

RIVIERA HOLDINGS CORP
Form 10-K
March 26, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT

PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009

OR

TRANSITION REPORT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 000-21430

RIVIERA HOLDINGS CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or other jurisdiction of incorporation or organization)

88-0296885
(I.R.S. Employer Identification No.)

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

89109
(Zip code)

Registrant's telephone number, including area code: (702) 734-5110

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
NONE	NONE

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock, \$.001 par value
(Title of class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>

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

Based on the closing sale price of the registrant's common stock on the Pink OTC Markets over-the-counter electronic quotation system on June 30, 2009, the aggregate market value of the common stock held by non-affiliates of the registrant was \$6,361,258.

As of March 25, 2010, the number of outstanding shares of the registrant's common stock was 12,452,355.

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RIVIERA HOLDINGS CORPORATION AND SUBSIDIARY
ANNUAL REPORT ON FORM 10-K FOR THE FISCAL
YEAR ENDED DECEMBER 31, 2009

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PART I

Item 1. Business

General

Riviera Holdings Corporation, a Nevada corporation (the “Company”), through its wholly-owned subsidiary, Riviera Operating Corporation (“ROC”), owns and operates the Riviera Hotel & Casino (“Riviera Las Vegas”) located on the Las Vegas Boulevard in Las Vegas, Nevada. Riviera Las Vegas, which opened in 1955, has a long-standing reputation for delivering traditional Las Vegas-style gaming, entertainment and other amenities. The Company was incorporated in Nevada on January 27, 1993.

The Company, through its wholly owned subsidiary, Riviera Black Hawk, Inc. (“RBH”), owns and operates the Riviera Black Hawk Casino (“Riviera Black Hawk”), a casino in Black Hawk, Colorado, which opened on February 4, 2000.

The Company determines segments based upon geographic gaming markets and reviews corporate expenses separately. The Company has two segments: the Las Vegas, Nevada market and the Black Hawk, Colorado market. Operating results for each segment are disclosed in Note 19 of the Notes to the Consolidated Financial Statements included in this document.

The Company maintains an Internet website at www.rivierahotel.com and makes available on the website, free of charge, the Company’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any and all amendments to such reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the United States Securities and Exchange Commission (the “SEC”). The Company has included its website address in this filing only as a textual reference. The information contained on that website is not incorporated by reference into this Annual Report on Form 10-K.

Significant Events

2009 Credit Defaults

On June 8, 2007, the Company and its restricted subsidiaries, namely ROC, Riviera Gaming Management of Colorado, Inc. and RBH (collectively, the “Subsidiaries”) entered into a \$245 million Credit Agreement (the “Credit Agreement” together with related security agreements and other credit-related agreements, the “Credit Facility”) with Wachovia Bank, National Association (“Wachovia”), as administrative agent. On February 22, 2010, the Company received a notice from Wachovia informing the Company that Wachovia was resigning as administrative agent, subject to the appointment of a successor administrative agent by the Required Lenders under the Credit Agreement within 30 days of the notice or by Wachovia, and that Wachovia was resigning as the Issuing Lender under the Credit Agreement effective as of the date of the notice. The Credit Facility consists of a \$225 million term loan that matures on June 8, 2014 (the “Term Loan”) and a \$20 million five-year revolving credit facility that was reduced to \$3 million (“Revolving Credit Facility”). On June 29, 2007, in conjunction with the Credit Facility, the Company entered into an interest rate swap agreement with Wachovia as the counterparty that became effective June 29, 2007 (the “Swap Agreement”).

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

On March 25, 2009, the Company engaged XRoads Solution Group LLC as our financial advisor. Based on an extensive analysis of our current and projected liquidity, and with our financial advisor's input, we determined it was in the best interests of the Company to not pay the Credit Facility and Swap Agreement accrued interest including default interest as described below of \$17.8 million for the twelve months ended December 31, 2009. Consequently, we elected not to make these payments. The Company's failure to pay interest due on any loan within our Credit Facility within a three-day grace period from the due date was an event of default under our Credit Facility. As a result of these events of default, the Company's lenders have the right to seek to charge additional default interest on the Company's outstanding principal and interest under the Credit Agreement, and automatically charge additional default interest on any overdue amounts under the Swap Agreement. These default rates are in addition to the interest rates that would otherwise be applicable under the Credit Agreement and Swap Agreement.

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

As a result of the February Notice and the April Default Notice, effective March 31, 2009, the Term Loan interest rate increased to approximately 10.5% per annum and effective April 1, 2009, the Revolver interest rate is approximately 6.25% per annum. The Company has incurred approximately \$5 million in default interest related to the Credit Facility and Swap Agreement for the twelve months ended December 31, 2009.

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

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

On July 28, 2009, in connection with the Early Termination Notice, the Company received a Notice of Amount Due Following Early Termination from Wachovia that claimed the amount due and payable to Wachovia under the Swap Agreement is \$26.6 million, which includes \$4.4 million in accrued interest. As of December 31, 2009, the interest rate swap liability was \$22.1 million which equals the mark to market amount reflected in the Notice of Amount Due Following Early Termination. Additionally, accrued interest as of December 31, 2009 includes \$5.0 million in accrued interest related to the interest rate swap comprised of \$4.4 million in accrued interest as reflected on the Notice of Amount Due Following Early Termination and \$0.6 million in default interest pursuant to the Swap Agreement termination.

As a result of the Early Termination Notice, the interest rates for the Term Loan and Revolver balances are no longer locked and are now subject to changes in underlying LIBOR rates and vary based on fluctuations in the Alternative Base Rate and Applicable Margins. As of December 31, 2009, our Term Loan and Revolver bear interest at approximately 6.25%.

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

Due to the defaults discussed above (the “2009 Credit Defaults”) and the potential risk of Bankruptcy, there is substantial doubt about the Company’s ability to continue as a going concern. As a result, our independent registered public accounting firm has included an explanatory paragraph that expresses substantial doubt as to our ability to continue as a going concern in their audit reports contained in this Annual Report on Form 10-K for the year ended December 31, 2009 and in our Annual Report on Form 10-K for the year ended December 31, 2008.

Voluntary Delisting from NYSE AMEX LLC

As previously disclosed on a Form 8-K filed with the SEC on June 5, 2009, the Company received a deficiency letter (the "Deficiency Letter") on June 1, 2009 from NYSE Amex LLC (the "Exchange"), which was formerly known as the NYSE Alternext US LLC and the American Stock Exchange, indicating that the Company did not meet certain of the Exchange's continued listing standards, as set forth in the NYSE Amex Company Guide (the "Company Guide"), and had therefore become subject to the continued listing evaluation and follow-up procedures and requirements of the Company Guide. Specifically, the Deficiency Letter provided notice that the Company had sustained losses which were so substantial in relation to its overall operations or its existing financial resources, or its financial condition had become so impaired that it appears questionable, in the opinion of the Exchange, as to whether the Company will be able to continue operations and/or meet its obligations as they mature.

In order to maintain its listing on the Exchange, the Company was required to submit a plan of compliance to the Exchange by July 1, 2009, advising the Exchange of action it has taken, or will take, that would bring the Company into compliance with the Company Guide by November 27, 2009. As the Company did not believe that it could take the steps necessary to satisfy the continued listing criteria of the Exchange within the prescribed time frame, the Company's Board of Directors approved a plan to voluntarily withdraw the Company's common stock from trading on the Exchange. On June 5, 2009, the Company provided notice to the Exchange of its intent to voluntarily delist its common stock from the Exchange and filed a Form 25 to inform the Securities and Exchange Commission accordingly on June 15, 2009. Trading of the Company's common stock on the NYSE AMEX exchange was suspended as of the close of trading on June 25, 2009. Effective June 26, 2009, the Company's common stock is available for quotation on the Pink OTC Markets, Inc. (the "Pink Sheets") under the symbol "RVHL".

Riviera Las Vegas

General

Riviera Las Vegas is located on the corner of Las Vegas Boulevard and Riviera Boulevard in Clark County, Nevada, across Las Vegas Boulevard from the Circus Circus Las Vegas Resort and Casino and the Echelon construction project and just south of the Fontainebleau project. Boyd Gaming Corporation, the owner of the Echelon project, suspended construction on the project indefinitely as a result of economic issues. The Fontainebleau project was owned by Fontainebleau Las Vegas LLC which filed for Chapter 11 bankruptcy protection in June 2009. The property was acquired by Icahn Nevada Gaming Acquisition LLC January 2010, pending bankruptcy court approval. Plans for the project are unknown.

Gaming

Riviera Las Vegas has approximately 100,000 square feet of casino space. The casino currently has approximately 900 slot machines, 32 gaming tables and 8 poker tables. The casino also includes a race and sports book, which is operated by Leroy's, a subsidiary of American Wagering, Inc.

Hotel

Riviera Las Vegas' hotel is comprised of five towers with 2,075 guest rooms, including 177 suites, as follows:

Tower Description	Year Built	Std. Rooms	Suites	Total	Latest Remodel Year
North Tower	1955	379	11	390	2008
South Tower	1967	132	30	162	2008
Monte Carlo	1974	216	81	297	2005
San Remo	1977	241	6	247	2008
Monaco	1988	930	49	979	2008
Total		1,898	177	2,075	

Restaurants

Riviera Las Vegas offers four bars and four restaurants and offers banquet event service as well as room service. The following outlines the type of service provided and total seating capacity for each restaurant:

Name	Type	Seating Capacity
Kady's	Coffee Shop	290
Kristofer's	Steak and Seafood	162
Ristorante Italiano *	Italian	126
World's Fare Buffet	All-you-can-eat	366
Total		944

* closed indefinitely commencing February 2009

In addition, Riviera Las Vegas operates three snack bars and has a 200 seat fast-food "food court" which had several fast food locations operating during 2009. The food court operation was managed by and leased to a third party until November 2008 when we commenced leasing out the food court locations to independent fast food operators. As of December 31, 2009, seven of nine food court locations were leased to independent fast food operators. In addition, Riviera Las Vegas leases space to the operator of The Banana Leaf Restaurant which is a full service restaurant serving Asian cuisine. The Banana Leaf Restaurant, which is located adjacent to the casino floor, opened in the first quarter of 2007.

Convention Center

Riviera Las Vegas features approximately 160,000 square feet of convention, meeting and banquet space. The convention center is one of the larger convention facilities in Las Vegas and is an important feature that attracts customers. The facility can be reconfigured for multiple meetings of small groups or large gatherings of up to 5,000 people. Features include ample convention, meeting and banquet facilities in addition to teleconferencing, wireless internet, satellite uplink capabilities and 12 skyboxes.

Entertainment

Riviera Las Vegas has an extensive entertainment program. The following outlines the type of service provided and total seating capacity for each entertainment center:

Name	Type	Seating Capacity
Versailles	Variety	875
La Cage	Variety	575
Crazy Girls	Adult Revue	375
Comedy Club	Comedy	350
Le Bistro	Variety	190

A majority of our shows are owned and operated by third parties. We receive ticket sales commissions and a predetermined number of complimentary tickets that we use primarily for marketing and promotions. In addition, we receive any gaming and food and beverage revenues from show patrons.

Marketing Strategies - Gaming

Our current marketing programs are directed at mid-level stakes gaming customers (customers that wager less on average) as opposed to high stakes customers (customers that wager more on average). Mid-level stakes gaming customers tend to provide us with a less volatile, more consistent gaming revenue stream. Consistent with our focus on mid-level stakes gaming customers, we offer lower table game limits, stricter credit policies and higher emphasis on developing more slot machine play. Our principal strategy is to continue to invest in our slot machines and table game products, market to our customer base primarily through a multi-tiered player's club program ("Club Riviera") and to methodically offer slot machine and poker tournaments and other special events and promotions.

Generating customer loyalty is a critical component of our business strategy as retaining customers is less expensive than attracting new ones. Consequently, we store all of our Club Riviera player's information in a proprietary database program which we use for sending special offerings to Club Riviera members based on a variety of criteria. We frequently use discounted or complimentary meals at our restaurants, accommodations at our hotel and tickets at our shows to incentivize Club Riviera members and other prospective customers to come and game at our property. All slot machine and table game players are encouraged to join Club Riviera. We entice customers to enroll in the players club with a variety of incentives including free slot machine play offers. Once a player joins Club Riviera, we can track their level of play and gain useful information about their preferences. We offer qualifying customers personalized service, credit availability and access to a variety of complimentary or reduced-rate hotel room, dinner and entertainment options. We have found that an individualized marketing approach has been successful in generating revenue and repeat business.

We also seek to maximize the number of people who patronize the Riviera Las Vegas but who are not guests in the hotel by capitalizing on Riviera Las Vegas' Las Vegas Strip location and proximity to the Las Vegas Convention Center, the Circus Circus, the Sahara, the Las Vegas Hilton, the Wynn Las Vegas, the Wynn Encore and various time-share and condominium properties. To attract walk-in traffic, we added the 11,000 square foot Leroy's Race & Sports Book, Bar & Grill which opened February 2008 adjacent to the Las Vegas Strip sidewalk. However, the dormant Echelon and Fontainebleau projects have resulted in and continue to cause a significant reduction in walk-in traffic.

Marketing Strategies - Rooms

We continue to focus on our convention customer. To better market to these customers, we have conducted extensive research to better understand their preferences. We have learned that an upgraded hotel room is a primary differentiator. As a result, we upgraded most of our rooms during 2007 and 2008. Our marketing team uses our recently remodeled hotel rooms to sell prospective convention customers.

The convention market consists of two groups: (1) those trade organizations and groups that hold their events in the banquet and meeting space provided by a single hotel and (2) those attending city-wide events, usually held at the Las Vegas Convention Center. We target convention business because it typically provides patrons willing to pay higher room rates and we are able to capitalize on certain advance planning benefits because conventions are often booked one to two years in advance of the event date. We focus our marketing efforts on conventions whose participants have the most active gaming profile and higher room rates, banquet and function spending habits. We also benefit from our proximity to the Las Vegas Convention Center, which makes us attractive to city-wide conventioners looking to avoid the congestion that occurs during a major convention, particularly at the south end of the Las Vegas Strip. In 2009, we derived approximately 22% of our hotel occupancy and approximately 35% of our room revenues from convention customers and we consider them to be a critical component of our customer base.

In addition to our convention customer, we have found that our customers also use tour and travel “package” options to reduce the cost of travel, lodging and entertainment. These packages are produced by wholesale operators and travel agents and often emphasize mid-week and longer duration stays. Tour and Travel patrons often book at off-peak periods, helping us to maintain occupancy levels throughout the year. We have developed specialized marketing programs and cultivated relationships with wholesale operators, travel agents and major domestic air carriers to expand this market. We make an effort to convert many tour and travel customers who meet our target customer gaming profile into repeat slot customers.

Finally, we are increasingly focused on customers that book their stay using the internet. These customers are in search of convenience, a bargain, and the ability to reserve a hotel room shortly before arrival. This market segment continues to grow as consumers grow increasingly comfortable using the internet. Approximately 39% of our 2009 occupied rooms were from customers that booked their stay using the internet compared to 21% in the prior year. We can quickly and efficiently adjust our room rate offerings on various internet websites. As a result, we often utilize the internet as a vehicle for quickly booking hotel room reservations on dates with lower occupancy.

Riviera Black Hawk

Business

Riviera Black Hawk, which opened on February 4, 2000, is located in Black Hawk, Colorado, approximately 40 miles west of Denver. Our casino is the first casino encountered by visitors arriving from Denver on Highway 119. It features the fourth largest number of gaming devices in the market with approximately 750 slot machines and 9 table games. For Colorado gaming and tax law purposes, each slot machine or table game is considered one gaming device.

We also offer a variety of non-gaming amenities designed to help differentiate our casino, including:

- parking spaces for 520 vehicles, of which 92% are covered, with convenient and free self-park and valet options;
- a 252 seat casual buffet-styled restaurant;
- a delicatessen;
- one casino bar; and
- a ballroom with seating for approximately 200 people.

Marketing Strategy

We attract customers to our casino by implementing marketing strategies and promotions designed specifically for the Black Hawk/Central City market. We utilize a player's club at Riviera Black Hawk which was modeled after Club Riviera in Las Vegas. Our Riviera Black Hawk player's club is our primary tool for building customer loyalty in Black Hawk. Players earn points, based on gaming play, which can be redeemed for cash, food and beverage and various other items. In order to generate additional visits and increase gaming revenues, we regularly pre-select players from our player's club database to receive various rewards such as cash coupons, logo gift items, invitations to special events and complimentary accommodations at our Las Vegas property. In addition, we promote our Riviera Black Hawk casino by advertising in local newspapers and on the radio.

