SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1997-03-10** | Period of Report: **1996-12-31**
SEC Accession No. 0000894579-97-000021

(HTML Version on secdatabase.com)

FILER

RIVIERA HOLDINGS CORP

CIK:**899647**| IRS No.: **880296885** | State of Incorp.:**NV** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-11711** | Film No.: **97553911**
SIC: **7011** Hotels & motels

Mailing Address
2901 LAS VEGAS BLVD S
LAS VEGAS NV 89109

Business Address
2901 LAS VEGAS BLVD SOUTH
LAS VEGAS NV 89109
7027949527

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
[X] Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required]

For the fiscal year ended December 31, 1996

[ ] Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required]

For the transition period from ___________________ to ____________________

Commission file number 000-21430

RIVIERA HOLDINGS CORPORATION
(Exact name of Registrant as specified in its charter)

Nevada	88-0296885
(State of Incorporation)	(I.R.S. Employer Identification No.)

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

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

Securities registered pursuant to Section 12(b) of the Act: None

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Registration 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 amendment to this Form 10-K. [X]

Based on the average price bid for the Registrant's Common Stock as of March 4, 1997, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $46,920,000.

As of March 4, 1997, the number of outstanding shares of the Registrant's Common Stock was 4,923,380.

Documents incorporated by reference: The Company's Proxy Statement dated April 16, 1997, relating to the Annual Meeting of Stockholders to be held on May 8, 1997, is incorporated by reference in Part III hereof.

Exhibit Index Appears on Page 34 hereof.

RIVIERA HOLDINGS CORPORATION AND SUBSIDIARY
ANNUAL REPORT ON FORM 10-K FOR THE FISCAL
YEAR ENDED DECEMBER 31, 1996

TABLE OF CONTENTS

Item 1. Business...3

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

General 3
Business and Growth Strategy..................................... 4
The Riviera.. 6
Marketing Strategy... 9
Las Vegas Market..10
The Black Hawk Project..11
Colorado Market...12
Riviera Gaming Management..13
Competition...13
Employees and Labor Relations...................................15
Regulation and Licensing..15
Federal Registration..24

Item 2. Properties..24

Item 3. Legal Proceedings...24

Item 4. Submission of Matters to a Vote of Security Holders...24

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters................................25

Item 6. Selected Financial Data...26

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations............................27
Results of Operations...27
1996 Compared to 1995...27
1995 Compared to 1994...29
Liquidity and Capital Resources.................................30
Forward Looking Statements......................................31
Recently Adopted Accounting Standards...........................32

Item 8. Financial Statements and Supplementary Data, etc..................32

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure............................32

Item 10. Directors and Executive Officers of the Registrant................33

Item 11. Executive Compensation...................................... 33

Item 12. Principal Shareholders..33

Item 13. Certain Relationships and Related Transactions 33

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8K..34

PART I

Item 1. Business

General

Riviera Holdings Corporation, a Nevada corporation (the "Company"), through its wholly owned subsidiary, Riviera Operating Corporation, a Nevada corporation ("ROC"), owns and operates the Riviera Hotel & Casino (the "Riviera") located on the Strip in Las Vegas, Nevada. The Riviera caters to adults seeking traditional Las Vegas-style gaming and entertainment. The Riviera is situated on a 26-acre site across the Strip from Circus Circus and adjacent to the Las Vegas Hilton and the Las Vegas Convention Center. The property features approximately 2,100 hotel rooms (including 169 suites), 105,000 square feet of casino space, a 100,000 square-foot convention, meeting and banquet facility (one of the largest in Las Vegas), four full-service restaurants, a 430-seat buffet, four showrooms, a 200-seat entertainment lounge, 47 food and retail concessions and approximately 2,900 parking spaces. The casino contains approximately 1,300 slot machines, 50 gaming tables, a keno lounge and a 200-seat race and sports book. The Riviera also offers one of the most extensive entertainment programs in Las Vegas, including such popular shows as Splash, An Evening at La Cage, Crazy Girls and Bottoms Up and featured comedians at the Riviera Comedy Club.

