ 9,051	\$ (1,084)	\$18,476
Riviera Black Hawk	(398)	(6,149)	5,751	3,279	1,084	10,114
Corporate	(17,731)	(14,253)	(3,478)	-	-	(3,478)
	<u>\$ (7,748)</u>	<u>\$ (20,530)</u>	<u>\$ 12,782</u>	<u>\$ 12,330</u>	<u>-</u>	<u>\$ 25,112</u>
Nine Months ended September 30, 2002						
Riviera Las Vegas	\$ 10,906	\$ 174	\$ 10,732	\$ 9,925	\$ (1,114)	\$19,543
Riviera Black Hawk	1,333	(4,078)	5,411	3,480	1,114	10,005
Corporate	(33,056)	(29,798)	(3,258)	-	-	(3,258)
	<u>\$ (20,817)</u>	<u>\$ (33,702)</u>	<u>\$ 12,885</u>	<u>\$ 13,405</u>	<u>-</u>	<u>\$ 26,290</u>

	September 30, 2003	December 31, 2002
Assets (4):	(in thousands)	
Riviera Las Vegas	\$ 117,004	\$ 123,740
Riviera Black Hawk	62,377	64,493
	<u>-----</u>	<u>-----</u>

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Total assets \$ 179,381 \$ 188,233
 =====

- (4) Assets represent property and equipment, net of accumulated depreciation.
- (5) Interest expense net of interest income

RIVIERA LAS VEGAS REVENUES

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

RIVIERA BLACK HAWK REVENUES

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

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

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

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

(In Thousands)	Third Quarter		Incr/ (Decr)	% Incr/ (Decr)
	2003	2002	-----	-----
	----	----		
Net revenues:				
Riviera Las Vegas	\$35,944	\$35,412	\$ 532	1.5%
Riviera Black Hawk	13,029	13,038	(9)	-0.1%
	-----	-----	---	
Total Net Revenues	\$48,973	\$48,450	\$523	1.1%
	=====	=====	=====	
Income (Loss) from Operations				
Riviera Las Vegas	\$2,556	\$2,821	\$ (265)	-9.4%
Riviera Black Hawk	2,147	1,802	345	19.1%
	-----	-----	---	
Property Income from Operations	4,703	4,623	80	1.7%
Corporate Expenses	(1,062)	(1,120)	58	5.2%
	-----	-----	--	
Total Income from Operations	\$3,641	\$3,503	\$138	3.9%
	=====	=====	=====	

Operating Margins

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Riviera Las Vegas	7.1%	8.0%	-0.9%
Riviera Black Hawk	16.5%	13.8%	2.7%
Consolidated	7.4%	7.2%	0.2%

Riviera Las Vegas

Revenues

Net revenues increased by approximately \$532,000, or 1.5%, from \$35.4 million in 2002 to \$34.9 million in 2003 due primarily to increased casino, food and beverage and entertainment revenues, which were partially offset by increased promotional allowances.

Riviera Las Vegas occupancy was 96.7 percent compared with 92.5 percent in 2002; ADR (average daily room rate) decreased \$2.66 to \$57.32. RevPar (revenue per available room) was comparable to the third quarter of 2002 At \$55.45. Convention rooms decreased from 36.7 percent to 31.9 percent of total occupancy while leisure and gaming increased from 55.4 percent to 59.8 percent and Internet sales rose from 7.8 percent to 12.2 percent. The decline in Convention room nights was partially caused by conventioners booking via the Internet which circumvent traditional hotel room blocks. While occupancy levels may not have been affected, the ADR has been impacted. Leisure and Asian segments are rebooking and the fall looks encouraging for overall bookings.

Casino revenues increased by approximately \$278,000, or 1.9%, from \$14.6 million during 2002 to \$14.9 million during 2003 due primarily to a 6.2% increase in slot machine revenue. Slot machine coin-in, or volume, increased 3.9 percent for the quarter.

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Food and beverage revenues increased \$399,000 or 5.9% from \$6.8 million in 2002 to \$7.2 million in 2003 due to a 14.6% increase in food covers for the quarter.

Entertainment revenues increased \$311,000 or 6.8% from \$4.6 million in 2002 to \$4.9 million in 2003 due to a 14.0% increase in entertainment covers for the quarter.

Promotional allowances increased by approximately \$475,000, or 13.9%, from \$3.4 million during 2002 to \$3.9 million during 2003 primarily due to increases in comps related to increased casino activity.