We benefit from strong walk-in traffic, which is primarily the result of our proximity to the Colorado Central Station and Isle of Capri properties. We have and continue to develop specific marketing programs designed to attract these walk-in customers. We emphasize that the Riviera Black Hawk offers quality food and beverage, friendly service and promotions designed specifically for the Black Hawk/Central City consumer.

Until recently, only limited stakes gaming, which is defined as a maximum single bet of \$5, was legal in the Black Hawk/Central City market. However, Colorado Amendment 50, which was approved by voters on November 4, 2008, allowed residents of Black Hawk and Central City to vote to extend casino hours, approve additional games, and increase the maximum bet limit. On January 13, 2009, residents of Black Hawk voted to enable Black Hawk casino operators to extend casino hours, add the table games of craps and roulette and increase the maximum betting limit to \$100. On July 2, 2009, the first day permissible to implement the changes associated with the passage of Colorado Amendment 50, we increased betting limits, extended hours and commenced operating roulette. To increase awareness of the increased betting limits, extended hours and the addition of roulette at Riviera Black Hawk, we aggressively promoted the property employing several media sources including television. We continue to refine our marketing and promotional strategies in order to maximize the benefits associated with the passage of Colorado Amendment 50.

Competitive Environment

Las Vegas, Nevada

Las Vegas is a highly competitive environment offering a variety of hospitality and entertainment options. Additionally, during 2009, more options became available with several casinos/hotels openings or expansions. Additional casino/hotel openings are planned for 2010. Available room inventory increased 8,412, or 6.0%, from 140,529 as of December 31, 2008 to 148,941 as of December 31, 2009.

While the supply of new casinos/hotels continues to grow, demand has not kept pace. According to the Las Vegas Convention and Visitors Authority (LVCVA), the number of people visiting Las Vegas declined 3% to 36.4 million visitors in 2009 from 37.5 million visitors in 2008. To attract customers to their properties, casino/hotel operators reduced hotel room rates and marketed gaming customers aggressively with various offerings. Regardless, Las Vegas hotel room occupancy, which is defined as occupied hotel rooms divided by total available hotel rooms, declined 4.5% to 85.3% for the year ended December 31, 2009. In addition, average daily room rate, which is defined as hotel room revenue divided by occupied hotel rooms, declined 22% to \$92.93 for the twelve months ended December 31, 2009.

Riviera Las Vegas competes with all Las Vegas area casinos but primarily with certain large casino/hotels located on or near the Las Vegas Strip. Many of these properties offer more and better amenities than those offered by Riviera Las Vegas and many of our direct competitors have significantly greater resources than we do. To compete, we have to lower our average daily room rates as these properties lower their average daily room rates. Because of our position within the market, the increase in hotel room supply and impact of the weak economy on consumer spending, our average daily rates declined \$22.21, or 26.8%, to \$60.60 from \$82.81 in the prior year. Moreover, our hotel room occupancy declined to 77.4% from 83.8% in the prior year.

We also compete for people who come and spend money at Riviera Las Vegas who are not guests in our hotel. We capitalize on our location on the Las Vegas Strip across from the Circus Circus Hotel and Casino. However, the dormant Echelon and Fontainebleau projects have resulted in and continue to cause a significant reduction in walk-in traffic.

In addition to competing with other casinos/hotels in the Las Vegas area, we compete to some extent with casinos in other states, riverboat and Native American gaming ventures, state-sponsored lotteries, on and off track wagering, card parlors and other forms of cruise ship gaming and other forms of legalized gaming in the United States. To a lesser extent, we also compete with gaming on cruise ships and gaming in other parts of the world. In addition, certain states recently legalized or are considering legalizing casino gaming in specific geographical areas within those states and internationally. Any future development of casinos, lotteries or other forms of gaming in other states and internationally could have a material adverse effect on our results of operations.

The number of casinos on Native American lands has increased since the enactment of the Indian Gaming Regulatory Act of 1988. California voters addressed this issue on March 7, 2000 when they voted in favor of an amendment to the California Constitution that allows Las Vegas-style gambling on Native American lands in that state. Additionally, California voters passed Propositions 94, 95, 96 and 97 which allow two tribes near San Diego to each increase their slot machine volume from 2,000 slot machines to 7,500 slot machines and two tribes near Palm Springs to each increase their slot machine volume from 2,000 slot machines to 5,000 slot machines. While new gaming jurisdictions generally have not materially impacted Las Vegas, the expansion of gaming in California poses a more serious threat due to its proximity to Las Vegas.

Our current business is highly dependent on gaming in Las Vegas. Riviera Las Vegas derives a substantial percentage of its business from tourists, including customers from southern California and the southwestern United States. The current economic recession has had an adverse effect on the number of visitors traveling to Las Vegas. A continued economic downturn along with events in the future similar to the terrorist attacks of September 11, 2001 could have an adverse effect on both the number of visitors traveling to Las Vegas and our financial results.

As a result of the abovementioned competitive environment challenges in the Las Vegas market, there can be no assurance that we will compete successfully in the future.

Black Hawk, Colorado

The Black Hawk gaming market is characterized by intense competition. The primary competitive market differentiators are location, availability and convenience of parking, number of gaming devices, promotional incentives, hotel rooms, types and pricing of non-gaming amenities, name recognition and overall atmosphere. We have determined that our primary competitors are the Ameristar Black Hawk, the Isle of Capri/Lady Luck (“Central City” property was renamed “Lady Luck” in 2009), the Lodge and the Mardi Gras. These are the larger gaming facilities located in our immediate area offering considerable amenities with established reputations in the local market.

As described above, effective July 2, 2009, due to the passage of Colorado Amendment 50, Black Hawk casino operators were permitted to increase betting limits, extend hours and implement additional games. To capitalize on these changes, our primary competitors invested and continue to invest in their properties. The Ameristar Black Hawk added a 536 room hotel tower, expanded its parking garage to 1,550 parking spaces and added a diner. The Isle of Capri/Lady Luck added four craps tables and three roulette tables and plan to invest an additional \$35 million to upgrade the casino floor. The Lodge expanded its gaming space and added 100 slot machines, two craps tables and a roulette table. Lastly, the Mardi Gras remodeled two of its restaurants and added two craps tables and a roulette table.

Currently, Ameristar Black Hawk has 1,640 slot machines, 33 gaming tables, 536 hotel rooms and several food and beverage outlets. The Isle of Capri/Lady Luck has 1,900 slot machines, 42 gaming tables, 402 hotel rooms and various food and beverage outlets. The Lodge has 1,000 slot machines, 39 gaming tables, 50 hotel rooms and various food and beverage outlets. Finally, the Mardi Gras has 680 slot machines, 16 gaming tables and various food and beverage outlets.

While the passage of Colorado Amendment 50 benefited the Black Hawk/Central City gaming market, the Colorado smoking ban, which became effective for Black Hawk/Central City casinos on January 1, 2008, has had an adverse effect on our results of operations. While we have installed outdoor smoking decks to accommodate our guests who smoke, we believe that that the smoking ban in Colorado has had and will continue to have an adverse affect.

The competitive environment in Colorado continues to change and the future is uncertain. Limited stakes gaming in Colorado is constitutionally authorized in Central City, Black Hawk, Cripple Creek and two Native American reservations in southwest Colorado. However, gaming could be approved in other Colorado communities in the future. The legalization of gaming closer to Denver would likely have a material adverse effect on our results of operations.

We compete with other forms of gaming in Colorado, including the state lottery, horse and dog racing, as well as other forms of entertainment. Colorado voters previously rejected a proposal that would have authorized video lottery terminals in five racetracks in Colorado. However, there is no guarantee that such a proposal or similar one will be rejected in the future. If these or similar initiatives are pursued in Colorado and gain the necessary approvals, then our Colorado operations would likely be adversely affected.

As a result of the abovementioned competitive environment challenges in the Black Hawk gaming market, there can be no assurance that we will compete successfully in the future.

Employees and Labor Relations

Riviera Las Vegas

As of December 31, 2009, Riviera Las Vegas had 893 full-time equivalent employees and had collective bargaining contracts with eight unions covering approximately 600 employees, including food and beverage employees, rooms department employees, carpenters, engineers, stagehands, musicians, electricians and painters. Riviera Las Vegas' agreements with the Painters' Union and Carpenters' Union expire on May 31, 2010 and July 31, 2011, respectively. Agreements with the Southern Nevada Culinary and Bartenders Union, which cover the majority of our unionized employees, were renewed in 2007 and expire in 2013 (term of agreement was extended for one year during 2009). Our agreement with the Stagehands Union was renewed in 2009 and expires in 2012. Our agreement with the Teamsters Union (primarily covers rooms department employees) was renewed in 2008 and expires in 2013. Our Operating Engineers Union agreement was renewed in 2009 and expires in 2011 and our Electrician Union agreement was renewed in 2009 and expires in 2012. Our collective bargaining agreement with the Musicians Union expired in 1999 and we continue to operate under the terms of that agreement. Although unions have been active in Las Vegas, Riviera Las Vegas considers its employee relations to be satisfactory. There can be no assurance, however, that new agreements will be reached without union action or on terms satisfactory to Riviera Las Vegas.

Riviera Black Hawk

As of December 31, 2009, Riviera Black Hawk had 233 full-time equivalent employees none of whom are covered by collective bargaining agreements. There can be no assurance that unions will not succeed in organizing parts or all of our labor force at Riviera Black Hawk. If any union is successful in organizing at Riviera Black Hawk, there can be no assurance that an agreement will be reached without union action or on mutually satisfactory terms.

Regulation and Licensing

Nevada

Nevada Gaming Authorities

The ownership and operation of casino gaming facilities in Nevada are subject to: (1) The Nevada Gaming Control Act and the regulations promulgated thereunder (collectively, the "Nevada Act") and (2) various local ordinances and regulations. Our gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission (the "Nevada Commission"), the State of Nevada Gaming Control Board (the "Nevada Board"), the Clark County Business License Department and the Clark County Liquor and Gaming Licensing Board (collectively, the "Clark County Board"), all of which are collectively referred to as the "Nevada Gaming Authorities."

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy which are concerned with, among other things: (1) the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time and in any capacity; (2) the establishment and maintenance of responsible accounting practices and procedures; (3) the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities; (4) the prevention of cheating and fraudulent practices; and (5) providing a source of state and local revenues through taxation and licensing fees. Changes in such laws, regulations and procedures could have an adverse effect on our operations.

Riviera Operating Corporation is required to be and is licensed by the Nevada Gaming Authorities (a “Corporate Licensee”). The gaming license held by Riviera Operating Corporation requires the periodic payment of fees and taxes and is not transferable. Riviera Operating Corporation is also licensed as a manufacturer and distributor of gaming devices. Such licenses require the periodic payment of fees and are not transferable. We are registered by the Nevada Commission as a publicly traded corporation (a “Registered Corporation”) and have been found suitable to own the stock of Riviera Operating Corporation. As a Registered Corporation, we are required periodically to submit detailed financial and operating reports to the Nevada Commission and to furnish any other information, which the Nevada Commission may require. No person may become a stockholder of, or receive any percentage of profits from, Riviera Operating Corporation without first obtaining licenses and approvals from the Nevada Gaming Authorities. We and Riviera Operating Corporation have obtained, from the Nevada Gaming Authorities, the various registrations, approvals, permits, findings of suitability and licenses required in order to engage in gaming activities and manufacturing and distribution activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, us or Riviera Operating Corporation in order to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors and certain key employees of Riviera Operating Corporation must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. Our officers, directors and key employees who are actively and directly involved in the gaming activities of Riviera Operating Corporation may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing for any cause, which they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability must pay all the costs of the investigation. Any change in a corporate position by a licensed person must be reported to the Nevada Gaming Authorities. In addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with Riviera Operating Corporation or us, we would have to sever all relationships with such person. In addition, the Nevada Commission may require us or Riviera Operating Corporation to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or questions pertaining to licensing are not subject to judicial review in Nevada.

We and Riviera Operating Corporation are required to submit detailed financial and operating reports to the Nevada Commission. Substantially all material loans, leases, sales of securities and similar financing transactions by Riviera Operating Corporation must be reported to or approved by the Nevada Commission.

If it were determined that the Nevada Act was violated by Riviera Operating Corporation, the gaming license it holds could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, we or Riviera Operating Corporation and the persons involved could be subject to substantial fines for each violation of the Nevada Act, at the discretion of the Nevada Commission. Further, a supervisor could be appointed by the Nevada Commission to operate our casino and, under certain circumstances, earnings generated during the supervisor’s appointment (except for reasonable rental value of the casino) could be forfeited to the State of Nevada. Limitation, conditioning or suspension of the gaming license of Riviera Operating Corporation or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect our gaming operations.

Any beneficial holder of our voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have its suitability as a beneficial holder of our voting securities determined if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires more than 5% of a Registered Corporation's voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of our voting securities apply to the Nevada Commission for a finding of suitability within thirty days after the Chairman of the Nevada Board mails the written notice requiring such filing. However, an "institutional investor," as defined in the Nevada Act, which acquires more than 10%, but not more than 11% of our voting securities as a result of a stock repurchase by us may not be required to file such an application. Further, an institutional investor that acquires more than 10% but not more than 25% of our voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds our voting securities for investment purposes only. An institutional investor that has obtained a waiver may hold more than 25% but not more than 29% of our voting securities and maintain its waiver where the additional ownership results from a stock repurchase by us. An institutional investor shall not be deemed to hold our voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our Board of Directors, any change in our corporate charter, bylaws, management, policies or operations, or any of our gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding our voting securities for investment purposes only. Activities which are deemed consistent with holding our voting securities for investment purposes only include: (1) voting on all matters voted on by stockholders; (2) making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in management, policies or operations; and (3) such other activities as the Nevada Commission may determine to be consistent with such investment intent. If the beneficial holder of our voting securities who must be found suitable is a business entity or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within thirty days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board may be found unsuitable. The same restrictions apply to a record owner of stock if the record owner, after request, fails to identify the beneficial owner. Any stockholder who is found unsuitable and who holds, directly or indirectly, any beneficial ownership of stock beyond such period of time prescribed by the Nevada Commission may be guilty of a criminal offense. We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or Riviera Operating Corporation, we (1) pay that person any dividend or interest upon voting our securities, (2) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person, (3) pay remuneration in any form to that person for services rendered or otherwise, or (4) fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value. Additionally, the Clark County Board has the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming licensee.

The Nevada Commission may, in its discretion, require any holder of our debt securities to file applications, be investigated and be found suitable to own such securities, if it has reason to believe that such ownership would be inconsistent with the declared policies of the State of Nevada. If the Nevada Commission determines that a person is unsuitable to own such security, then we can be sanctioned (which may include the loss of our approvals) if, without the prior approval of the Nevada Commission, we (1) pay to the unsuitable person any dividend, interest, or any distribution whatsoever, (2) recognize any voting right by such unsuitable person in connection with such securities, (3) pay the unsuitable person remuneration in any form or (4) make any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

We are required to maintain a current stock ledger in Nevada, which may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We are also required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power to require our stock certificates to bear a legend indicating that the securities are subject to the Nevada Act. However, the Nevada Commission has not imposed such a requirement on us.

We may not make a public offering of our securities without the prior approval of the Nevada Commission if the securities or proceeds are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes.

Changes in control of a Registered Corporation through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he obtains control, may not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of a Registered Corporation must meet a variety of stringent standards of the Nevada Board and Nevada Commission prior to assuming control. The Nevada Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defensive tactics affecting Nevada corporate gaming licensees and Registered Corporations that are affiliated with those operations may be injurious to stable and productive corporate gaming. The Nevada Commission has established regulations to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to: (1) assure the financial stability of corporate gaming licensees and their affiliates; (2) preserve the beneficial aspects of conducting business in the corporate form; and (3) promote a neutral environment for the orderly governance of corporate affairs. Approvals are, in certain circumstances, required from the Nevada Commission before the Registered Corporation can make exceptional repurchases of voting securities above the current market price and before a corporate acquisition opposed by management can be consummated. The Nevada Act also requires prior approval of a plan of recapitalization proposed by the Registered Corporation's board of directors in response to a tender offer made directly to the Registered Corporation's stockholders for the purposes of acquiring control of the Registered Corporation.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada and to the county and city in which Riviera Operating Corporation's operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable monthly, quarterly or annually and are based upon: (1) a percentage of the gross revenues received; (2) the number of gaming devices operated; or (3) the number of table games operated. A live entertainment tax is also paid by casinos where live entertainment is furnished in connection with admission charges, the serving or selling of food, refreshments or the selling of merchandise where live entertainment is furnished. Nevada licensees that hold a license to manufacture and distribute slot machines and gaming devices, such as Riviera Operating Corporation, also pay certain fees and taxes to the State of Nevada.