Opened in 1955, the Riviera was one of the original casino/hotels on the Las Vegas Strip catering to high stakes gamblers. Since opening, the Riviera has been expanded several times. The most recent expansion, which occurred

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

during 1988 through 1990, resulted in significant cost overruns and ultimately contributed to the Company's predecessor filing for bankruptcy protection in 1991. In 1992 the current management team was assembled and successfully guided the Company through its emergence from bankruptcy in June 1993. As a result of the bankruptcy, all of the Common Stock and $100.0 million of the Company's 11% Mortgage Notes due December 31, 2002 (the "First Mortgage Notes") under the First Mortgage Note Indenture (the "Note Indenture") were distributed to the secured creditors of the predecessor company.

The new management team implemented new marketing programs, which included targeting California and the southwestern United States, and initiated a number of strategic changes to reposition the Riviera, including a shift from "high-rollers" to mid-level gaming customers, particularly slot players, who seek a broader entertainment experience. Management reconfigured the casino space to improve the flow of customer traffic, installed new slot machines and bill acceptors, reduced the number of gaming tables and de-emphasized baccarat. Management also decreased the volatility of gaming revenues by reducing credit limits, outsourcing the Company's sports book and shifting to parimutuel horse wagering. Improved hotel marketing efforts have resulted in one of the highest room occupancy rates on the Strip.

On October 22, 1996, the Company filed a registration statement on Form S-1, registration no. 333-14593 (the "Registration Statement"), for a public offering of its Common Stock (the "Offering"). The Company expects to file an Amendment No. 1 to the Registration Statement ("Amendment No. 1") on March 10, 1997. The Offering, as amended by Amendment No. 1, contemplates an underwritten offering by the Company of 1,750,000 shares of its Common Stock to the public and the sale of 1,250,000 shares of Common Stock to the public by certain selling stockholders in a secondary underwritten offering. The Company also granted the underwriters an option to purchase an additional 450,000 shares of Common Stock to cover over-allotments. Based on the last reported sales price of $14.125 on the American Stock Exchange on March 4, 1997, and subject to market conditions, the Company would receive (excluding the underwriters' over-allotment option) net proceeds from the Offering of approximately $24.1 million (after deducting expenses of the Offering estimated at approximately $0.6 million).

Business and Growth Strategy

Over the past several years, management initiated a number of strategic changes at the Riviera to reposition the property to compete in the Las Vegas gaming market. The Company has formulated a business and growth strategy to maintain the competitive position of the Riviera as well as grow the Company. The key elements of the Company's business and growth strategy are discussed below.

Develop New Casino/Hotels

The Company intends to pursue a growth strategy by developing or acquiring casino/hotel properties in Nevada and other jurisdictions. As part of this strategy, on March 4, 1997, the Company entered into a letter of intent with Eagle to form RBL as a joint venture to develop the Black Hawk Project at what management believes is the premier gaming site in the Black Hawk/Central City, Colorado gaming market. The 71,000 square foot site, zoned entirely for gaming, is the first gaming site encountered when traveling from Denver and is approximately an hour drive from and 40 miles west of Denver. Approximately three million people live within a 100-mile radius of Black Hawk/Central City and casinos in the market generated gaming revenues of approximately $291 million in 1995 and $309 million in 1996.

In addition to the Black Hawk Project, the Company also plans to review and selectively acquire or develop casino/hotel properties both in Nevada and other jurisdictions. These other jurisdictions may include Michigan and Mexico. Other than the Black Hawk Project, the Company does not presently have any agreements in principle for involvement in any new or financially troubled projects.

Manage Distressed Casino/Hotel Properties

In order to capitalize on management's experience in repositioning and managing the Riviera through the bankruptcy process, the Company formed Riviera Gaming Management, Inc. ("RGM") for the primary purpose of obtaining casino management contracts with financially distressed casino/hotels in Nevada and other jurisdictions. Since August 1996, RGM has been managing the Four Queens Hotel/Casino ("Four Queens") located adjacent to the Golden Nugget on Fremont Street in downtown Las Vegas. Under the Four Queens management contract, RGM receives a guaranteed minimum management fee plus additional compensation, based on earnings before interest, taxes, depreciation and amortization

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

("EBITDA") improvement of the Four Queens, and warrants to purchase 20% (on a fully diluted basis) of the equity of the Four Queens' parent.