Costs and Expenses

Rooms departmental costs and expenses increased by 7.9% in the quarter, due primarily to the wage scale increases under the renewed union contracts.

Food and Beverage expenses increased \$326,000 or 6.6% in the quarter, due primarily to increased revenues as discussed above.

General and administrative expenses increased \$470,000 or 7.2% in the quarter, due primarily to increased health insurance costs for non-union employees.

Income from Operations

Income from operations in Las Vegas decreased \$265,000, or 9.4%, from \$2.8 million in 2002 to \$2.6 million in 2003 due to the increase in Rooms

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expenses and General and Administrative expenses as explained above.

Riviera Black Hawk

Revenues

Net revenues were \$13.0 million in the third quarter 2003 and 2002. Slot volume measured by coin-in was up 3.5% in the third quarter compared to the Black Hawk Market coin-in, which was down 3.7%. Food and beverage revenues were down \$287,000 or 16.9% due to decreased covers in our buffet outlet. Changes in the focus of our marketing programs introduced in November of last year appear to be strengthening our position in the Black Hawk market by reducing complementaries and increasing cash rebates to slot customers.

Income from Operations

Income from operations in Black Hawk, Colorado increased \$345,000, or 19.1%, from \$1.8 million in 2002 to \$2.1 million in 2003 primarily due to the \$315,000 decrease in casino expenses.

Consolidated Operations

Other Income (Expense)

Interest expense decreased \$2.4 million or 26.1% from \$9.2 million in 2002 to \$6.8 million in 2003 primarily as a result of interest expense due to defeasance charge in 2002. Also as a result of the Company's refinancing of their debt in 2002 the Company realized a one time charge for loss on extinguishment of debt of \$11.2 million.

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Net Income (Loss)

The net loss decreased \$13.7 million from a net loss of \$16.9 million in 2002 to a net loss of \$3.2 million in 2003 due primarily to decreased expenses as a result of refinancing the Company's debt in 2002 as discussed above.

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

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

(In Thousands)	Nine Months Ended		Incr/ (Decr)	% Incr/ (Decr)
	2003	2002		
	----	----	-----	-----
Net revenues:				
Riviera Las Vegas	\$107,706	\$107,161	\$545	0.5%
Riviera Black Hawk	37,086	37,454	(368)	-1.0%
	-----	-----	-----	
Total Net Revenues	\$144,792	\$144,615	\$177	0.1%
	=====	=====	=====	

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Income (Loss) from Operations				
Riviera Las Vegas	\$10,509	\$10,732	\$(223)	-2.1%
Riviera Black Hawk	5,751	5,411	340	6.3%
	-----	-----	---	
Property Income from Operations	16,260	16,143	117	0.7%
Corporate Expenses	(3,478)	(3,258)	(220)	-6.8%
	-----	-----	-----	
Total Income from Operations	\$12,782	\$12,885	\$(103)	-0.8%
	=====	=====	=====	
Operating Margins				
Riviera Las Vegas	9.8%	10.0%	-0.2%	
Riviera Black Hawk	15.5%	14.5%	1.0%	
Consolidated	8.8%	8.9%	-0.1%	

Riviera Las Vegas

Revenues

Net revenues increased \$545,000 or 0.5% from \$107.2 million 2002 to \$107.7 in 2003 due primarily to increased hotel, food and beverage and entertainment revenues which were partially offset by decreased casino revenues.

Casino revenues decreased by approximately \$911,000, or 2.0%, from \$46.5 million during 2002 to \$45.6 million during 2003 primarily due to a decrease of \$383,000 or 4.2% in table game revenue as a result of lower drop and lower hold percentage and a decrease of \$220,000 or 0.6% in slot machine revenues as a result of lower hold percentage.

Room revenue increased \$1.1 million, or 3.4%, from \$32.4 million in 2002 to \$33.5 million in 2003 due to an increase in leisure room nights. Hotel occupancy increased to 94.1%, up from last year's 92.1% and average daily room rate increased \$0.23 to \$59.81 in 2003 from \$59.58 in 2002. Rev Par (revenue per available room) increased 2.6% or \$1.40 to \$56.26.

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Food and Beverage revenues increased \$857,000, or 4.3%, from \$19.9 million in 2002 to \$20.7 million in 2003 due primarily to increased covers in our buffet and coffee shop.