Any person who is licensed, required to be licensed, registered, or required to be registered, or a person who is under common control with any of such persons (collectively, "Licensees"), and who proposes to become involved in a gaming venture outside of Nevada, is required to deposit with the Nevada Board, and thereafter maintain, a revolving fund in the amount of \$10,000 to pay the expenses of investigation by the Nevada Board of such person's participation in such foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities or enter into associations that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ, have contact with or associate with a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

Other Nevada Regulation

The sale of alcoholic beverages at Riviera Las Vegas is subject to licensing, control and regulation by the Clark County Board. All such licenses are revocable and none of them are transferable. The Clark County Board has full power to limit, condition, suspend or revoke any such license, and any such disciplinary action could (and revocation would) have a material adverse effect on our operations.

Colorado

Colorado Gaming and Liquor Regulation

Summary

In general, Riviera Black Hawk, its principal executive officers and those of Riviera Holdings Corporation, and any Riviera Black Hawk employees who are involved in Colorado gaming operations are required to be found suitable for licensure by the Colorado Gaming Commission (the "Colorado Commission"). Colorado also requires that persons owning, directly or indirectly, 5% or more of our stock be certified as suitable for licensure. Riviera Black Hawk's original retail gaming license was approved by the Colorado Commission on November 18, 1999, and has been renewed each subsequent year.

Background

Pursuant to an amendment to the Colorado Constitution (the "Colorado Amendment"), limited stakes gaming became lawful in the cities of Central City, Black Hawk and Cripple Creek on October 1, 1991. Until November 4, 2008, limited stakes gaming meant a maximum single bet of \$5.00 on slot machines and in the card games of blackjack and poker. On November 4, 2008, Colorado voters approved through a statewide referendum, subject to approval by each

of the towns of Black Hawk, Central City and Cripple Creek with regards to casinos located in the respective towns, to (i) increase the maximum single bet up to \$100.00, (ii) allow casinos to provide the table games of craps and roulette, and (iii) increase the permitted hours of operation to 24 hours per day effective July 2, 2009. The towns of Black Hawk, Central City and Cripple Creek subsequently each approved increasing the maximum single bet to \$100, the addition of the table games of craps and roulette and increased permitted hours of operation to 24 hours per day.

Limited stakes gaming is confined to the commercial district of Black Hawk, as defined by Black Hawk on May 4, 1978. In addition, the Colorado Amendment restricts limited stakes gaming to structures that conform to the architectural styles and designs that were common to the areas prior to World War I, and which conform to the requirements of applicable city ordinances regardless of the age of the structures. Under the Colorado Amendment, no more than 35% of the square footage of any building and no more than 50% of any one floor of any building may be used for limited stakes gaming. Persons under the age of 21 cannot participate in limited stakes gaming. The Colorado Amendment also allows limited stakes gaming in establishments licensed to sell alcoholic beverages.

Further, the Colorado Limited Gaming Act of 1991 (the “Colorado Act”) provides that, in addition to any applicable license fees, a gaming tax shall be imposed upon retail gaming licensees (casinos) up to a maximum of 40% of the adjusted gross proceeds (“AGP”) derived from limited stakes gaming. AGP is generally defined as the total amounts wagered less payouts to players, except for poker in which AGP means the monies retained by the casino as compensation (the “rake”). The tax rates are set by the Colorado Commission annually.

The Colorado Act declares public policy on limited stakes gaming to be that: (1) the success of limited stakes gaming is dependent upon public confidence and trust that licensed limited stakes gaming is conducted honestly and competitively; the rights of the creditors of licensees are protected; gaming is free from criminal and corruptive elements; (2) public confidence and trust can be maintained only by strict regulation of all persons, locations, practices, associations and activities related to the operation of licensed gaming establishments and the manufacture or distribution of gaming devices and equipment; (3) all establishments where limited gaming is conducted and where gambling devices are operated, and all manufacturers, sellers and distributors of certain gambling devices and equipment must therefore be licensed, controlled and assisted to protect the public health, safety, good order and the general welfare of the inhabitants of the state to foster the stability and success of limited stakes gaming and to preserve the economy, policies and free competition in Colorado; and (4) no applicant for a license or other affirmative Colorado Commission approval has any right to a license or to the granting of the approval sought. Any license issued or other Colorado Commission approval granted pursuant to the provisions of the Colorado Act is a revocable privilege, and no holder acquires any vested rights therein.

Regulatory Structure

The Colorado Act subjects the ownership and operation of limited stakes gaming facilities in Colorado to extensive licensing and regulation by the Colorado Commission. The Colorado Commission has full and exclusive authority to promulgate, and has promulgated, rules and regulations governing the licensing, conduct and operation of limited stakes gaming. The Colorado Act also created the Colorado Division of Gaming within the Colorado Revenue Department to license, regulate and supervise the conduct of limited stakes gaming in Colorado. The division is supervised and administered by the Director of the Division of Gaming.

Gaming Licenses

The Colorado Commission may issue the following licenses applicable to the operation of Riviera Black Hawk:

- operator;
- retail gaming;
- support; and
- key employee.

The first two licenses require annual or biannual renewal by the Colorado Commission. Support and key employee licenses are issued for two-year periods and are renewable by the Division of Gaming Director. The Colorado Commission has broad discretion to condition, suspend for up to six months, revoke, limit or restrict a license at any time and also has the authority to impose fines.

An applicant for a gaming license must complete comprehensive application forms, pay required fees and provide all information required by the Colorado Commission and the Division of Gaming. Prior to licensure, applicants must satisfy the Colorado Commission that they are suitable for licensing. Applicants have the burden of proving their qualifications and must pay the full cost of any background investigations. There is no limit on the cost of, or the time it takes to complete, such background investigations.

Gaming employees must hold either a support or key employee license. Every large retail gaming licensee, such as Riviera Black Hawk, must have a key employee licensee on premises and in charge of all limited stakes gaming activities when limited stakes gaming is being conducted. The Colorado Commission may determine that a gaming employee is a key employee and require that such person apply for a key employee license.

A retail gaming license is required for all persons conducting limited stakes gaming on their premises. In addition, an operator license is required for all persons who engage in the business of placing and operating slot machines on the premises of a retailer. However, a retailer is not required to hold an operator license. No person may have an ownership interest in more than three retail gaming licenses. The definition of “ownership interest” for purposes of the multiple license prohibition, however, has numerous exclusions based on percentages of ownership interest or voting rights.

A slot machine manufacturer or distributor license is required for all persons who manufacture, import and distribute slot machines in Colorado. No manufacturer or distributor of slot machines or associated equipment may knowingly, without notification being provided to the Colorado Division within ten days, have any interest in any casino operator, allow any of its officers or any other person with a substantial interest in such business to have such an interest, employ any person employed by a casino operator, or allow any casino operator or any person having a substantial interest therein, to have any interest in such business.

The Colorado Act and regulations thereunder (the “Colorado Regulations”) require that every officer, director, and stockholder of private corporations, or equivalent office or ownership holders for non-corporate applicants, and every officer, director or stockholder holding a 5% or greater interest or controlling interest in a publicly traded corporation, or owners of an applicant or licensee, shall be a person of good moral character and submit to a full background investigation conducted by the Division of Gaming and the Colorado Commission. The Colorado Commission may require any person having an interest, of any kind, in a license to undergo a full background investigation and pay the cost of investigation in the same manner as an applicant.

Persons found unsuitable by the Colorado Commission may be required immediately to terminate any interest, association, or agreement with, or relationship to, a licensee. A finding of unsuitability with respect to any officer, director, employee, associate, lender or beneficial owner of a licensee or applicant also may jeopardize the licensee's license or the applicant's application. A license approval may be conditioned upon the termination of any relationship with unsuitable persons. A person may be found unsuitable because of prior acts, associations or financial conditions. Acts that would lead to a finding of unsuitability include, among others, those that would violate the Colorado Act or the Colorado Regulations or that contravene the legislative purpose of the Colorado Act.

Duties of Licensees

A licensee must keep the Division of Gaming advised of its business operations including, but not limited to, gaming contracts and leases. All rules for the conduct of gaming activity pursuant to the Colorado Act or the Colorado Regulations must be strictly followed.

Licensees, such as Riviera Black Hawk, have a continuing duty to report immediately to the Division of Gaming the name, date of birth and social security number of each person who obtains an ownership, financial or equity interest in the licensee of 5% or greater, who has the ability to control the licensee, who has the ability to exercise significant influence over the licensee or who loans any money or other thing of value to the licensee. Licensees must report to the Division of Gaming all gaming licenses, and all applications for gaming licenses, in foreign jurisdictions.

With limited exceptions applicable to licensees that are publicly traded entities, no person may sell, lease, purchase, convey or acquire any interest in a retail gaming or operator license or business without the prior approval of the Colorado Commission.

All agreements, contracts, leases, or arrangements in violation of the Colorado Amendment, the Colorado Act or the Colorado Regulations are void and unenforceable.

A licensee must comply with Colorado's Gambling Payment Intercept Act, which governs the collection of unpaid child support costs on cash winnings from limited gaming.

Taxes, Fees and Fines

The Colorado Amendment requires retail gaming licensees to pay in monthly increments an annual tax of up to 40% of its AGP derived from limited stakes gaming. Annually during April, May, and June, the Colorado Commission, as mandated by the Colorado Regulations, conducts rule-making hearings concerning the gaming tax rate and device fee rate for the subsequent gaming year. The gaming year begins on July 1st. However, during such hearings rigid adherence to addressing only specific, designated subjects related to the gaming taxes is not required, and there is not a limit to the time or practical restriction on the subject matters which the Colorado Commission may consider in determining the various tax rates. Currently, the gaming tax is:

- 0.25% on the first \$2 million of these amounts;
- 2% on amounts from \$2 million to \$5 million;
- 9% on amounts from \$5 million to \$8 million;
- 11% on amounts from \$8 million to \$10 million;

- 16% on amounts from \$10 million to \$13 million; and
- 20% on amounts over \$13 million.

The City of Black Hawk assesses an annual device fee of \$750.00 per device on all gaming devices exceeding 50. There is no statutory limit on state or city device fees, which may be increased at the discretion of the Colorado Commission or the city. In addition, a business improvement fee of as much as \$7.42 per device and a monthly transportation authority device fee of \$6.41 per device also may apply depending upon the location of the licensed premises in Black Hawk.

Black Hawk also imposes taxes and fees on other aspects of the businesses of retail gaming licensees, such as parking, alcoholic beverage licenses and other municipal taxes and fees. Significant increases in these fees and taxes, or the imposition of new taxes and fees, may occur.

Violation of the Colorado Act or the Colorado Regulations generally constitutes a class 1 misdemeanor, except as may be specifically provided otherwise in the Colorado Act, which may subject the violator to fines or incarceration or both. A licensee who violates the Colorado Act or Colorado Regulations or Gambling Payment Intercept Act is subject to suspension of the license for a period of up to six months, fines or both, or to license revocation.

Requirements for Publicly Traded Corporations

The Colorado Commission has enacted Rule 4.5, which imposes requirements on publicly traded corporations holding gaming licenses in Colorado and on gaming licenses owned directly or indirectly by a publicly traded corporation, whether through a subsidiary or intermediary company. The term “publicly traded corporation” includes corporations, firms, limited liability companies, trusts, partnerships and other forms of business organizations. Such requirements automatically apply to any ownership interest held by a publicly traded corporation, holding company or intermediary company thereof, where the ownership interest directly or indirectly is, or will be upon approval of the Colorado Commission, 5% or more of the entire licensee. In any event, if the Colorado Commission determines that a publicly traded corporation, or a subsidiary, intermediary company or holding company, has the actual ability to exercise influence over a licensee, regardless of the percentage of ownership possessed by said entity, the Colorado Commission may require the entity to comply with the disclosure regulations contained in Rule 4.5.

Under Rule 4.5, gaming licensees, affiliated companies and controlling persons commencing a public offering of voting securities must notify the Colorado Commission no later than ten business days after the initial filing of a registration statement with the SEC. Licensed, publicly traded corporations are also required to send proxy statements to the Division of Gaming within five days after their distribution. Licensees to whom Rule 4.5 applies must include in their charter documents provisions that: restrict the rights of the licensees to issue voting interests or securities except in accordance with the Colorado Act and the Colorado Regulations; limit the rights of persons to transfer voting interests or securities of licensees except in accordance with the Colorado Act and the Colorado Regulations; and provide that holders of voting interests or securities of licensees found unsuitable by the Colorado Commission may, within 60 days of such finding of unsuitability, be required to sell their interests or securities back to the issuer at the lesser of the cash equivalent of the holders’ investment or the market price as of the date of the finding of unsuitability. Alternatively, the holders may, within 60 days after the finding of unsuitability, transfer the voting interests or securities to a suitable person, as determined by the Colorado Commission. Until the voting interests or securities are held by suitable persons, the issuer may not pay dividends or interest, the securities may not be voted, they may not be included in the voting or securities of the issuer, and the issuer may not pay any remuneration in any form to the holders of the securities.

Pursuant to Rule 4.5, persons who acquire direct or indirect beneficial ownership of either (1) 5% or more of any class of voting securities of a publicly traded corporation that is required to include in its articles of organization the Rule 4.5 charter provisions, or (2) a 5% or greater beneficial interest in a gaming licensee, directly or indirectly through any class of voting securities of any holding company or intermediary company of a licensee (collectively such persons are hereinafter referred to as the “qualifying persons”), must notify the Division of Gaming within 10 days of such acquisition, must submit all requested information, and are subject to a finding of suitability as required by the Division of Gaming or the Colorado Commission. Licensees also must notify any qualifying persons of these requirements. A qualifying person other than an institutional investor whose interest equals 10% or more must apply to the Colorado Commission for a finding of suitability within 45 days after acquiring such securities. Licensees must also notify any qualifying persons of these requirements. Whether or not notified, qualifying persons are responsible for complying with these requirements.

A qualifying person who is an institutional investor under Rule 4.5 and who, individually or in association with others, acquires, directly or indirectly, the beneficial ownership of 15% or more of any class of voting securities must apply to the Colorado Commission for a finding of suitability within 45 days after acquiring such interests.

The Colorado Regulations also provide for exemption from the requirements for a finding of suitability when the Colorado Commission finds such action to be consistent with the purposes of the Colorado Act.

Pursuant to Rule 4.5, persons found unsuitable by the Colorado Commission must be removed from any position as an officer, director, or employee of a licensee, or from a holding or intermediary company. Such unsuitable persons also are prohibited from any beneficial ownership of the voting securities of any such entities. Licensees, or affiliated entities of licensees, are subject to sanctions for paying dividends or distributions to persons found unsuitable by the Colorado Commission, or for recognizing voting rights of, or paying a salary or any remuneration for services to, unsuitable persons. Licensees or their affiliated entities also may be sanctioned for failing to pursue efforts to require unsuitable persons to relinquish their interest. The Colorado Commission may determine that anyone with a material relationship to, or material involvement with, a licensee or an affiliated company must apply for a finding of suitability or must apply for a key employee license.

Alcoholic Beverage Licenses

The sale of alcoholic beverages in gaming establishments is subject to strict licensing, control and regulation by state and local authorities. Alcoholic beverage licenses are revocable and nontransferable. State and local licensing authorities have full power to limit, condition, suspend for as long as six months or revoke any such licenses. Violation of state alcoholic beverage laws may constitute a criminal offense resulting in incarceration, fines, or both.

There are various classes of retail liquor licenses, which may be issued under the Colorado Liquor Code. A gaming licensee may sell malt, vinous or spirituous liquors only by the individual drink for consumption on the premises. Even though a retail gaming licensee may be issued one of the various classes of retail liquor licenses, such gaming licensee, and persons affiliated with that licensee, are subject to restrictions concerning what other types of liquor licenses they may hold. An application for an alcoholic beverage license in Colorado requires notice, posting and a public hearing before the local liquor licensing authority (e.g., the City of Black Hawk) prior to approval of the same. The Colorado Department of Revenue’s Liquor Enforcement Division must also approve the application. Riviera Black Hawk’s hotel and restaurant license has been approved by both the local licensing authority and the State Division of Liquor Enforcement. Such license must be, and has been, renewed annually since its issuance.