The Company believes that there is increasing demand for the services of skilled gaming and hospitality professionals. The Company intends to pursue management contracts with other financially distressed gaming properties. Management is actively reviewing and evaluating other financially troubled gaming properties in Nevada and other jurisdictions with a view towards managing properties with underlying sound business potential and in which the Company can purchase an equity interest.

Continue to Improve Performance of the Riviera

The Riviera will continue to emphasize marketing programs that appeal to slot and mid-level table game customers with a focus on creating repeat customers and increasing walk-in traffic. Key elements of this strategy include offering a value-oriented experience by providing a variety of hotel rooms, restaurants and entertainment, with some of Las Vegas' most popular shows, all at reasonable prices. The Company is continuing an extensive capital investment program at the Riviera, including completion of the upgrade of its slot machines in the second quarter of 1997 and the refurbishment of all its hotel rooms, which is expected to be completed in the fall of 1997. In addition, the Company will

focus its marketing to take advantage of the Riviera's location by capitalizing on the anticipated increase in walk-in traffic from the addition of 1,000 rooms across the Strip at Circus Circus and the expansions of the Las Vegas Hilton and the Las Vegas Convention Center.

Emphasize Slot Play. Management instituted a number of initiatives at the Riviera to increase slot play, including the replacement of old slot machines, the installation of bill acceptors and the addition of slot hosts. The Company's strategy is to continue to increase slot play through marketing programs and other improvements, including (i) completion of the Company's slot upgrade program in the second quarter of 1997, (ii) addition of new signage, (iii) promotion of the Riviera Player's Club, (iv) sponsorship of slot tournaments, (v) creation of promotional programs and (vi) marketing of the "World's Loosest Corner of Slots" and "$40 for $20" slot promotions.

Create Repeat Customers. Generating customer loyalty is a critical component of management's business strategy as retaining customers is less expensive than attracting new ones. The Company generates repeat customers by (i) providing a high level of service to its customers to ensure an enjoyable experience while at the Riviera, (ii) responding to customer surveys and (iii) focusing marketing efforts and promotional programs on customers with positive gaming profiles.

Provide Extensive Entertainment Options. The Company believes entertainment provides an attractive marketing tool to attract customers to the Riviera. The Riviera offers one of the most extensive entertainment programs in Las Vegas, including such well received shows as Splash (a variety show), An Evening at La Cage (a female impersonation show), Crazy Girls (an adult revue) and Bottoms Up (a burlesque-style show) as well as featured comedians at the Riviera Comedy Club. The Company continually updates its shows in response to customer surveys and to keep them fresh. Tickets for the shows are offered at reasonable prices in keeping with the Company's emphasis on mid-level customers.

Attract Walk-In Traffic. The Company seeks to maximize the number of people who patronize the Riviera that are not guests in the hotel. The Riviera is well situated on the Las Vegas Strip near Circus Circus, The Stardust Hotel & Casino, the Westward Ho Casino & Hotel, the Las Vegas Hilton and the Las Vegas Convention Center. Management strives to attract customers from those facilities, as well as capitalize on the growth in Las Vegas visitors in general, with the goal of increasing walk-in traffic by (i) providing a variety of quality, value-priced entertainment and dining options, (ii) promoting the "World's Loosest Corner of Slots" and "$40 for $20" slot promotions, and placing them near the entrances to the casino, (iii) upgrading the exterior of the Riviera including painting, lighting and landscaping and (iv) completing Phase I (see "-- Further Develop the Riviera") to attract customers into the casino.