Entertainment revenues increased by approximately \$652,000, or 5.0%, from \$13 million during 2002 to \$13.6 million during 2003 due primarily to an increase in our Le Bistro Theater revenues.

Promotional allowances increased by approximately \$967,000, or 9.3%, from \$10.4 million during 2002 to \$11.4 million during 2003 primarily due to increases in comps related to higher convention activity.

Costs and Expenses

Casino expenses decreased \$1.1 million or 4.3% from \$26.5 million in 2002 to \$25.4 million in 2003 primarily due to reduced casino activity.

Rooms departmental costs and expenses increased \$1.2 or 7.1% from \$17.5 million in 2002 to \$18.7 million in 2003 as a result of increased occupancy, requiring more variable labor costs. In addition, wage scale increases under the

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renewed union contracts contributed to the increased costs.

General and administrative expenses increased \$696,000, or 3.8% as a result of increased health insurance costs for our non-union employees.

Income from Operations

Income from operations in Las Vegas decreased \$223,000, or 2.1%, from \$10.7 million in 2002 to \$10.5 million in 2003 based on comparable revenues and increased costs as discussed above and the decrease in depreciation of \$874,000 or 8.8%, as certain asset acquired five and seven years ago became fully depreciated..

Riviera Black Hawk

Revenues

Net revenues decreased by approximately \$368,000, or 1.0%, from \$37.5 million in 2002 to \$37.1 million in 2003. Casino revenues decreased \$138,000, or 0.4%, from \$35.3 million in 2002 and \$35.1 million in 2003 due to increased slot club point and cash voucher redemption.

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

Food and Beverage revenue decreased \$581,000, or 11.7% from \$5.0 million in 2002 to \$4.4 million in 2003 due primarily to reduced complimentary covers in our buffet.

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Income from Operations

Income from operations in Black Hawk, Colorado increased by \$340,000 or 6.3% from \$5.4 million in 2002 to \$5.8 million in 2003 as a result of refining direct marketing and promotional programs for the casino to match the economic conditions in the Denver area.

Consolidated Operations

Other Income (Expense)

Interest expense, excluding interest expense incurred due to debt defeasance, increased \$573,000 due to costs associated with the \$30 million credit facility and increased amortization of loan fees.

Interest income decreased \$158,000 from \$176,000 in 2002 to \$18,000 in 2003 as a result of the lower cash balances available for investment and decreasing rates. Corporate expenses increased \$270,000 or 8.4% from \$3.2 million in 2002 to \$3.5 million in 2003 as a result of additional professional fees and costs associated with corporate governance, business proposals and the shareholder vote on the removal of certain voting restrictions in the Company's articles of incorporation.

Other Income (Expense) for the first nine months of 2002 was affected by the loss on extinguishment of debt and additional interest expense totaling \$13.9 million or \$4.03 per share.

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Net Income (Loss)

Net income (loss) for the first nine months of 2002 was affected by the loss on extinguishment of debt and additional interest expense totaling \$13.9 million or \$4.03 per share. (Delete the following?) Net loss decreased \$13.1 million or 62.8% from a net loss of \$20.8 million in 2002 to a net loss of \$7.7 million in 2003 due primarily to costs related to refinancing the Company's debt in 2002.

Liquidity and Capital Resources

At September 30, 2003, the Company had cash and cash equivalents of \$25.6 million. The cash and cash equivalents increased \$5.4 million during the first nine months of 2003, as a result of \$11.8 million of cash provided by operations, \$3.9 million of cash outflow for investing activities and \$2.5 million outflow for financing activities. Cash balances include amounts that could be required to fund the Chief Executive Officer's pension obligation in a rabbi trust with 5 days notice. (See Note 7 to the 2002 annual consolidated financial statements, Other Long-Term Liabilities included in Form 10-K as filed with the SEC on March 17, 2003.) Effective April 1, 2003, the Company began paying Mr. Westerman \$250,000 per quarter from his pension plan. In exchange for these payments, Mr. Westerman has agreed to continue his forbearance of his right to receive full transfer of his pension fund balance to the rabbi trust. This does not limit his ability to give the five-day notice at any time. Although there is no current intention to require this funding, under certain circumstances the Company might have to disburse approximately \$6.3 million for this purpose in a short period.