Trademarks, Service Marks and Logos

Pursuant to a license agreement, Riviera Las Vegas licenses the use at Riviera Black Hawk of all of the trademarks, service marks and logos used by Riviera Las Vegas. The license agreement provides that additional trademarks, service marks and logos acquired or developed by us and used at our other facilities will be subject to the license agreement.

Federal Registration

Riviera Operating Corporation is required to annually file with the Attorney General of the United States in connection with the sales, distribution, or operations of slot machines. All requisite filings for 2009 have been made.

Item 1A. Risk Factors

An investment in our securities involves a high degree of risk. We operate in a highly competitive, dynamic and rapidly changing industry that involves numerous risks and uncertainties. Moreover, our debt instruments impose restrictions on us that are for the benefit of certain of our creditors, but not necessarily for our stockholders or us. Anyone who is making an investment decision regarding our securities should carefully consider the following risk factors, as well as the other information contained or incorporated by reference in this report. The risks and uncertainties described below are those that we currently believe may materially affect our company or your investment. Other risks and uncertainties that we do not presently consider to be material, or of which we are not presently aware, may become important factors that adversely affect our security holders or us in the future. If any of the risks discussed below actually materialize, our business, financial condition, operating results, cash flows and future prospects, or your investment in our securities, could be materially and adversely affected, resulting in a loss of all or part of your investment.

Risks Relating To Our Business And Our Capital Structure

We Are in Breach of Covenants Under Our Credit Facility Including Timely Payments of Interest

During 2009, the Company did not comply with all covenants under the Credit Facility, including its obligation to make payments under the Credit Facility (see “Significant Events – 2009 Credit Defaults” within Item 1 above). With the aid of our financial advisors and outside counsel, we are continuing to negotiate with our various creditor constituencies to refinance or restructure our debt. We are not sure if we will be successful in completing a refinancing or consensual out-of-court restructuring. If we are unable to do so, we will likely be compelled to seek protection under Chapter 11 of the U. S. Bankruptcy Code. As a result of the 2009 Credit Defaults described in Item 1 and the potential risk of Bankruptcy, there is substantial doubt about the Company’s ability to continue as a going concern (see Note 2 to the consolidated financial statements below).

Our Independent Registered Public Accounting Firm Has Expressed Doubt About Our Ability To Continue As A Going Concern. This Could Make It More Difficult For Us To Raise Funds and Adversely Affect Our Relationships With Lenders, Investors And Suppliers

Our independent registered public accounting firm included an explanatory paragraph that expresses substantial doubt as to our ability to continue as a going concern in their audit reports contained in this Annual Report on Form 10-K for the year ended December 31, 2009 and in our Annual Report on Form 10-K for the year ended December 31, 2008. We cannot provide any assurance that we will in fact operate our business profitably, maintain existing financings, or obtain sufficient financing in the future to sustain our business in the event we are not successful in our efforts to generate sufficient revenue and operating cash flow.

Our ability to continue as a going concern will be determined by our ability to obtain additional funding or restructure or negotiate waivers on our existing indebtedness and to generate sufficient revenue to cover our operating expenses. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

The Current Disruption in the Credit Markets and its Effects on the Global and Domestic Economies Could Adversely Affect our Business.

Recent substantial volatility in the global capital markets and widely-documented commercial credit market disruptions had a significant negative impact on financial markets, as well as the global and domestic economies. The effects of these disruptions are widespread and difficult to quantify, and it is impossible to predict when the global financial markets will improve. There is now general consensus among economists that the economies of the U.S. and much of the rest of the world have been in a deep recession. As a result, we have and are continuing to experience reduced demand for our hotel rooms, gaming products and other services. Continued declines in demand and in consumer and commercial spending may drive us and our competitors to continue to reduce pricing, in particularly room rates, which would have a negative impact on our gross profit. These adverse effects would likely be exacerbated if current global economic conditions persist or worsen resulting in wide-ranging, adverse and prolonged effects on general business conditions and our operations, financial results and liquidity.

Our Significant Indebtedness Could Adversely Affect Our Financial Health And Prevent Us From Fulfilling Our Obligations Under Our Outstanding Indebtedness

We have a significant amount of debt, which could have important consequences to our stockholders and significant effects on our business and our ability to satisfy our debt obligations. Our significant amount of debt could;

- cause an event of default if we fail to comply with the restrictive covenants in our Credit Facility, as is the case with the 2009 Credit Defaults, which could result in all of our indebtedness becoming immediately due and payable and would permit certain lenders to foreclose on our assets securing that indebtedness (We may not be able to restructure or refinance our indebtedness should this occur);
- cause us to seek protection under Chapter 11 of the U. S. Bankruptcy Code if we are unsuccessful in completing a refinancing or consensual out-of-court restructuring;
 - increase our vulnerability to adverse economic or industry conditions or a downturn in our business;

- limit our ability to repay our Credit Facility if we are required to do so as a result of a change in control of our company or regulatory requirements;
- limit our ability to obtain additional financing for future working capital needs and require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital needs, capital expenditures, development projects, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- place us at a disadvantage compared to our competitors that have less financial leverage.

The fair market value of the collateral securing our Credit Facility may not be sufficient to pay the amounts owed under our Credit Facility. As a result, holders of our Credit Facility may not receive full payment following an event of default.

Our Credit Facility and the guarantees thereof are secured by a security interest in substantially all of our existing and future assets (other than certain excluded assets), subject to certain limitations.

The proceeds of any sale of collateral following an event of default with respect to our Credit Facility may not be sufficient to satisfy, and may be substantially less than, amounts due under the Credit Facility. The total value of the collateral may be less than the amount due under the Credit Facility.

The value of the collateral in the event of liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. The collateral does not include contracts, agreements, licenses (including gaming, and liquor licenses) and other rights that by their express terms prohibit the assignment thereof or the grant of a security interest therein. Some of these may be material to us and such exclusion could have a material adverse effect on the value of the collateral. By its nature, some or all of the collateral may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in its liquidation. To the extent that liens, security interests and other rights granted to other parties (including the lenders under our senior secured credit facility) encumber assets owned by us, those parties have or may exercise rights and remedies with respect to the property subject to their liens that could adversely affect the value of that collateral and the ability of the trustee under the indenture governing the Credit Facility or the holders of the Credit Facility to realize or foreclose on that collateral. Consequently, we cannot assure the lenders that liquidating the collateral securing the Credit Facility would produce proceeds in an amount sufficient to pay any amounts due under the Credit Facility after also satisfying the obligations to pay any creditors with prior claims on the collateral.

The gaming licensing process, along with bankruptcy laws and other laws relating to foreclosure and sale, as discussed below, also could substantially delay or prevent the ability of the trustee or any holder of the Credit Facility to obtain the benefit of any collateral securing the Credit Facility. Such delays could have a material adverse effect on the value of the collateral.

If the proceeds of any sale of collateral are not sufficient to repay all amounts due on the Credit Facility, the holders of the Credit Facility (to the extent not repaid from the proceeds of the sale of the collateral), would have only an unsecured claim against our remaining assets.

Gaming laws, bankruptcy laws and other factors may delay or otherwise impede the trustee's ability to foreclose on the collateral securing the Credit Facility.

The gaming laws of the States of Nevada and Colorado and the licensing processes, along with other laws relating to foreclosure and sale, could substantially delay or prevent the ability of the trustee or any lender of the Credit Facility to obtain the benefit of any collateral securing the Credit Facility. For example, if the trustee sought to operate, or retain an operator for, any of our gaming properties, the trustee would be required to obtain Nevada gaming licenses. Potential purchasers of our gaming properties or the gaming equipment would also be required to obtain a Nevada gaming license. This could limit the number of potential purchasers in a sale of our gaming properties or gaming equipment, which may delay the sale of and reduce the price paid for the collateral.

In addition, the trustee's ability to repossess and dispose of collateral is subject to the procedural and other restrictions of state real estate, commercial and gaming law, as well as the prior approval of the lenders under our Credit Facility. Among other things, if the trustee did conduct a foreclosure sale, and if the proceeds of the sale were insufficient, after expenses, to pay all amounts due under the Credit Facility, the trustee might, under certain circumstances, be permitted to assert a deficiency claim against us. There can be no assurance that the trustee would be able to obtain a judgment for the deficiency or that we would have sufficient other assets to pay a deficiency judgment.

Federal bankruptcy law also could impair the trustee's ability to foreclose upon the collateral. If we or a guarantor become a debtor in a case under the United States Bankruptcy Code, as amended, or the Bankruptcy Code, the automatic stay, imposed by the Bankruptcy Code upon the commencement of a case, would prevent the trustee from foreclosing upon the collateral or (if the trustee has already taken control of the collateral) from disposing of it, without prior bankruptcy court approval.

The bankruptcy court might permit us to continue to use the collateral while the bankruptcy case was pending, even with the Credit Facility being in default. Under the Bankruptcy Code, lenders of Credit Facility and the trustee would be entitled to "adequate protection" of the interest of lenders of Credit Facility in the collateral, if necessary to protect against any diminution in value during the case. Because the Bankruptcy Code does not define "adequate protection," and because the bankruptcy court has broad discretion, however, there can be no assurance that the court would require us to provide lenders of Credit Facility with any form of "adequate protection," or that any protection so ordered would, in fact, be adequate.

In a bankruptcy case, the court would allow a claim for all amounts due under the Credit Facility, including all accrued and unpaid interest through the date of bankruptcy. Under the Bankruptcy Code, interest stops accruing on the date of bankruptcy except under certain specified circumstances, and there can be no assurance that the court would allow a claim for post-bankruptcy interest. If the court held that the value of the collateral securing the Credit Facility was less than the amount due, the trustee would be permitted to assert a secured claim in an amount equal to the collateral's value and an unsecured claim for the deficiency.

For these and other reasons, if we or our subsidiaries become debtors in cases under the Bankruptcy Code, there can be no assurance:

- whether any payments under the notes would be made;
- whether or when the trustee could foreclose upon or sell the collateral;

- whether the term or other conditions or any rights of the lenders could be altered in a bankruptcy case without the trustee's or the lenders' consent;
- whether the trustee or the lenders would be able to enforce the note holders' rights against the guarantors under their guarantees; or
- whether or to what extent holders of the Credit Facility would be compensated for any delay in payment or decline in the collateral's value.

Finally, the trustee's ability to foreclose on the collateral on behalf of the lenders may be subject to the consent of third parties and practical problems associated with the realization of the trustee's security interest in the collateral.

We Face Intense Competition In The Two Markets Where We Operate

In Las Vegas, competition has continued to increase as a result of factors such as the ongoing economic recession, hotel room inventory increases, gaming floor expansions in addition to convention, trade show and meeting space additions. Our success depends on the ability of Riviera Las Vegas to attract customers and realize corresponding revenues. Riviera Las Vegas competes with casino resort properties and hotels in the Las Vegas area. Currently, there are approximately 30 major gaming properties located on or near the Las Vegas Strip, approximately ten additional major gaming properties in the downtown area and many additional gaming properties located in other areas of Las Vegas. Riviera Las Vegas competes with these properties based on overall atmosphere, range of amenities, level of service, price, location, entertainment offered, shopping and restaurant facilities, theme and size. Companies that own and operate multiple hotel/casino facilities operate many of the gaming properties in Las Vegas. These companies have greater name recognition and financial and marketing resources than we do and often market to the same target demographic groups as we do. Furthermore, additional major hotel/casino openings and significant expansion of existing properties, containing a large number of hotel rooms and attractions, are expected to occur in Las Vegas in the coming years, which will put additional pressure on us to remain competitive.

In Black Hawk/Central City, the primary competitive differentiators are location, availability and convenience of parking, number of gaming devices, promotional incentives, hotel rooms, types and pricing of non-gaming amenities, name recognition and overall atmosphere. Our main competitors are the larger gaming facilities especially those with considerable on-site or nearby parking facilities, hotel rooms and established reputations in the local market. Two of the most successful casinos in Colorado are considerably larger than Riviera Black Hawk and are located across the street from our casino. Three other casinos in our market offer hotel accommodations as well as gaming facilities and thereby have some competitive advantages over us. Also, a road, which opened in November 2004, enables drivers to bypass Black Hawk on their way to Central City. This road has led to significant growth in the Central City gaming market and may give our Central City competitors an advantage over us.

There have also been efforts in Colorado by Native American tribes to acquire land to use for construction of a casino that would operate without the limitations imposed on the Colorado casino industry. Additionally, there have been efforts by other parties to amend the Colorado Constitution to permit the installation of slot machines at five racetracks. To date, the Native American casino initiatives in Colorado have either been rejected or have failed to win support from government authorities. Moreover, in 2003, a race track/slot machine initiative was rejected by Colorado voters. Our Colorado operations could be adversely affected if either one of these initiatives gain the necessary approvals.

In addition to the competition that we face from our competitors in Las Vegas and Colorado, we face increasing competition from other companies in the gaming industry generally, such as land-based casinos, dockside casinos, riverboat casinos, casinos located on Native American land and other forms of legalized gambling. We risk losing market share if other casinos operate more successfully or are enhanced or expanded or are established in or around the locations where we conduct business.

The number of casinos on Native American lands has increased since enactment of the Indian Gaming Regulatory Act of 1988. In 2000, California voters approved an amendment to the California Constitution that allows Las Vegas-style gaming on Native American lands in that state. Additionally, California voters recently passed Propositions 94, 95, 96 and 97 which allow two tribes near San Diego to each increase their slot machine volume from 2,000 slot machines to 7,500 slot machines and two tribes near Palm Springs to each increase their slot machine volume from 2,000 slot machines to 5,000 slot machines. While it is difficult to determine the impact of these new gaming jurisdictions, the continued expansion of gaming in California poses a more serious threat to the continued growth of Las Vegas. We also compete, to some extent, with other forms of gaming on both a local and national level, including state sponsored lotteries, Internet gaming, on- and off-track wagering and card parlors.

In particular, the legalization of gaming or the expansion of legalized gaming in or near any geographic area from which we attract or expect to attract a significant number of our customers could have a significant adverse effect on our business, financial condition, results of operations and future prospects.

Increased competition may also require us to make substantial capital expenditures to maintain or enhance the competitive positions of our two properties. Because we are highly leveraged and have considerable constraints on our available cash, we might not have sufficient financing to make such expenditures. If we are unable to make such expenditures, our competitive position, results of operations and future prospects could be materially and adversely affected.

Our Company Operates In Only the Las Vegas And Black Hawk Markets Which Exposes Us To Greater Risks Than Gaming Companies With A Presence In More Markets

We do not have material assets or operations other than Riviera Las Vegas and Riviera Black Hawk. Therefore, we are entirely dependent upon these two properties for our cash flow. This makes us more sensitive to events and conditions affecting the markets in which we operate, including the following:

- continued or worsening national recession;
- weak local economic conditions;
- increased competitive conditions;
- inaccessibility due to weather conditions, road construction or closure of primary access routes;
- decline in air passenger traffic due to higher ticket costs or fears concerning air travel;
- a decline in automobile traffic due to higher gasoline prices;
- changes in state and local laws and regulations, including those affecting gaming;

- an increase in the cost of electrical power for Riviera Las Vegas as a result of, among other things, power shortages in California or other western states with which Nevada shares a single regional power grid;
- a decline in the number of visitors to Las Vegas or the number of Colorado residents who visit Black Hawk;
- a decline in hotel room rates in Las Vegas due to increased hotel room supply without offsetting hotel room demand;
- a decline in the number of hotel guest in Las Vegas due to the 3% hotel room tax increase bill which was approved by the Nevada Legislature in March 2009; and
 - a potential increase in the gaming tax rate in any jurisdiction in which we operate.

We Are Dependent On Key Personnel Whom We Might Have Difficulty Replacing Due To Market Perceptions About Our Prospects

Our ability to operate successfully is dependent, in part, upon the continued services of certain of our executive personnel. Our loss of any of them or our inability to attract or retain key employees in the future could have a material adverse effect on us.

Market perceptions about our future prospects due to the 2009 Credit Defaults described in Item 1 above and the possibility that we may have to seek protection under Chapter 11 of the U. S. Bankruptcy Code if we are unsuccessful in completing a refinancing or consensual out-of-court restructuring may make it more difficult for us to find suitable replacements if we lose the services of our executives or other key personnel, which in turn might make it more difficult for us to attract and retain qualified personnel at that high level.