Focus on Convention Customers. The Riviera targets convention business because it typically provides patrons willing to pay higher room rates and it provides certain advance planning benefits, since conventions are usually booked two years in advance of the event date. The Riviera has 100,000 square feet of exhibit, meeting and banquet space (one of the largest convention facilities provided by a casino/hotel in Las Vegas) making it attractive to large groups. Management focuses its marketing efforts on conventions whose participants have the most active gaming profile and higher room rate, banquet and function spending habits. The Riviera also benefits from its proximity to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

the Las Vegas Convention Center which makes it attractive to city-wide conventioneers looking to avoid the congestion that occurs during a major convention, particularly at the south end of the Strip.

Further Develop the Riviera

The Company has engaged architects and designers to prepare an overall expansion plan (the "Master Plan") for the existing 26-acre site. The Company believes that implementation of the Master Plan will attract additional customers.

Phase I. The initial phase of the Master Plan will include a 40,000 square foot expansion of the 100,000 square foot convention, meeting and banquet facility at an estimated cost of approximately $6 million. The Company derives approximately 25% of its hotel occupancy from convention customers and considers them a critical component of its customer base. Management believes that an expansion of the convention space is necessary to accommodate the growth in the size and number of the groups that presently use the facility as well as new groups. Phase I will also include the redevelopment of the approximately 20,000 square feet of vacant space fronting the Las Vegas Strip, across from Circus Circus, to attract walk-in traffic as well as tourists throughout the city.

Future Phases. Future Phases may include development of an approximately 60,000 square foot domed shopping and entertainment complex to be constructed directly over the casino and containing stores and entertainment that will appeal to the Riviera's main target audience, adults aged 45 to 70. The exit from the complex will be by an escalator which will deliver patrons to the casino. The Company expects to find partners to finance, develop and operate the entertainment attraction and retail stores. The Company also has approximately nine acres available for additional development. The Company is exploring a number of options in order to make the best use of this valuable land.

As part of the Master Plan, the Company is considering a joint venture for the development of a time-share condominium tower. The Company expects to contribute land to the joint venture and a third party would construct and sell time-share units and arrange financing. Management believes that additional rooms adjacent to the Las Vegas Convention Center would be particularly attractive to business customers and would provide a base of additional casino customers. Other potential development projects include the construction of a new hotel tower and additional parking facilities. The development of a time-share tower, hotel tower or parking facility would require additional financing, a release of restrictions under the Note Indenture and, in the case of the time-share tower, a joint venture partner, none of which the Company has in place at this time.

The Riviera

The Riviera is located on the corner of Las Vegas Boulevard, the "Strip," and Riviera Drive, across the Strip from Circus Circus. The back of the 26-acre property fronts Paradise Road across from the Las Vegas Hilton and the Las Vegas Convention Center. The Riviera is strategically located to take advantage of the high tourist traffic along the Strip as well as the increasing number of convention customers that use the Las Vegas Convention Center.

Gaming. The Riviera has 105,000 square feet of casino space. The casino currently has approximately 1,300 slot machines and 50 gaming tables, including blackjack, craps, roulette, pai gow poker, Caribbean Stud(R) poker, baccarat, Let It Ride(R) and poker. The casino also includes a keno lounge and a 200-seat race and sports book.

Gaming operations at the Riviera are continually monitored and modified to respond to both changing market conditions and customer demand in an effort to attract new customers, retain existing customers, and encourage repeat customer business. New and innovative slot and table games have been introduced based on customer feedback. Management devotes substantial time and attention to the type, location and player activity of all its slot machines. The Company is continuing an extensive capital

investment program for the upgrade of its slot machines which is expected to be completed in the second quarter of 1997.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The current management team has made an effort to redirect its business away from high-stakes wagerers and to focus, instead, on mid-level gaming customers and thus has implemented stricter credit policies and a reduction of baccarat table limits. As a result, the percentage of table game dollar volume represented by credit play declined from approximately 24% in 1993 to 15% in 1996. Because the extension of credit is not as necessary for success with mid-level gaming customers, management expects that providing credit, and the risks associated with possible losses on uncollectible and discounted receivables, will continue to be less significant to the casino. However, because management intends to maintain a balanced marketing strategy which will include some level of credit being extended, providing credit and the risks associated therewith will remain. Receivables from casino operations declined from approximately $2.9 million at December 31, 1993 to approximately $2.3 million at December 31, 1996 and the allowance for bad debts and discounts from casino operations declined from approximately $763,000 to $432,000 during the same period. These reductions resulted primarily from the imposition of stricter credit standards. Management maintains strict controls over the issuance of credit and aggressively pursues collection of its customer receivables.