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Management believes that cash flow from operations, combined with the \$25.6 million cash and cash equivalents and the \$30 million revolving credit facility, will be sufficient to cover the Company's debt service and enable investment in budgeted capital expenditures for 2003 for both the Las Vegas and Black Hawk properties and provide initial investments in the potential Missouri and New Mexico projects.

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

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

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

(1) at least 65% of the aggregate principal amount of the 11% Notes remains outstanding immediately after the occurrence of such redemption (excluding such notes held by the Company or its subsidiaries); and

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

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

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

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

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

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

Amendment of Articles of Incorporation

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

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

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stock.

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

The amendment of the Articles of Incorporation, which eliminated the 15% Limit, left the 10% Limit intact. Consequently, the Board of Directors now has the authority to waive the voting limitations in the Articles of Incorporation when the Board of Directors considers such a waiver to be appropriate for the Company. This may include instances where the Board of Directors chooses to pursue an opportunity to increase the Company's equity base or to attract a strategic partner that could provide additional financial resources for the Company.

Recently Adopted Accounting Standards

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted SFAS No. 150 for the third quarter beginning on July 1, 2003 and it had no effect on its financial position or results of operations.

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Critical Accounting Policies

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

Forward-Looking Statements

This report includes "forward-looking statements," as defined in Section 21E of the Securities Exchange Act of 1934, as amended. Statements in this report regarding future events or conditions, including statements regarding industry prospects and the Company's expected financial position, business and financing plans, are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in this report as well as in the Company's most recent annual report on Form 10-K, and include the Company's substantial leverage, the risks associated with the expansion of the Company's business, as well as in factors that affect the gaming industry generally. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

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- o the availability and adequacy of our cash flow to meet our requirements, including payment of amounts due under our indebtedness;
- o our substantial indebtedness, debt service requirements and liquidity constraints;
- o risks related to our 11% Notes and to high-yield securities and gaming securities generally;
- o changes in our business strategy, capital improvements or development plans;
- o the need for additional capital to support capital improvements and development;
- o economic, competitive, demographic, business and other conditions in our local and regional markets;
- o changes or developments in laws, regulations or taxes in the gaming industry;
- o actions taken or omitted to be taken by third parties, including our customers, suppliers, and competitors as well as legislative, regulatory, judicial and other governmental authorities;

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- o competition in the gaming industry, including the availability and success of alternative gaming venues and other entertainment attractions;
- o a decline in the public acceptance of gaming;
- o changes in personnel or compensation, including federal minimum wage requirements;
- o our failure to obtain, delays in obtaining, or the loss of any, licenses, permits or approvals, including gaming and liquor licenses, or the limitation, conditioning, suspension or revocation of any such licenses, permits or approvals, or our failure to obtain an unconditional renewal of any such licenses, permits or approvals on a timely basis;
- o the loss of any of our casino facilities due to terrorist acts, casualty, weather, mechanical failure or any extended or extraordinary maintenance or inspection that may be required;
- o other adverse conditions, such as 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 and/or the casino industry in particular; and
- o factors relating to the current state of world affairs and any further acts of terrorism or other destabilizing events in the United States or elsewhere.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

As of September 30, 2003, we had \$217.8 million in borrowings. The borrowings include \$215 million in 11% Notes maturing in 2010 and capital leases maturing at various dates through 2005. Interest under the \$215 million 11% Notes is based on a fixed rate of 11%. The equipment loans and capital leases have interest rates ranging from 5.4% to 13.5%. The borrowings also include \$761,000 in a special improvement district bond offering with the City of Black Hawk. The Company's share of the debt on the SID bonds of \$1.2 million when the project is complete, is payable over ten years beginning in 2000. The SID bonds bear interest at 5.5%.

Interest Rate Sensitivity

Principal (Notational Amount by Expected Maturity)

Average Interest Rate

(Amounts in thousands)	2003	2004	2005	2006	2007	Thereafter	Total	Fair Value at 9/30/03
Long Term Debt Including Current Portion								
Equipment loans and								
capital leases Las Vegas	\$ 312	\$1,019	\$ 11				\$ 1,342	\$ 1,342
Average interest rate	8.0%	7.8%	8.4%					
11% Senior Secured Notes						\$215,000	215,000	212,850
Less unamortized Discount						(2,714)	(2,714)	(2,714)
Average interest rate						11.8%		
Capital leases								
Black Hawk, Colorado	530	2,263	658				3,451	3,451
Average interest rate	10.8%	10.8%	10.8%					
Special Improvement District Bonds								
Black Hawk, Colorado	-	110	116	\$ 124	\$ 129	282	761	761
Average interest rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	-----	-----
Total all long-term debt, including current portion							217,840	215,690
							=====	=====
Other Long Term Liabilities Including Current Portion								
CEO pension plan obligation	\$475	\$1,000	\$1,000	\$1,000	\$ 1,000	\$ 2,003	\$ 6,428	\$ 6,428
	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%		