Regulations Issued By Gaming Or Other Governmental Authorities Could Adversely Affect Our Operations

As owners and operators of gaming facilities, we are subject to extensive governmental regulation. The ownership, management and operation of gaming facilities are subject to extensive laws, regulations and ordinances, which are administered by various federal, state and local government entities and agencies. The gaming authorities in the jurisdictions in which we operate have broad authority and discretion to require us and our officers, directors, managers, employees and certain security holders to obtain various licenses, registrations, permits, findings of suitability or other approvals. To enforce applicable gaming regulations, gaming authorities may, among other things, limit, suspend or revoke the licenses of any gaming entity or individual, and may levy fines against us or individuals or may cause us to forfeit our assets for violations of gaming laws or regulations. Any of these actions would have a material adverse effect on us.

Nevada and Colorado state and local government authorities require us to obtain gaming licenses and require our officers and key employees to demonstrate suitability to be involved in gaming operations. Those authorities may limit, condition, suspend or revoke a license for any cause they deem reasonable. Also, if we violate any gaming laws or regulations, those authorities may levy substantial fines against us or the individuals involved in the violations. The occurrence of any of these events could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We can not assure you that any new licenses, registrations, findings of suitability, permits and approvals will be granted or that our existing ones will be renewed when they expire. Any failure to renew or maintain our licenses or receive new licenses when necessary would have a material adverse effect on us.

We are subject to a variety of other laws, rules and regulations, including those pertaining to zoning, environmental matters, construction, land use and the serving of alcoholic beverages. We also pay substantial taxes and fees in connection with our operations as a gaming company, which taxes and fees are subject to increases or other changes at any time. Any changes to these laws could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our compliance costs associated with these laws, regulations and licenses are significant. A change in the laws, regulations and licenses applicable to our business or a violation of any of them could require us to make material expenditures or could otherwise materially adversely affect our business, financial condition, results of operations and future prospects.

In Black Hawk and in other jurisdictions from which we attract customers, gaming is subject to local referendum. If the results of a referendum held in a jurisdiction in which we operate were to restrict gaming in whole or in part or if the results of a referendum in a nearby non-gaming jurisdiction were to permit gaming, especially video lottery terminals or slot machines in racetracks in and around the Denver area, our results of operations could be negatively impacted.

We Are Subject To Potential Exposure To Environmental Liabilities

Generally, we are subject to various federal, state and local governmental laws and regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. Failure to comply could result in the imposition of severe penalties or restrictions on our operations by governmental agencies or courts. We experienced a diesel leak at our Las Vegas property. Our continuing efforts to monitor and remediate the effects of this leak, which occurred in 2002, have been affected by construction at neighboring projects. We are continuing to monitor this matter. In order to come to final resolution regarding this issue with the Nevada Department of Environmental Protection, we may be required to take remediation steps including the excavation of the effected area. We are unable to estimate the cost of remediation at the present time.

Riviera Black Hawk is located within a 400-square mile area that in 1983 was designated as the Clear Creek Central/City National Priorities List Site Study Area under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. Although Riviera Black Hawk is not within any of the specific areas currently identified for investigation or remediation under that statute, environmental problems may subsequently be discovered, including in connection with any future construction on our property. Furthermore, governmental authorities could broaden their investigations and identify areas of concern within the site and as a result, we could be identified as a “potentially responsible party” and any related liability could have a material adverse effect on us. We do not have insurance to cover environmental liabilities, if we incur any.

Energy Price Increases May Adversely Affect Our Costs Of Operations And Our Revenues

Our casino properties use significant amounts of electricity, natural gas and other forms of energy. Recent substantial increases in the cost of electricity in the United States have negatively affected our operating results and are likely to continue to do so. The extent of the impact is subject to the magnitude and duration of energy price increases, but this impact could be material. In addition, energy price increases in cities that constitute a significant source of customers for our properties could result in a decline in disposable income of potential customers and a corresponding decrease in visitation to our properties which could negatively impact our revenues.

Our Business, Financial Condition, Results Of Operations And Future Prospects Are Dependent On Many Factors That Are Beyond Our Control

The economic health of our business is generally affected by a number of factors that are beyond our control, including:

- the ability to successfully complete a refinancing or out-of-court restructuring our Credit Facility;
- the ability of our secured lenders to commence foreclosure proceedings as a result of the 2009 Credit Defaults described in Item 1 above;
- general economic conditions including the impact of a continued or worsening economic recession;
 - economic conditions specific to our primary markets;
 - general condition of the banking and credit markets;
- decline in tourism and travel due to concerns about homeland security, terrorism or other destabilizing events;
 - decline in the Las Vegas convention business;
 - the ability to renegotiate union contracts in Las Vegas;
- intense competitive conditions in the gaming industry including the possibility of the approval of video lottery terminals and/or slot machines at racetracks in and around the Denver area and the effect such conditions may have on the pricing of our games and products;
- changes in the regulatory regimes affecting our business, including changes to applicable gaming, employment, environmental or tax regulations;
 - inaccessibility to our property due to construction on adjoining or nearby properties, streets or walkways;
 - substantial increases in the cost of electricity, natural gas and other forms of energy;
 - local conditions in key gaming markets, including seasonal and weather-related factors;
 - increased transportation costs;
 - levels of disposable income of casino customers;
 - continued increases in health care costs;
 - increases in gaming taxes or fees;

- increases in Clark County facilities inspection fees and resulting remedial actions;
- the relative popularity of entertainment alternatives to casino gaming that compete for the leisure dollar;
- an outbreak or suspicion of an outbreak of an infectious communicable disease; and
- the impact of the smoking ban in Colorado on our Riviera Black Hawk property which became effective January 1, 2008 and the possible adoption of additional anti-smoking regulations.

Any of these factors could negatively impact our property or the casino industry generally, and as a result, our business, financial condition and results of operations.

We May Incur Losses That Are Not Adequately Covered By Insurance

Insurance may not be available in the future or adequate to cover all loss or damage to which our business or our assets might be subjected. Since the terrorist attacks of September 11, 2001, insurance coverage has diminished for certain types of damages or occurrences and is no longer available at reasonable commercial rates. The lack of adequate insurance for certain types or levels of risk could expose us to significant losses if a catastrophe or lawsuit occurs for which we do not have insurance coverage. Any losses we incur that are not adequately covered by insurance may decrease our future operating income, require us to pay the costs of replacing or repairing destroyed property and reduce the funds available for payment of our debt obligations.

We Are Subject To Litigation, Which, If Adversely Determined, Could Cause Us To Incur Substantial Losses

From time to time during the normal course of operating our business, we are subject to various litigation claims and other legal disputes. Some of the litigation claims may not be covered under our insurance policies or our insurance carriers may seek to deny coverage. As a result, we might be required to incur significant legal fees, which may have a material adverse effect on us. In addition, because we cannot predict the outcome of any legal action, it is possible that as a result of litigation, we will be subject to adverse judgments or settlements that could significantly reduce our results from operations.

Homeland Security, Terrorism And War Concerns, As Well As Other Factors Affecting Discretionary Consumer Spending, May Harm Our Operating Results

The strength and profitability of our business depend on consumer demand for hotel/casino resorts, gaming in general and the types of amenities we offer. Changes in consumer preferences or discretionary consumer spending could harm our business. The terrorist attacks of September 11, 2001, ongoing war activities and concerns about terrorism and homeland security have had a negative impact on travel and leisure expenditures, including lodging, gaming (in some jurisdictions) and tourism. We cannot predict the extent to which those events may continue to affect us, directly or indirectly, in the future. An extended period of reduced discretionary spending or disruptions or declines in travel could significantly harm our operations.

In addition to concerns about war, homeland security and terrorism, other factors affecting discretionary consumer spending include; consumers' confidence in general or regional economic conditions, consumers' disposable income, consumers fears of a continued or worsening economic recession or an economic depression. Negative changes in factors affecting discretionary spending could reduce customer demand for the products and services we offer, thus imposing practical limits on our pricing and harming our operations.

If the State of Nevada or Clark County increases gaming taxes and fees, our results of operations could be adversely affected.

State and local authorities raise a significant amount of revenue through taxes and fees on gaming activities. From time to time, legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, worsening economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes. If the State of Nevada or Clark County, Nevada were to increase gaming taxes and fees, our results of operations could be adversely affected. There are several gaming tax increase proposals currently circulating in Nevada. One such proposal, a 3% increase in the room tax, was approved in March 2009 by the Nevada legislature. These proposals would take the form of voter referendum. If successfully implemented, such an increase would have a material adverse affect on our financial condition, results of operations or cash flows.

If Clark County increases facilities inspection fees and such inspections result in significant remedial actions, our results of operations could be adversely affected.

During the last several months, Clark County Authorities commenced a program to inspect the facilities at Las Vegas hotels and casinos primarily for building code compliance and life and safety issues. Inspections of Riviera Las Vegas are scheduled for 2010 and we are responsible for the inspection costs as well as the cost to correct any significant issues outlined in the inspector's report. If the costs of these inspections and related corrective actions are significant, it could have a material adverse affect on our financial condition, results of operations or cash flows.

Risks Relating To Our Common Stock

Our Stock Price Has Been Volatile Which Could Result In Substantial Losses For Our Stockholders.

As described "Significant Events - Voluntary Delisting from NYSE AMEX LLC" within Item 1 above, we voluntarily delisted our stock from the NYSE AMEX exchange. As a result, trading of the Company's common stock on the NYSE AMEX exchange was suspended as of the close of trading on June 25, 2009. Effective June 26, 2009, the Company's common stock was available for quotation on the Pink OTC Markets, Inc. (the "Pink Sheets") under the symbol "RVHL".

During the 52 weeks ended January 6, 2010, our stock's average closing sale price as reported on either the NYSE AMEX exchange or the Pink OTC Markets quotation system fluctuated from a high of \$4.79 per share to a low of \$0.30 per share. On average, 26,155 shares traded per day for the three months ended January 6, 2010. The volatility of the trading price of our stock could be due to many factors including, but not limited to:

- the effect of the 2009 Credit Defaults, as described in Item 1 above;
- the possibility that the Company may have to seek protection under Chapter 11 of the U. S. Bankruptcy Code;
- the effect of our independent auditors expressing doubt about our ability to continue as a going concern;

- the effect of the voluntary delisting from the NYSE AMEX as described in Item 1 above;
- the relatively low liquidity and marketability associated with trading in the over-the-counter market;
 - the relatively low trading price of and trading volume for our stock;
 - current economic conditions and expectation regarding future economic conditions;
 - quarterly fluctuations in our financial results;
- the effect that fluctuations in our stock price will have on other parties' willingness to make a proposal to acquire us;
- ownership of a large number of our outstanding shares by a small group of stockholders, coupled with our 60% affirmative vote requirement to effectuate a successful merger, may inhibit other parties from engaging in merger negotiations with us;
 - fluctuations in Las Vegas real estate values, particularly as they affect property on the Las Vegas Strip;
 - the current credit market and banking environment;
 - changes in analysts' estimates of our financial performance or future prospects;
 - announcements of new services or programs;
 - additions or departures of key personnel;
 - general conditions in our industry and in the financial markets; and
 - a variety of other risk factors including the ones described elsewhere in this report.

There Are Requirements and Limitations On Changes In Control Of Our Company That Could Reduce The Ability To Sell Our Shares In Excess Of Current Market Prices

Our Credit Facility consists of a seven year \$225 million term loan which matures on June 8, 2014 and a \$3 million five year revolving credit facility. The terms of the Credit Facility restrict the ability of anyone to effect a change in control of our company. If anyone acquires 35% or more of our outstanding stock or if other events occur that constitute a change in control according to our Credit Facility, we have to make a prompt offer to repay the Credit Facility. It is unlikely that we would have the funds to repay the Credit Facility within the required time frame unless we obtained the necessary funding as part of the change in control transaction which adds significantly to the funding that a buyer would need to acquire our company. Our Credit Facility also would require us to obtain the consent of holders of a majority of the outstanding principal amount of the Credit Facility in order for us to be a party to a merger or to sell all or substantially all of our assets unless, after giving effect to the transaction, we meet certain net worth or financial ratio tests, which might be difficult or impossible for us to meet.

In addition to the above, a buyer would be required to pay our Swap balance of \$22.1 million. Moreover, a buyer would be required to pay accrued interest on the Credit Facility and Swap which was \$17.2 million as of December 31, 2009.

Furthermore, our Articles of Incorporation and bylaws contain provisions that could reduce the likelihood of a change in control or acquisition of our company. These could limit your ability to sell your shares at a premium or otherwise affect the price of our common stock. These provisions:

- limit the voting power of persons who acquire more than 10% of our outstanding stock without our prior approval;
 - permit us to issue up to 60 million shares of common stock;
- permit us to increase the size of our Board of Directors and fill the resulting vacancies without a vote by stockholders; and
 - limit the persons who may call special meetings of stockholders.

In addition, Nevada law contains provisions governing the acquisition of a substantial or controlling interest in certain publicly-held Nevada corporations, including our company. Those laws provide generally that any person who acquires more than a specified percentage of our outstanding stock must obtain certain approvals from us before the acquisition or they might be denied voting rights or the ability to engage in various transactions with us, unless our disinterested stockholders vote to restore those rights. The ownership percentage that triggers some of these restrictions is 10%, and further restrictions can be triggered at the 20%, 33-1/3% or 50.1% ownership level.

Also, a person that seeks to acquire control must satisfy the licensing requirements of the Nevada and Colorado gaming authorities. The gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with a person proposing to acquire control to be investigated and licensed as part of the approval process relating to the transaction.

Nevada law also provides that we may resist a change or potential change in control if our Board of Directors determines that the change is not in the best interest of our company.

On November 19, 2008, we entered into a separate investment agreement (each an “Investment Agreement”) with each of Plainfield Special Situations Master Fund Limited (“Plainfield”) and Desert Rock Enterprises LLC (“Desert Rock”) relating, among other things, to the acquisition of our common stock. We currently do not have any plans to issue and sell any shares of our common stock to either Plainfield or Desert Rock. The principal terms of each agreement provides for, among other things, (a) that our Board of Directors has, in connection with their potential acquisition of our common stock, (i) waived, in accordance with subsection 7(g) of Article III of our Articles of Incorporation, the voting limitation set forth in subsection 7(b) of Article III of the Articles of Incorporation with respect to Desert Rock and Plainfield (and their respective affiliates and related entities collectively, the “Investor Group”), and (ii) approved the acquisition of our common stock pursuant to the Investment Agreements in accordance with the provisions of subsection 78.438(1) of Title 7 of the Nevada Revised Statutes, (b) each Investor Group’s agreement not to directly or indirectly acquire any of our common stock, or otherwise become part of a group, if immediately after giving effect to such acquisition or group formation, the Investor Group, or any group of which it is a part, would have beneficial ownership of our common stock in excess of fifteen percent (15%) of the outstanding common stock, unless specifically approved in writing by our Board of Directors, subject to certain limited exceptions, (c) an agreement by each of Plainfield and Desert Rock to a standstill period (which ends on the first date to occur of: (i) the day following the completion of our 2010 regular annual meeting of stockholders, (ii) September 1, 2010 and (iii) the ending of any period during which any other investor is subject to a similar standstill) during which time it will not take certain

actions involving the Company including without limitation to solicit proxies or become a participant in a proxy solicitation with respect to our securities or submit a proposal or offer involving a merger, business combination, acquisition tender or other similar type transaction, except under certain limited circumstances, (d)) an agreement by each of Plainfield and Desert Rock not to vote any securities it holds in excess of the amount permitted to be purchased pursuant to clause (b) above, and (e)) each of Plainfield and Desert Rock to seek to obtain any approvals that may be required from the Nevada and Colorado gaming authorities in connection with the acquisition of our common stock pursuant to the Investment Agreements.

We Have Never Paid Dividends, Do Not Intend To Pay Dividends In The Foreseeable Future And Cannot Pay Dividends To Any Unsuitable Person

We have never paid dividends on our stock, nor do we anticipate paying dividends in the foreseeable future. We intend to retain our cash flow or earnings, if any, to use in our ongoing operations. Also, due to gaming law considerations, our Articles of Incorporation prohibit the payment of dividends to anyone who is deemed an “unsuitable person” or is an affiliate of an “unsuitable person.”