Hotel. The Riviera's hotel is comprised of five hotel towers with approximately 2,100 rooms, including 169 suites. Built in 1955 as part of the original casino/hotel, the nine-story North Tower features 391 rooms and 11 suites. In 1967, the 12-story South Tower was built with 147 rooms and 31 suites. Another 220 rooms and 72 suites including penthouse suites were added to the property through the construction of the 17-story Monte Carlo Tower in 1974. In 1977, the six-story San Remo Tower added 243 rooms and six suites to the south side of the resort. The most recent phase of hotel expansion was completed in 1988 upon the opening of the 930 room, 49 suite, 24-story Monaco Tower. The Company is currently refurbishing all of its rooms, with approximately 1,100 completed through the end of 1996 and the balance expected to be completed in the fall of 1997. Management believes that the Riviera has attained room occupancy rates that are among the highest on the Strip with 97.5% for 1994, 97.0% for 1995, and 98.2% for 1996 (based on available rooms).

Restaurants. The quality, value and variety of food services are critical to attracting Las Vegas visitors. The Riviera offers four bars and five restaurants and serves an average of approximately 5,000 meals per day, including banquets and room service. The following table outlines, for each restaurant, the type of service provided and total seating capacity:

Name	Type	Seating Capacity
Kady's	Coffee Shop	290
Kristofer's	Steak and Seafood	162
Rik' Shaw	Chinese	124
Ristorante Italian	Italian	126
World's Fare Buffet	All-you-can-eat	432
Total		1,134

In addition, the Riviera has a food court operated by a third party under a long-term lease with 200 seats and several fast-food restaurants, including Burger King(R), Panda Express(R), Pizza Hut(R) and "TCBY"(R).

Convention Center. The Riviera features 100,000 square feet of convention, meeting and banquet space. The convention center is one of the largest 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. The Riviera hosts approximately 150 conventions per year. As of December 31, 1996, the Riviera had over 440,000 confirmed convention-related room nights for 1997 and 1998. On average, approximately 25% of the rooms are occupied for conventions. See "Business and Growth Strategy -- Further Develop the Riviera" for a description of potential expansion of the convention center.

Entertainment and Other. The Riviera has one of the most extensive entertainment programs in Las Vegas, offering five different regularly scheduled shows and special appearances by headline entertainers in concert. The five in-house productions are regularly updated and changed. In November 1994, the award winning Splash production was closed in order to revise the show and remodel the showroom for the new Splash, which opened on June 23, 1995. A summary of the shows and times is outlined below:

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Show	Type	Performance Times	Seating Capacity
Splash	Variety show	Twice a night, seven nights per week	950
An Evening at La Cage	Female impersonation	Twice a night, five nights per week; three times on Wednesday	575
Crazy Girls	Adult-oriented production	Twice a night, five nights per week; three times per night on Saturday	410
Bottoms Up	Afternoon burlesque show	Twice a day, five days per week	410
The Riviera Comedy Club	Stand-up comedy	Twice a night, five nights per week; three times a night on Friday & Saturday	350

Other entertainment includes the 200-seat Le Bistro entertainment lounge located in the casino which offers live performances six times per night. In addition, the Riviera sponsors special events, such as the Las Vegas Bowl football game, and presents major concerts such as the Beach Boys, the Pointer Sisters, Drew Carey and the Doobie Brothers.

The Riviera's pool area is approximately 75,000 square feet and is centrally located between the property's hotel towers. The pool area features an olympic-size swimming pool. The Riviera also has tennis courts and a fitness center and spa.

The Riviera has 41 retail concessions located throughout the property which include gift shops, a jewelry store, men and women's apparel stores, a children's shop and a shoe store.