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Item 4. Controls and Procedures

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

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

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 15, 2003, a class action complaint was filed in the Clark County, Nevada District Court (Case No. A466204) in the name of Brian Placzek, on behalf of himself and all others similarly situated, against the Company and Company directors William L. Westerman, Robert R. Barengo, Jeffrey A. Silver and Paul A. Harvey (the "Placzek Action"). The complaint was served on the Company on April 28, 2003. The named plaintiff was a shareholder of the Company. In the complaint, the plaintiff sought an order requiring the individual defendants to take the following actions, among others: cooperate with any individual who makes a bona fide offer to acquire the Company, take steps that are calculated to result in a buy-out or takeover of the Company at the highest price, comply with their fiduciary duties, and reimburse the plaintiff's class for damages, costs and disbursements related to the lawsuit. The complaint also sought to have all of the Company's public shareholders, excluding the defendants, certified as a class for purposes of the class action suit and sought plaintiff to be the representative of the class. On July 10, 2003, the defendants filed a Motion to Dismiss the Placzek Action on the grounds that the Placzek Action was filed without the authorization of the plaintiff. Prior to this Motion to Dismiss being heard, the plaintiff agreed to dismiss the lawsuit and on August 28, 2003, a Stipulation and Order For Dismissal was entered dismissing the Placzek action with prejudice.

On May 2, 2003, a class action complaint was filed in the Clark County, Nevada District Court (Case No. A467159) in the name of Paul Rosa against the Company and Company directors William L. Westerman, Robert R. Barengo, Jeffrey A. Silver, Paul A. Harvey and Vincent L. DiVito (the "Rosa Action"). The named plaintiff was a shareholder of the Company and sought to have all of the Company's public shareholders, excluding defendants and related shareholders, certified as a class for purposes of the class action suit. The complaint also sought substantially the same relief that was sought in the Placzek Action. On July 21, 2003, the defendants filed a Motion to Dismiss the Rosa Action on the grounds that the complaint failed to state a claim upon which relief may be granted. Prior to this Motion to Dismiss being heard, the plaintiff agreed to dismiss the lawsuit with prejudice and on October 10, 2003, a Stipulation and Order For Dismissal was entered dismissing the Rosa Action with prejudice.

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

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's annual meeting of stockholders held on July 15, 2003, stockholders elected the Company's board of directors and approved an amendment of the Company's Articles of Incorporation to eliminate certain voting limitations on ownership of more than 15% of the Company's stock. The amendment is described further in Part I Item 2 of this report under the caption "Amendment of Articles of Incorporation."

The number of votes cast for each director nominee, the number of votes cast against or withheld, and the number of abstentions or broker nonvotes were as follows:

	For ---	Against or Withheld -----	Abstentions or Broker Nonvotes -----
William L. Westerman	3,057,656	238,517	0
Robert R. Barengo	3,057,875	238,298	0
Jeffrey A. Silver	3,190,061	106,112	0
Paul A. Harvey	3,189,759	106,414	0
Vincent L. DiVito	3,189,779	106,394	0

The number of votes cast for the amendment of the Articles of Incorporation was 2,295,950 the number of votes cast against it or withheld was 114,479, and the number of abstentions or broker nonvotes was 885,744.

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

(a) See list of exhibits on page 26.

(b) During the third quarter of 2003, the Company filed reports on Form 8-K on July 17 (Items 5 and 7), July 22, (Items 7,9 and 12) and September, 15 2003 (Items 5 and 7). The July 22, 2003 filing included summary financial information for the Company's second quarter.

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

RIVIERA HOLDINGS CORPORATION

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

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

Date: November 7, 2003

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Riviera Holdings Corporation
Form 10Q
September 30, 2003

Exhibit No.	Description
3	Articles of Incorporation
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 18 U.S.C. 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2	Certification of the Principal Financial Officer of the Registrant pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