Certain Owners Of Our Stock May Have To File An Application With, And Be Investigated By, The Nevada And/Or Colorado Gaming Authorities. If That Owner Is Deemed “Unsuitable,” That Stockholder Could Lose Most Of The Attributes Of Being A Stockholder And It Could have a Detrimental Effect On Us

As defined in Nevada gaming regulations, any person who acquires more than 5% of a Registered Corporation's voting securities must report the acquisition to the Nevada Commission. Nevada gaming regulations also require that beneficial owners of more than 10% of our voting securities apply to the Nevada Commission for a finding of suitability within thirty days after the Chairman of the Nevada Board mails the written notice requiring such filing. However, an "institutional investor," as defined in the Nevada gaming regulations, which acquires more than 10%, but not more than 11% of our voting securities as a result of a stock repurchase by us may not be required to file such an application. Further, an institutional investor that acquires more than 10% but not more than 25% of our voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds our voting securities for investment purposes only. An institutional investor that has obtained a waiver may hold more than 25% but not more than 29% of our voting securities and maintain its waiver where the additional ownership results from a stock repurchase by us. However, any beneficial owner of our voting securities, regardless of the number of shares owned, may be required, at the discretion of the Nevada Commission, to apply for a finding of suitability. A finding of suitability is comparable to licensing, and the applicant must pay all costs of investigation incurred by the Nevada gaming authorities in conducting the investigation.

Any such person who fails to apply for a finding of suitability within 30 days after being ordered to do so by the Nevada Commission may be found to be unsuitable. Any person who is found by the Nevada Commission to be unsuitable to be a beneficial owner of our voting securities but continues such beneficial ownership beyond the period of time prescribed by the Nevada Commission may be guilty of a criminal offense. We will be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a beneficial owner of our voting securities or to have any other relationship with us, we:

- pay that person any dividend or interest on our voting securities;

- allow that person to exercise, directly or indirectly, any voting right conferred through our voting securities held by that person;
- pay that person any remuneration in any form for services rendered or otherwise; or
- fail to pursue all lawful efforts to require that person to relinquish our voting securities for cash at fair market value.

Colorado requires that persons owning, directly or indirectly, 5% or more of our stock be certified as suitable for licensure. Persons found unsuitable by the Colorado Commission may be required immediately to terminate any direct or indirect beneficial interest in our voting securities. A finding of unsuitability with respect to any beneficial owner also may jeopardize our license. The annual renewal of our license may be conditioned upon the termination of any beneficial interest in our voting securities by unsuitable persons.

We May Redeem Shares Due To Gaming Law Considerations, Either As Required By Gaming Authorities Or In Our Discretion

Our articles of incorporation provide that if a gaming authority determines that any stockholder or its affiliates are unsuitable, or if deemed necessary or advisable by us for gaming law considerations, we may redeem shares of our stock that the stockholder or the stockholder's affiliates own or control. The redemption price will be the amount required by the gaming authority or, if the gaming authority does not determine the price, the price deemed reasonable by us. If we determine the redemption price, that price will be capped at the market price of the shares on the date we give the redemption notice. We may pay the redemption price in cash, by promissory note, or both, as required by the applicable gaming authority and, if not so required, as we elect.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Riviera Las Vegas

Riviera Las Vegas is located on the Las Vegas Strip, at 2901 Las Vegas Boulevard South, Las Vegas, Nevada and occupies approximately 26 acres. The building comprises approximately 1.8 million square feet. The building includes approximately 100,000 square feet of casino space, approximately 160,000 square feet of convention, meeting and banquet facility space, 2,075 hotel rooms, three restaurants, a buffet, three snack bars, four showrooms, a lounge and approximately 2,300 parking spaces. In addition, the building houses Riviera Las Vegas executive and administrative offices.

There are approximately 35 food and retail concessions operated under individual leases with third parties. The leases are for periods from one month to several years.

Riviera Black Hawk

Riviera Black Hawk is located on 1.63 acres of land at 400 Main Street, Black Hawk, Colorado. The buildings include approximately 325,000 square feet and comprise 32,000 square feet of gaming space, parking spaces for approximately 520 vehicles (substantially all of which are covered), a 252-seat buffet, one bar, a banquet room with seating for approximately 200 people and three outdoor patio areas where patrons can smoke.

The Riviera Las Vegas and Riviera Black Hawk properties are encumbered by deeds of trust securing our \$225 million Term Loan, which mature in June 2014.

Item 3. 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 4. Reserved

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Effective June 26, 2009, our common stock was available for quotation on the Pink Sheets under the symbol "RVHL". Prior to that, our common stock had been traded on the NYSE AMEX under the symbol "RIV". The "pink sheets" is an over-the-counter market which generally provides significantly less liquidity than established stock exchanges such as the NYSE AMEX, and quotes for stocks included in the "pink sheets" are not listed in the financial sections of newspapers. Therefore, prices for securities traded solely in the "pink sheets" may be difficult to obtain, and shareholders may find it difficult to resell their shares. As of March 11, 2009, we had approximately 492 stockholders of record and individual participants in security position listings. There are a significantly greater number of stockholders whose shares are held in street name. Based on information we collected as of March 11, 2009, we estimate that we have at least 2,141 beneficial holders in total.

As described in "Significant Events - Voluntary Delisting from NYSE AMEX" in Item 1 above, we voluntarily delisted our common stock from the NYSE AMEX due to our belief that we could not take the steps necessary to satisfy the continued listing criteria of the NYSE AMEX within the prescribed time frame that the NYSE AMEX gave the Company to cure certain listing deficiencies. In order to be re-listed, we will need to meet certain listing requirements. There can be no assurance that we will be able to meet such listing requirements.

The table below sets forth (a) the high and low sale prices of the Common Stock by quarter for the year ended December 31, 2008 and the first two fiscal quarters of 2009, based on closing prices of Common Stock reported on the NYSE AMEX exchange and (b) the high and low bid prices of the Common Stock by quarter for the last two fiscal quarters of 2009, based on closing prices of Common Stock reported on the Pink Sheets, which quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2009				
HIGH	\$ 4.79	\$ 2.42	\$ 0.79	\$ 0.74
LOW	1.05	0.34	0.40	0.30
2008				
HIGH	\$ 29.73	\$ 21.72	\$ 12.31	\$ 6.87
LOW	18.62	10.00	7.35	2.50

Equity Compensation Plan Information (as of December 31, 2009)

Plan category	A	B	C
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A)
Equity compensation plans approved by security holders	220,800	\$ 7.82	1,078,000
Equity compensation plans not approved by security holders (2)	35,100	N/A	188,172(1)
Total	255,900	\$ 7.82	1,266,172

(1) Of the 188,172 shares referenced in column C of the above table, 142,152 are from our Restricted Stock Plan and 46,020 are from our Stock Compensation Plan for Directors Serving on the Compensation Committee, which are described in Notes 14 and 15 of our consolidated financial statements included in this report. We have a Stock Compensation Plan, under which directors who are members of the Compensation Committee have the right to receive all or part of their annual fees in the form of Common Stock having a fair market value equal to the amount of their fees. Of the 50,000 shares that are allocated to this plan, 46,020 remain available for issuance.

(2) Restricted Stock for employees issued in 2005 which was not approved by security holders.

Item 6. Selected Financial Data

Not Applicable

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

2009 Credit Defaults

Our Credit Facility consists of a \$225 million term loan that matures on June 8, 2014 and a \$20 million five-year revolving credit facility that was reduced to \$3 million. Wachovia Bank, National Association, is the administrative agent in connection with the Credit Facility. On June 29, 2007, in conjunction with the Credit Facility, the Company entered into an interest rate swap agreement with Wachovia as the counterparty that became effective June 29, 2007. On February 22, 2010, the Company received a notice from Wachovia informing the Company that Wachovia was resigning as administrative agent, subject to the appointment of a successor administrative agent by the Required Lenders under the Credit Agreement within 30 days of the notice or by Wachovia, and that Wachovia was resigning as the Issuing Lender under the Credit Agreement effective as of the date of the notice.

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

On March 25, 2009, the Company engaged XRoads Solution Group LLC as our financial advisor. Based on an extensive analysis of our current and projected liquidity, and with our financial advisor's input, we determined it was in the best interests of the Company to not pay the Credit Facility and Swap Agreement accrued interest including default interest as described below of \$17.8 million for the twelve months ended December 31, 2009. Consequently, we elected not to make these payments. The Company's failure to pay interest due on any loan within our Credit Facility within a three-day grace period from the due date was an event of default under our Credit Facility. As a result of these events of default, the Company's lenders have the right to seek to charge additional default interest on the Company's outstanding principal and interest under the Credit Agreement, and automatically charge additional default interest on any overdue amounts under the Swap Agreement. These default rates are in addition to the interest rates that would otherwise be applicable under the Credit Agreement and Swap Agreement.

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

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

As a result of the February Notice and the April Default Notice, effective March 31, 2009, the Term Loan interest rate increased to approximately 10.5% per annum and effective April 1, 2009, the Revolver interest rate is approximately 6.25% per annum. The Company has incurred approximately \$5 million in default interest related to the Credit Facility and Swap Agreement for the twelve months ended December 31, 2009.

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

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

On July 28, 2009, in connection with the Early Termination Notice, the Company received a Notice of Amount Due Following Early Termination from Wachovia that claimed the amount due and payable to Wachovia under the Swap Agreement is \$26.6 million, which includes \$4.4 million in accrued interest. As of December 31, 2009, the interest rate swap liability was \$22.1 million which equals the mark to market amount reflected in the Notice of Amount Due Following Early Termination. Additionally, accrued interest as of December 31, 2009 includes \$5.0 million in accrued interest related to the interest rate swap comprised of \$4.4 million in accrued interest as reflected on the Notice of Amount Due Following Early Termination and \$0.6 million in default interest pursuant to the Swap Agreement termination.

As a result of the Early Termination Notice, the interest rates for the Term Loan and Revolver balances are no longer locked and are now subject to changes in underlying LIBOR rates and vary based on fluctuations in the Alternative Base Rate and Applicable Margins. As of December 31, 2009, our Term Loan and Revolver bear interest at approximately 6.25%.

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

Due to the defaults discussed above and the potential risk of Bankruptcy, there is substantial doubt about the Company's ability to continue as a going concern. As a result, our independent registered public accounting firm has included an explanatory paragraph that expresses substantial doubt as to our ability to continue as a going concern in their audit reports contained in this Annual Report on Form 10-K for the year ended December 31, 2009 and in our Annual Report on Form 10-K for the year ended December 31, 2008.

Overview

We own and operate Riviera Las Vegas on the Las Vegas Strip in Las Vegas, Nevada, and Riviera Black Hawk in Black Hawk, Colorado.

Our capital expenditures for Riviera Las Vegas are geared primarily toward maintaining and upgrading our hotel rooms, gaming products, convention space, restaurants, bars and entertainment venues. In November 2007, we began a comprehensive hotel room remodeling project in Las Vegas. The hotel room remodel project was suspended during 2008 after spending \$18.7 million on the project and completed four of our five hotel towers. Remodeled hotel rooms feature new Euro beds, flat screen televisions, furniture, carpeting, marble floors and granite countertops.

Our capital expenditures for Riviera Black Hawk are geared primarily toward maintaining and upgrading our gaming products, food and beverage venues and overall facility. During 2009, in addition to several slot machine purchases, we remodeled our cashiers' cage and relocated our player's club function to the new cage.

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

In addition to the above, we continuously strive to maximize the number of people who patronize Las Vegas but who are not guests in our hotel. We achieve this by capitalizing on our Las Vegas Strip location, convention center proximity and availability of our entertainment productions and other amenities. We are well situated for walk-in traffic on the Las Vegas Strip near several major properties including Circus Circus, Las Vegas Hilton, Las Vegas Convention Center, Wynn Las Vegas, Wynn Encore and several timeshare and condominium projects. While we benefit from our proximity to several major properties, the dormant Echelon and Fontainebleau construction projects have caused a major reduction in walk-in traffic. We anticipate that our walk-in traffic will be adversely impacted for the foreseeable future.

The Black Hawk market caters primarily to slot machine players from the Denver area. Therefore, our primary marketing focus in Black Hawk is to grow and maintain the number of quality players in our players club and utilize effective direct marketing techniques, including direct mail offers and special promotions, to entice customers to visit and game at our property. Our location is conducive to walk-in customers as the Isle of Capri, which is one of the largest casinos in Black Hawk, is located directly across the street from our casino. Also, Riviera Black Hawk is the first property off of Main Street as you drive into Black Hawk from the Denver Metro area and our parking garage is the first and most easily accessible in the area.

Until recently, only limited stakes gaming, which is defined as a maximum single bet of \$5.00, was legal in the Black Hawk/Central City market. However, Colorado Amendment 50, which was approved by voters on November 4, 2008, allowed residents of Black Hawk and Central City to vote to extend casino hours, approve additional games, and increase the maximum bet limit. On January 13, 2009, residents of Black Hawk voted to enable Black Hawk casino operators to extend casino hours, add craps and roulette gaming and increase the maximum betting limit to \$100 per bet. On July 2, 2009, the first day permissible to implement the changes associated with the passage of Colorado Amendment 50, we increased betting limits, extended hours and commenced roulette gaming. We are continuing to evaluate our strategy pertaining to the passage of Colorado Amendment 50.

While the passage of Colorado Amendment 50 benefited the Black Hawk/Central City gaming market, the Colorado smoking ban, which became effective for Black Hawk/Central City casinos on January 1, 2008, has had an adverse effect on our results of operations. We have installed outdoor smoking decks to accommodate our guests who smoke, however, we believe that that the smoking ban in Colorado has had and will continue to have an adverse affect.

Results of Operations

2009 Compared to 2008

The following table sets forth, for the periods indicated, certain operating data for Riviera Las Vegas and Riviera Black Hawk. Net revenues displayed in this table and discussed in this section are net of cash rebates and promotional allowances. EBITDA from properties is presented on the following schedule:

(Dollars in thousands)	2009	2008	Variance \$	Variance %
Net Revenues:				
Riviera Las Vegas	\$ 91,880	\$ 128,031	\$ (36,151)	-28.2%
Riviera Black Hawk	42,169	41,729	440	1.1%
Total Net Revenues	\$ 134,049	\$ 169,760	\$ (35,711)	-21.0%
Property EBITDA				
Riviera Las Vegas	\$ 9,635	\$ 18,748	\$ (9,113)	-48.6%
Riviera Black Hawk	9,892	12,209	(2,317)	-19.0%
Property EBITDA (1)	\$ 19,527	\$ 30,957	\$ (11,430)	-36.9%
Other costs and expenses:				
Corporate expenses				
Share-based compensation	579	795	(216)	-27.2%
Other corporate expense	3,496	3,857	(361)	-9.4%
Depreciation and amortization	14,870	14,883	(13)	-0.0%
Mergers, acquisitions and development costs, net	-	191	(191)	NM
Restructuring fees	2,233	-	2,233	NM
Gain on retirement of bonds	(161)	-	(161)	NM
Change in fair value of derivative instruments	5,320	3,556	1,764	49.6%
Interest expense, net	18,049	17,091	958	5.6%
	44,386	40,373	4,013	9.9%
Net loss before income tax provision	(24,859)	(9,416)	(15,443)	-164.0%
Income tax provision	-	(2,446)	2,446	NM
Net loss	\$ (24,859)	\$ (11,862)	\$ (12,997)	-109.6%
Property EBITDA Margins (2)				
Riviera Las Vegas	10.5%	14.6%	-4.1%	
Riviera Black Hawk	23.5%	29.3%	-5.8%	

(1) Property EBITDA consists of earnings before interest, income taxes, depreciation and amortization. EBITDA is presented solely as a supplemental disclosure because we believe that it is a widely used measure of operating performance in the gaming industry and a principal basis for valuation of gaming companies by certain investors. We use property-level EBITDA (EBITDA before corporate expenses) as the primary measure of operating performance of our properties, including the evaluation of operating personnel. EBITDA should not be construed as an alternative to operating income, as an indicator of operating performance, as an alternative to cash flow from operating activities, as a measure of liquidity, or as any other measure determined in accordance with accounting principles generally accepted in the United States of America. We have significant uses of cash flows, including capital expenditures, interest payments and debt principal repayments that are not reflected in EBITDA. Also, other gaming companies that report EBITDA information may calculate EBITDA in a different manner than we do (see footnote 19 for reconciliation to net loss).

(2) Property EBITDA margins represent property EBITDA as a percentage of net revenues by property.