Marketing Strategy

In contrast to many of the new casino/hotels that cater to families, the Company believes its customers prefer a traditional Las Vegas-style entertainment and gaming environment. As a result, the Company focuses its marketing efforts on adults. The operating profits of the Riviera depend upon the level of gaming activity in the casino as well as revenues from lodging, food and beverage, conventions, entertainment and retail operations. Accordingly, the marketing strategy of the Riviera is to (i) target customers age 45 to 70 who have more discretionary income and higher spending profiles, (ii) achieve maximum occupancy and room rates and (iii) obtain the most profitable mix of business. In developing its overall marketing programs, the Company conducts extensive, ongoing research of its target customers' preferences through written surveys, one-on-one interviews and focus groups.

The Company focuses on attracting its guests through a range of entertainment opportunities. The Riviera has one of the most extensive entertainment programs in Las Vegas with five different regularly scheduled shows and special appearances by headline entertainers. In addition, the Riviera offers a variety of quality dining options, a range of accommodations from deluxe rooms to penthouse suites, numerous recreational facilities and 41 retail outlets located throughout the property. The Company believes that it offers a value-oriented experience by providing a variety of hotel rooms, restaurants and entertainment, with some of Las Vegas' most popular shows, all at reasonable prices.

The Company designs promotional offers targeted at certain mid-level gaming patrons that are expected to provide revenues based upon their historical gaming patterns. The Company contacts these customers through a combination of direct mail and telemarketing by an in-house marketing staff and independent representatives located in major cities. The Riviera uses a proprietary database which is linked to its player tracking system to help identify customers' requirements and preferences; this allows the Riviera to customize promotions to attract repeat visitors. The Company offers customers personalized service, credit availability and access to a variety of complimentary or reduced rate room, dinner and entertainment reservations. Management uses a specialized multi-tiered marketing approach to attract customers in each of its major market

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

segments. In addition, the Company hosts an array of special events, including slot and table tournaments, designed to attract customers for an extended stay.

The Company focuses its marketing efforts in the southwestern United States during the spring and summer months and in the midwestern United States during the fall and winter months because of the vacation patterns of the Riviera's target customers in those markets. Marketing efforts in California are consistent throughout the year reflecting the constant flow of California residents to Las Vegas.

One of the Company's most successful permanent promotions is its "$40 for $20" slot promotion which attracts slot players to the casino. The promotion offers $40 of slot play on certain promotional machines for $20 cash. If the customer does not win a jackpot of at least $40, a prize with a retail value of at least $20 is awarded. The sign-up counter and the promotion machines are located near an entrance to the casino and often draw long lines of patrons. The Company has introduced this promotion at the Four Queens and has been approached to license this promotion to other casinos as well, which it may do in the future.

Another successful promotion is the "World's Loosest Corner of Slots" which is an area of the casino that contains banks of slot machines with the guaranteed highest payback percentages of any similar machines in Las Vegas. Like the "$40 for $20" slot promotion, the "World's Loosest Corner of Slots" is located near an entrance to the casino to attract walk-in traffic.

The Company targets the following segments of the Las Vegas market:

Mid-Level Gaming Customers. The Company has developed a marketing program intended to develop a loyal following of repeat slot and mid-level table game customers. Management believes it has been able to successfully attract these patrons using the Riviera's restaurants, hotel accommodations and entertainment and by focusing on customer service. Management has adopted a selective approach to the extension of credit to these customers in order to reduce volatility of operating results. The Company uses its research data to tailor promotional offers to the specific tastes of targeted customers. All slot and table players are encouraged to join the Riviera Player's Club and to fill out surveys that provide the Riviera with personal information and preferences and tracks their level of play. Members of the Riviera Player's Club earn bonus points based upon their level of play, redeemable for free gifts, complimentary services or cash rebates. Promotional offers are made to qualifying customers through direct mail and telemarketing.