Riviera Las Vegas

Revenues

Net revenues for the twelve months ended December 31, 2009 were \$91.9 million, a decrease of \$36.1 million, or 28.2%, from \$128.0 million for the comparable period in the prior year.

Casino revenues for the twelve months ended December 31, 2009 were \$41.2 million, a decrease of \$9.4 million, or 18.6%, from \$50.6 million for the comparable period in the prior year. Casino revenues are comprised primarily of slot machine and table game revenues. In comparison to the same period in the prior year, slot machine revenue was \$32.9 million, a decrease of \$6.1 million, or 15.6%, from \$39.0 million and table game revenue was \$7.3 million, a decrease of \$3.1 million, or 30.0%, from \$10.4 million. Slot machine and table game revenues decreased primarily due to less wagering as a result of the slower economy, reduced hotel occupancy and less walk-in business. Slot machine win per unit per day for the twelve months ended December 31, 2009 was \$94.84, a decrease of \$20.16, or 17.5%, from \$115.00 for the comparable period in the prior year.

Room revenues for the twelve months ended December 31, 2009 were \$35.5 million, a decrease of \$16.9 million, or 32.4%, from \$52.4 million for the comparable period in the prior year. The decrease in room rental revenues was primarily due to a decrease in average daily room rates. The average daily room rate, or ADR, was \$60.60, a decrease of \$22.21, or 26.8%, from \$82.81 for the comparable period in the prior year. The \$22.21 ADR decrease resulted in a \$13.2 million decrease in room revenues. The decrease in ADR was due mostly to lower leisure segment rates in 2009 and a shift in the occupied room mix from higher rated convention segment occupancy to lower rated leisure segment occupancy. Leisure segment average daily room rates were \$41.42 for the twelve months ended December 31, 2009, a decrease of \$21.53, or 34.2%, from \$62.95 for the same period in the prior year. Convention segment average daily room rates were \$96.41 for the twelve months ended December 31, 2009, a decrease of \$11.77, or 10.9%, from \$108.18 for the same period in the prior year. Leisure segment and convention segment occupied rooms comprised 62.6% and 20.8% of total occupied rooms, respectively, for the twelve months ended December 31, 2009 in comparison to 46.9% and 34.2%, respectively, for the same period in the prior year. Convention segment demand decreased substantially due to the effects of the ongoing recession and increased competition.

Hotel room occupancy per available room for the twelve months ended December 31, 2009 was 77.4% compared to 83.8% for the same period in the prior year. The 6.4% decrease in hotel room occupancy resulted in a \$3.7 million decrease in room revenues. Revenue per available room, or RevPar, was \$46.93 a decrease of \$22.47, or 32.4%, from \$69.40 for the comparable period in the prior year. RevPar is total revenue from hotel room rentals divided by total hotel rooms available for sale. The decrease in RevPar was the result of a 6% decrease in total occupied rooms and a

decrease in average daily room rates as described above. Room revenues include \$6.8 million in revenues related to hotel room nights offered to high-value guests on a complimentary basis.

Food and beverage revenues for the twelve months ended December 31, 2009 was \$17.2 million, a decrease of \$6.2 million, or 26.5%, from \$23.4 million for the comparable period in the prior year. The decrease was due to a \$4.4 million decrease in food revenues and a \$1.8 million decrease in beverage revenues. Food covers decreased 19.7% and the average check decreased 8.4% from the comparable period in the prior year as a result of the weak economy, reduced hotel occupancy and the strategic closure of select food and beverage outlets during low hotel occupancy periods. Beverage revenues decreased primarily as a result of less complimentary drinks served from our casino bars due to reduced casino patronage. Food and beverage revenues include \$4.1 million in revenues related to food and beverages offered to high-value guests on a complimentary basis.

Entertainment revenues for the twelve months ended December 31, 2009 were \$8.0 million, a decrease of \$5.4 million, or 40.5%, from \$13.4 million for the comparable period in the prior year. The decrease in entertainment revenues is primarily due to weak economic conditions resulting in closure of select entertainment acts and an overall reduction in ticket sales at all entertainment venues. Entertainment revenues include \$3.4 million in revenues related to show tickets offered to high-value guests on a complimentary basis.

Other revenues for the twelve months ended December 31, 2009 were \$5.0 million, a decrease of \$1.4 million, or 21.4%, from \$6.4 million for the same period in the prior year. The decrease in other revenues was due primarily to a \$0.8 million reduction in tenant rental income as a result of vacancies and rent concessions and a \$0.2 million reduction in telephone revenues as a result of less occupancy and call volume. Additionally, the twelve months ended December 31, 2008 included \$0.4 million in miscellaneous income primarily from the reclassification of unclaimed slot token liabilities and the sale of fully depreciated equipment.

Promotional allowances were \$14.9 million and \$18.1 million for the twelve months ended December 31, 2009 and 2008, respectively. Promotional allowances are comprised of food, beverage, hotel room nights and other items provided on a complimentary basis primarily to our high-value casino players and convention guests. Promotional allowances decreased due to a concerted effort to reduce promotional costs and as a result of less complimentary offering redemptions.

Costs and Expenses

Casino costs and expenses for the twelve months ended December 31, 2009 were \$22.2 million, a decrease of \$6.4 million, or 22.1%, from \$28.6 million for the comparable period in the prior year. The decrease in casino expenses was due primarily to a \$3.1 million reduction in slot and table game payroll and related costs, a \$2.7 million decrease in marketing and promotional costs and a \$0.6 million reduction in gaming related taxes. Payroll and related costs decreased in conjunction with lower casino revenues and effective cost savings initiatives and marketing and promotional costs decreased due to a concerted effort to reduce these costs and due to less complimentary offering redemptions and related costs..

Room rental costs and expenses for the twelve months ended December 31, 2009 were \$18.8 million, a decrease of \$6.6 million, or 25.9%, from \$25.4 million for the comparable period in the prior year. The decrease in room rental costs and expenses is primarily due to a decrease of \$4.6 million in room division payroll and related costs, a reduction of \$1.0 million in convention commissions and rebates, a decrease of \$0.3 million in the provision for doubtful accounts, a decline of \$0.3 million in credit card processing fees and a reduction of \$0.4 million in outside laundry, pest control, and department supplies expenses.

Food and beverage costs and expenses for the twelve months ended December 31, 2009 were \$14.2 million, a decrease of \$5.0 million, or 25.9%, from \$19.2 million for the comparable period in the prior year. The decrease was due primarily to a \$4.1 million decrease in payroll and related costs and a \$2.2 million reduction in cost of sales partially offset by a \$1.3 million reduction in the amount credited for complimentary food and beverage sales. The cost of food and beverage complimentary sales is reclassified to casino costs and expenses. Food and beverage costs and expenses decreased in conjunction with the decrease in food and beverage revenues as described above.

Entertainment costs and expenses for the twelve months ended December 31, 2009 were \$3.3 million, a decrease of \$4.7 million, or 58.8%, from \$8.0 million for the comparable period in the prior year. The decrease in entertainment department costs and expenses is primarily due to a \$3.8 million reduction in contractual payments to the entertainment producers and reductions in payroll and related costs as a result of less ticket sales due to the weak economy and the closure of select entertainment acts.

General and administrative expenses for the twelve months ended December 31, 2009 were \$22.5 million, a decrease of \$4.3 million, or 16.2%, from \$26.8 million for the comparable period in the prior year. The decrease in other general and administrative expenses was due primarily to a \$2.7 million reduction in general and administrative and property maintenance payroll and related costs primarily due to workforce reductions and the elimination of the 401k matching contribution, a \$0.5 million reduction in utilities expenses primarily due to lower natural gas costs and a \$1.0 million reduction in various general and administrative and property maintenance operating expenses.

Depreciation and amortization expenses for the twelve months ended December 31, 2009 were \$10.8 million, an increase of \$0.2 million, or 1.5%, from \$10.6 million for the comparable period in the prior year. The increase in depreciation and amortization expenses was due primarily to asset additions during 2008 related to our hotel room renovation.

(Loss) Income from Operations

Loss from operations for the twelve months ended December 31, 2009 was \$0.3 million, a decline of \$9.6 million, or 102.8%, from income from operations of \$9.3 million for the comparable period in the prior year. The decrease is principally due to the \$36.1 million decrease in net revenues with insufficient offsetting reductions in costs and expenses.

EBITDA margins were 10.5% for the twelve months ended December 31, 2009 in comparison to 14.6% for the comparable period in the prior year. Operating margins decreased primarily due to the \$22.21 decrease in ADR and the \$6.1 million decrease in revenue in the high margin slot machine profit center. EBITDA was \$9.6 million for the twelve months ended December 31, 2009 less depreciation and amortization expense of \$10.8 million plus management fees of \$0.9 million from Riviera Black Hawk equals loss from operations of \$0.3 million.

Riviera Black Hawk

Revenues

Net revenues for the twelve months ended December 31, 2009 were \$42.2 million, an increase of \$0.5 million, or 1.1%, from \$41.7 million for the comparable period in the prior year. The increase was primarily due to stronger casino revenues in the second half of 2009 as a result of the implementation of changes permitted with the passage of Colorado Amendment 50 as described above. In comparison to the prior year, casino revenues were \$2.8 million higher during the second six months of 2009 but \$2.5 million lower during the first six months of 2009. For the twelve months ending December 31, 2009, casino revenues were \$41.0, an increase of \$0.3 million, or 0.8%, from \$40.7 million for the comparable period in the prior year. Casino revenues are comprised of revenues from slot

machines and revenues from table games.

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Slot machine revenues for the twelve months ended December 31, 2009 were \$39.4 million, a decrease of \$0.2 million, or 0.6%, from \$39.6 million for the comparable period in the prior year. Slot machine revenues decreased primarily as a result of higher deductions for cash incentives to our high-value slot machine players and higher deductions for slot machine participation distributions. Slot machine revenues before the aforementioned deductions were \$51.3 million, an increase of \$1.6 million, or 3.2%, from \$49.7 million for the same period in the prior year. Cash incentives given to slot machine players increased \$1.7 million, or 19.3%, to \$10.5 million for the twelve months ended December 31, 2009. Cash incentives increased as a result of a concerted effort to retain and build slot machine revenue market share. Consequently, our market share of total Black Hawk slot machine revenues, as reported by the Colorado Department of Gaming, grew to 10.55% from 10.28% for the prior year. Deductions for slot machine participation distributions increased \$0.3 million, or 24.9%, to \$1.3 million from \$1.0 million for the prior year. We increased the number of slot machines with participation agreements in order to offer new, popular game themes to our players and increase slot machine win per unit per day. The participation agreements require us to distribute a predetermined percentage of the slot machine winnings to the slot machine manufacturer in return for allowing us to use the slot machine. There were a total of 75 slot machines with participation agreements on the casino floor as of December 31, 2009. This represents a 25% increase in total slot machines with participation agreements from the prior year.

Amounts wagered on slot machines during the twelve months ended December 31, 2009 were \$757.0 million, an increase of \$9.5 million, or 1.3%, from \$747.5 million for the comparable period in the prior year. The increase was primarily due to additional slot machine play as a result of extended casino hours permitted with the passage of Colorado Amendment 50 as described above. Additionally, slot machine win per unit per day increased \$14.56, or 11.4%, to \$142.29 from \$127.73 for the same period in the prior year. The increase in slot machine win per unit per day was the result of approximately 100 fewer slot machines on the casino floor during the twelve months ended December 31, 2009 in comparison to the same period in the prior year. There were 759 slot machines on the casino floor as of December 31, 2009.

Table games revenue increased \$0.5 million to \$1.6 million for the twelve months ended December 31, 2009 from \$1.1 million for the comparable period in the prior year. The increase was primarily due to increased table games revenues in the second half of 2009 as a result of the implementation of changes permitted with the passage of Colorado Amendment 50 as described above. In comparison to the prior year, table games revenues were \$0.8 million higher during the second six months of 2009 but \$0.3 million lower during the first six months of 2009.

Food and beverage revenues were \$6.3 million for the twelve months ended December 31, 2009 in comparison to \$5.1 million for the comparable period in the prior year. Food and beverage revenues increased due to additional items offered to high-value casino customers on a complimentary basis. Food and beverage revenues related to items offered on a complimentary basis were \$5.5 million and \$4.4 million for the twelve months ended December 31, 2009 and 2008, respectively. The increase was the result of efforts to increase customer visitations and casino revenues.

Promotional allowances were \$5.5 million for the twelve months ended December 31, 2009 and \$4.4 million for the comparable period in the prior year. Promotional allowances are comprised of food and beverage provided on a complimentary basis primarily to our high-value casino players. Promotional allowances increased due to additional food and beverage items provided to high-value casino customers on a complimentary basis as referenced above.

Costs and Expenses

Costs and expenses for the twelve months ended December 31, 2009 were \$37.3 million, an increase of \$2.3 million, or 6.5%, from \$35.0 million for the prior year. Costs and expenses increased primarily due to a \$2.3 million increase in casino costs and expenses, a \$0.3 million increase in general and administrative costs and expenses partially offset by a \$0.2 million reduction in depreciation and amortization expenses.

Casino costs and expenses increased primarily as a result of a \$0.9 million increase in direct marketing and promotional costs, a \$0.9 million increase in advertising expenses and a \$0.4 million increase in gaming taxes. Direct marketing and promotional costs increased as a result of efforts to increase property visitations and build and retain our slot machine player customer base. Advertising expenses increased primarily as a result of additional costs associated with a marketing campaign to announce extended hours and higher betting limits as permitted with the passage of Colorado Amendment 50 as described above.

General and administrative expenses increased primarily due to increased salaries and wages expenses mostly due to additional cage department costs in conjunction with increased table gaming revenues and as a result of increased benefit costs due mostly to higher management incentive costs.

Depreciation and amortization expenses decreased due to lower depreciation expense due to a reduction in depreciable assets during 2009.

Income from Operations

Income from operations for the twelve months ended December 31, 2009 were \$4.9 million, a decrease of \$1.8 million, or 27.1%, from \$6.7 million for the comparable period in the prior year. The decrease is related mostly to higher casino costs as described above.

EBITDA margins were 23.5% for the twelve months ended December 31, 2009 in comparison to 29.3% for the comparable period in the prior year. Operating margins decreased mostly due to increased casino and general and administrative costs and expenses primarily as a result of our efforts to retain and build our slot customer base and implement extended operating hours and higher betting limits as permitted with the passage of Colorado Amendment 50 as described above. EBITDA was \$9.9 million for the twelve months ended December 31, 2009 less depreciation and amortization expense of \$4.1 million less management fees of \$0.9 million to Riviera Las Vegas equals income from operations of \$4.9 million.

Consolidated Operations

(Loss) Income from Operations

Loss from operations for the twelve months ended December 31, 2009 was \$1.7 million, a decline of \$12.9 million, or 114.7%, from income from operations of \$11.2 million for the same period in the prior year.

The decrease in income from operations was due to a \$35.7 million decrease in consolidated net revenues partially offset by a \$22.8 million decrease in consolidated costs and expenses. Consolidated net revenues decreased as a result of a \$36.2 million net revenue decrease in Riviera Las Vegas and a \$0.5 million net revenues increase in Riviera Black Hawk. The decrease in consolidated costs and expenses was due primarily to a costs and expenses reduction of \$26.6 million in Riviera Las Vegas partially offset by costs and expenses increases of \$2.3 million and \$1.5 million in Riviera Black Hawk and Corporate, respectively. Corporate costs and expenses increased primarily due to restructuring fees of \$2.2 million incurred during the twelve months ended December 31, 2009 partially offset by a

reduction in general and administrative costs and expenses primarily due to lower outside audit fees.

Total Interest Expense, net

Total interest expense, net, includes gain (loss) on early retirement of debt, changes in fair value of derivative instruments, and interest expense, net of interest income. Total interest expense, net, increased \$2.6 million to \$23.2 million for the twelve months ended December 31, 2009 in comparison to \$20.6 million for the prior year. The primary reason for the \$2.6 million increase in interest expense, net was additional expense for the change in the fair value of derivatives of \$1.7 million and an increase in interest expense, net of interest income, of \$0.9 million. During the twelve month period ended December 31, 2009, the change in the fair value of derivatives resulted in a \$5.3 million expenses compared to a \$3.6 million expenses for the comparable period in the prior year. The increase in interest expense, net of interest income, was due primarily to the assessment of default interest expense as a result of the 2009 Credit Defaults described in Item 1 above.

Net Loss

Net losses for the twelve months ended December 31, 2009 and 2008 was \$24.9 million and \$11.9 million, respectively. The \$13.0 million decline was due primarily to the \$12.9 million decrease in consolidated income from operations, the \$2.6 increase in total interest expense, net, partially offset by the \$2.4 million reduction in income tax provision. A \$2.4 million income tax provision was recorded in the prior year while no income tax provision was recorded for the twelve months ended December 31, 2009.

2008 Compared to 2007

The following table sets forth, for the periods indicated, certain operating data for Riviera Las Vegas and Riviera Black Hawk. Net revenues displayed in this table and discussed in this section are net of cash rebates and promotional allowances. EBITDA from properties is presented on the following schedule:

(Dollars in thousands)	2008	2007	Variance \$	Variance %
Net Revenues:				
Riviera Las Vegas	\$ 128,031	\$ 151,505	\$ (23,474)	-15.5%
Riviera Black Hawk	41,729	53,990	(12,261)	-22.7%
Total Net Revenues	\$ 169,760	\$ 205,495	\$ (35,735)	-17.4%
Property EBITDA				
Riviera Las Vegas	\$ 18,748	\$ 30,166	\$ (11,418)	-37.9%
Riviera Black Hawk	12,209	19,133	(6,924)	-36.2%
Property EBITDA (1)	\$ 30,957	\$ 49,299	\$ (18,342)	-37.2%
Other costs and expenses:				
Corporate expenses				
Share-based compensation	795	966	(171)	-17.7%
Other corporate expense	3,857	4,745	(888)	-18.7%
Depreciation and amortization	14,883	13,116	1,767	13.5%
Mergers, acquisitions and development costs, net	191	611	(420)	-68.7%
Asset Impairments	-	72	(72)	NM
Loss on retirement of bonds	-	12,878	(12,878)	NM
Decrease in value of derivative instruments	3,556	13,272	(9,716)	-73.2%
Interest expense, net	17,091	21,897	(4,806)	-21.9%
	40,373	67,557	(27,184)	-40.2%
Net loss before income tax provision	(9,416)	(18,258)	8,842	48.4%
Income tax provision	(2,446)	-	(2,446)	NM
Net loss	\$ (11,862)	\$ (18,258)	\$ 6,396	35.0%
Property EBITDA Margins (2)				
Riviera Las Vegas	14.6%	19.9%	-5.3%	
Riviera Black Hawk	29.3%	35.4%	-6.1%	

(1) Property EBITDA consists of earnings before interest, income taxes, depreciation and amortization. EBITDA is presented solely as a supplemental disclosure because we believe that it is a widely used measure of operating performance in the gaming industry and a principal basis for valuation of gaming companies by certain investors. We use property-level EBITDA (EBITDA before corporate expenses) as the primary measure of operating performance of our properties, including the evaluation of operating personnel. EBITDA should not be construed as an alternative to operating income, as an indicator of operating performance, as an alternative to cash flow from operating activities, as a measure of liquidity, or as any other measure determined in accordance with accounting principles generally accepted in the United States of America. We have significant uses of cash flows, including capital expenditures, interest payments and debt principal repayments that are not reflected in EBITDA. Also, other gaming companies that report EBITDA information may calculate EBITDA in a different manner than we do (see footnote 19 for reconciliation to net loss).

- (2) Property EBITDA margins represent property EBITDA as a percentage of net revenues by property.

Riviera Las Vegas

Revenues

Net revenues for the twelve months ended December 31, 2008 were \$128.0 million, a decrease of \$23.5 million, or 15.5%, from \$151.5 million for the comparable period in the prior year.

Casino revenues for the twelve months ended December 31, 2008 were \$50.6 million, a decrease of \$11.1 million, or 18.1%, from \$61.7 million for the comparable period in the prior year. Casino revenues are comprised of slot machine and table game revenues. In comparison to the same period in the prior year, slot machine revenue was \$39.0 million, a decrease of \$8.2 million, or 17.3%, from \$47.2 million and table game revenue, including revenue from poker, was \$11.5 million, a decrease of \$3.0 million, or 20.4% from \$14.5 million. Slot machine win per unit per day for the twelve months ended December 31, 2008 was \$115.00, a decrease of \$17.22, or 13.0%, from \$132.22 for the comparable period in the prior year. Slot machine and table game revenues decreased primarily due to lower slot machine and table game amounts wagered as a result of reduced hotel occupancy, the effect of a weak economy on consumer spending and encumbered access due to construction at neighboring projects.

Room revenues for the twelve months ended December 31, 2008 were \$52.4 million, a decrease of \$7.5 million, or 12.5%, from \$59.9 million for the comparable period in the prior year. The room rental revenue decrease was primarily attributable to 16.1% and 11.5% decreases in leisure and convention segment occupied rooms, respectively, as a result of higher travel costs, the weaker economy and increased competition. For the twelve months ended December 31, 2008, hotel occupancy was 83.8% in comparison to 93.0% for the comparable period in the prior year. The hotel room occupancy percentage is calculated by dividing total occupied rooms by total rooms available for sale. 6.3% of our hotel rooms were unavailable during 2008 due to our room remodeling project referenced above. For the twelve months ended December 31, 2008, 46.9% and 34.2% of total occupied rooms were leisure and convention segment rooms, respectively. Average daily room rental rate, or ADR, was \$82.81 for the twelve months ended December 31, 2008, a decrease of \$0.06, or 0.1%, from \$82.87 for the comparable period in the prior year. ADR decreased primarily as a result of a \$9.23, or 17.2%, leisure segment ADR reduction mostly offset by a \$9.03, or 9.1% convention segment ADR improvement. Revenue per available room, or RevPar, was \$69.40, a decrease of \$7.65, or 9.9%, from \$77.05 for the comparable period in the prior year. The decrease in RevPar was due primarily to lower occupancy as described above. Room rental revenues include revenues associated with rooms provided to high-value guests on a complimentary basis. These revenues were \$7.8 million for the twelve months ended December 31, 2008 and are included in promotional allowances and deducted from total revenues.

Food and beverage revenues for the twelve months ended December 31, 2008 were \$23.4 million, a decrease of \$3.7 million, or 13.7%, from \$27.1 million for the comparable period in the prior year. The decrease is due to a \$2.8 million food revenue and \$0.9 million beverage revenue reduction primarily as a result of the weak economy, reduced hotel occupancy, less gaming customers and strategic closure of select food and beverage outlets during low volume periods. Food covers decreased primarily in the buffet, coffee shop and the sports book delicatessen and drinks served decreased primarily in the casino bars. Food and beverage revenues include items offered to high-value guests on a complimentary basis. These revenues were \$10.1 million for the twelve months ended December 31, 2008 and are included in promotional allowances and deducted from total revenues.

Entertainment revenues for the twelve months ended December 31, 2008 were \$13.4 million, a decrease of \$0.1 million, or 0.5%, from \$13.5 million for the comparable period in the prior year. The decrease is primarily due to reduced ticket sales for all of our shows except "ICE", an ice skating show that opened April 23, 2007. Entertainment revenues include items offered to high-value guests on a complimentary basis. These revenues were \$3.6 million for the twelve months ended December 31, 2008 and are included in promotional allowances and deducted from total revenues.

Other revenues for the twelve months ended December 31, 2008 were \$6.4 million, an increase of \$0.3 million, or 5.7%, from \$6.1 million for the comparable period in the prior year. The increase in other revenues, which are comprised primarily of rental income, was due to new agreements to lease portions of our parking space and additional rental income from the Banana Leaf Asian Restaurant, which opened in February 2008, and Club de Soleil, a timeshare marketing company.

Costs and Expenses

Casino costs and expenses for the twelve months ended December 31, 2008 were \$28.6 million, a decrease of \$4.2 million, or 13.1%, from \$32.8 million for the comparable period in the prior year. The decrease in casino costs and expenses was due primarily to a reduction in slot machine and table game payroll and related costs to partially offset the \$11.1 million decrease in casino revenue. Reductions in slot and table game payroll and related costs were partially offset with higher marketing and promotional costs primarily due to increased competition and poor economic conditions.

Room rental costs and expenses for the twelve months ended December 31, 2008 were \$25.4 million, a decrease of \$2.7 million, or 9.6%, from \$28.1 million for the comparable period in the prior year. The decrease in room rental costs and expenses was primarily due to an 88,100, or 12.9%, reduction in occupied hotel rooms. As a result, payroll and related costs and operating expenses were reduced accordingly.

Food and beverage costs and expenses for the twelve months ended December 31, 2008 were \$19.2 million, a decrease of \$3.2 million, or 14.2%, from \$22.4 million for the comparable period in the prior year. The decrease in food and beverage cost and expenses was due primarily to a reduction in food and beverage cost of goods, payroll and related costs and other expenses to offset a \$3.7 million food and beverage revenue decrease. Additionally, several food and beverage outlets have been closed during low volume periods to reduce costs and expenses.

Entertainment costs and expenses for the twelve months ended December 31, 2008 were \$8.0 million, a decrease of \$0.6 million, or 7.3%, from \$8.7 million for the comparable period in the prior year. The decrease in entertainment costs and expenses is primarily due to payroll and related costs savings.

General and administrative costs and expenses for the twelve months ended December 31, 2008 were \$26.8 million, a decrease of \$1.2 million, or 4.0%, from \$28.0 for the comparable period in the prior year. The decrease in general and administrative cost and expenses was primarily due a \$0.8 million reduction in the incentive compensation expense. There was no incentive compensation expense for the twelve months ended December 31, 2008.

Other expenses for the twelve months ended December 31, 2008 were \$1.2 million, a decrease of \$0.2 million, or 8.8%, from \$1.4 million for the comparable period in the prior year. The decrease in other expenses was due primarily to cost savings initiatives to partially offset the decrease in net revenues.

Income from Operations

Income from operations for the twelve months ended December 31, 2008 was \$9.3 million, a decrease of \$14.2 million, or 60.3%, from \$23.5 million for the comparable period in the prior year. The decrease is primarily due to lower casino and room rental revenues without offsetting reductions in costs and expenses. Operating margins were 7.3% for the twelve months ended December 31, 2008 in comparison to 15.5% for the comparable period in the prior year. Operating margins decreased primarily due to revenue decreases in our high margin slot machine and room rental operations and a \$1.5 million increase in depreciation and amortization expenses as a result of asset additions mostly attributable to our hotel room remodeling project described above.

Riviera Black Hawk

Revenues

Net revenues for the twelve months ended December 31, 2008 were \$41.7 million, a decrease of \$12.3 million, or 22.7%, from \$54.0 million for the comparable period in the prior year.

Casino revenues for the twelve months ended December 31, 2008 were \$40.7 million, a decrease of \$11.9 million, or 22.6%, from \$52.6 million for the comparable period in the prior year. The decrease in casino revenues is primarily due to a slot machine revenue decrease of \$11.7 million, or 22.7%, to \$39.6 million from \$51.3 million for the comparable period in the prior year. Slot machine revenue per unit per day was \$127.73, a decrease of \$28.04, or 18.0%, from \$155.77 for the comparable period in the prior year. The decrease in slot machine revenue was primarily the result of less slot machine wagering due to the effects of high fuel costs, a weak economy and the smoking ban in Colorado which went into effect January 1, 2008.

Food and beverage revenues for the twelve months ended December 31, 2008 were \$5.1 million, a decrease of \$0.2 million, or 4.1%, from \$5.3 million for the comparable period in the prior year. The decrease is primarily due to a 10.9% reduction in buffet covers due to fewer gaming customers. We frequently provide high value guests with complimentary food and beverage to increase casino revenues. In fact, nearly three quarters of food and beverage revenues are related to complimentary issuances. These revenues are included in promotional allowances and deducted from total revenues as described in Note 1 of the Notes to the Consolidated Financial Statements included in this document.

Other revenues for the twelve months ended December 31, 2008 were \$0.4 million, a decrease of \$0.2 million, or 29.1%, from \$0.6 million for the comparable period in the prior year. The decrease in other revenues, which are comprised primarily of transaction fee revenues from automatic teller machines (ATMs), was attributable principally to a reduction in ATM transactions in conjunction with less casino wagering.

Costs and Expenses

Casino costs and expenses for the twelve months ended December 31, 2008 were \$19.2 million, a decrease of \$4.1 million, or 17.8%, from \$23.3 million for the comparable period in the prior year. The decrease in casino expenses is primarily due to a reduction in slot and table game payroll and related costs which partially offsets the \$11.9 million decrease in casino revenue.

General and administrative expenses for the twelve months ended December 31, 2008 were \$9.0 million, a decrease of \$1.0 million, or 10.2%, from \$10.0 million for the comparable period in the prior year. The decrease in general and administrative expenses was due primarily to a \$0.4 million health insurance credit and a \$0.4 million reduction in the incentive compensation expense. There was no incentive compensation expense for the twelve months ended December 31, 2008.

Food and beverage expenses for the twelve months ended December 31, 2008 were \$1.3 million, a decrease of \$0.2 million, or 10.6%, from \$1.5 million for the comparable period in the prior year. The decrease was the primarily due to payroll and related costs savings.

Income from Operations

Income from operations for the twelve months ended December 31, 2008 were \$6.7 million, a decrease of \$6.0 million, or 46.7%, from \$12.7 million for the comparable period in the prior year. The decrease is primarily due to the \$11.9 million decrease in casino revenues without offsetting reductions in costs and expenses. Operating margins were 16.1% for the twelve months ended December 31, 2008 in comparison to 23.3% for the comparable period in the prior year. Operating margins decreased primarily due to the revenue decrease in our high margin slot machine operations and increased depreciation and amortization expenses.

Consolidated Operations

Income from operations

Income from operations for the twelve months ended December 31, 2008 were \$11.2 million, a decrease of \$18.6 million, or 62.3%, from \$29.8 million for the comparable period in the prior year. The decrease is principally due to a \$35.7 million, or 17.4%, reduction in net revenues to \$169.8 million from \$205.5 million for the comparable period in the prior year. The decrease in net revenues was partially offset by a \$17.2 million, or 9.8%, reduction in total costs and expenses to \$158.5 million from \$175.7 million for the comparable period in the prior year. Operating margins were 6.6% for the twelve months ended December 31, 2008 in comparison to 14.5% for the comparable period in the prior year. Operating margins decreased primarily as a result of the revenue reductions in our high margin slot machine operations and a \$1.8 million increase in depreciation and amortization expense.

Other Expense

Other expenses for the twelve months ended December 31, 2008 were \$20.6 million, a decrease of \$27.4 million, or 57.0%, from \$48.0 million for the comparable period in the prior year. The decrease is primarily due to a \$12.9 million loss on retirement of debt in the prior year, a decrease of \$9.7 million in the amount recorded for unrealized loss on derivatives and a decrease of \$4.8 million in interest expense, net of interest income. The loss on retirement of debt resulted from the retirement of our 11% Notes as described below under Liquidity and Capital Resources. The decrease in the unrealized loss on derivatives was due primarily to lower interest rates resulting in an increase in the fair value of our interest rate swap liability. The decrease in interest expense was the result of reduced borrowing costs associated with our Credit Facility executed June 2007.

Net Loss

Net loss for the twelve months ended December 31, 2008 was \$11.9 million, an improvement of \$6.4 million, or 35.0%, from a net loss of \$18.3 million for the comparable period in the prior year. The improvement is due to the \$27.4 million reduction in other expenses which was partially offset by the \$18.6 million decrease in consolidated income from operations and a \$2.4 million income tax provision for the twelve months ended December 31, 2008 in comparison to no income tax provision for the prior year. The \$2.4 million income tax provision was recorded in order to increase our valuation allowance as we currently do not believe that it is more likely than not that we can utilize the deferred tax assets. Moreover, our effective tax of 26% is lower than the U.S. Federal rate of 35% primarily due to Management's conclusion that it is more likely than not it will be unable to utilize its net deferred tax asset (see note 12 within the consolidated financial statements below)

Liquidity and Capital Resources

Our independent registered public accounting firm included an explanatory paragraph that expresses substantial doubt as to our ability to continue as a going concern in their audit report contained in the accompanying financial statements for the years ended December 31, 2009 and 2008. We cannot provide any assurance that we will in fact operate our business profitably, maintain existing financings, or obtain sufficient financing in the future to sustain our business in the event we are not successful in our efforts to generate sufficient revenue and operating cash flow.

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

We had cash and cash equivalents of \$19.1 million and \$13.5 million as of December 31, 2009 and 2008, respecti