Tour and Travel. The tour and travel segment of the market consists of customers from across the country who utilize "packages" to reduce the cost of travel, lodging and entertainment. These packages are produced by wholesale operators and travel agents and emphasize mid-week stays. Tour and travel patrons often book at off-peak periods enabling the Company to maintain occupancy rates at the highest levels throughout the year. Management has developed specialized marketing programs and cultivated relationships with wholesale operators, travel agents and major domestic air carriers to expand this market. The Company's three largest tour and travel operators, including America West Vacations, currently account for approximately 500 room bookings per night. The Company makes an effort to convert tour and travel customers who meet the Company's target customer profile into repeat customers.

Conventions. This market segment consists of two groups: (i) those trade organizations and groups that hold their events in the banquet and meeting space provided by a single hotel, and (ii) those attending city-wide events, usually held at the Las Vegas Convention Center. The Riviera targets convention business because it typically provides patrons willing to pay higher room rates and provides certain advance planning benefits, since conventions are usually booked two years in advance of the event date. The Riviera has 100,000 square feet of exhibit, meeting and banquet space (one of the largest convention facilities provided by a casino/hotel in Las Vegas) making it attractive to large groups. Management focuses its marketing efforts on conventions whose participants have the most active gaming profile and higher room rate, banquet and function spending habits. The Riviera also benefits from its proximity to the Las Vegas Convention Center which makes it attractive to city-wide conventioneers looking to avoid the congestion that occurs during a major convention, particularly at the south end of the Strip.

Free and Independent Travelers. This market segment consists of persons who travel to Las Vegas from all areas of the world, many of whom originate from the western United States. These customers are not affiliated with groups and make their reservations directly with the hotel or through independent travel agents. The Riviera benefits from high name recognition with this market segment.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Las Vegas Market

The Riviera targets the large and expanding Las Vegas tourist and gaming market. Las Vegas is the largest city in Nevada, with a local population in excess of one million, and is Nevada's principal tourist center. Gaming and tourism are the major attractions, complemented by warm weather and the availability of many year-round recreational activities. Although Las Vegas' principal markets are the western region of the United States, most significantly Southern California and Arizona, Las Vegas also serves as a destination resort for visitors from all of North America. In addition, a significant percentage of visitors originate from Latin America and Pacific Rim countries such as Japan, Taiwan, Hong Kong and Singapore.

Las Vegas is one of the largest and fastest growing entertainment markets in the country. According to the Las Vegas Convention and Visitors Authority (the "LVCVA"), the number of visitors traveling to Las Vegas has increased at a steady and significant rate for the last ten years from 15.2 million in 1986 to more than 29.0 million in 1995, a compound annual growth rate of 7.5%. Gaming has continued to be a strong and growing business with Las Vegas Strip gaming revenues increasing at a compound annual growth rate of 9.9% from $1.6 billion in 1986 to $3.6 billion in 1995.

Historically, Las Vegas has had one of the strongest hotel markets in the country. The number of hotel and motel rooms in Las Vegas has increased by over 40% from approximately 67,000 at the end of 1989 to 95,000 at the end of 1996, giving Las Vegas the most hotel and motel rooms of any metropolitan area in the country. Despite this significant increase in the supply of rooms, the Las Vegas hotel occupancy rate exceeded 91% for each of 1993, 1994, 1995 and the first 11 months of 1996. Since January 1, 1996, approximately 4,700 new hotel rooms opened and as of December 31, 1996, there were over 9,200 hotel rooms under construction (which combined constitutes a 14.7% increase in the number of hotel and motel rooms in Las Vegas) and the LVCVA estimated that approximately 60,000 additional hotel rooms were proposed for construction.

The Company believes that the growth in the Las Vegas market has been enhanced as a result of a dedicated program by the LVCVA and major Las Vegas casino/hotels to promote Las Vegas as a major convention site, the increased capacity of McCarran Airport and the introduction of large themed destination resorts in Las Vegas. In 1986, approximately 1.5 million people attended conventions in Las Vegas and generated approximately $1.0 billion of non-gaming economic impact. For the first 11 months of 1996, the number of convention delegates had increased to 3.2 million with approximately $3.9 billion of non-gaming economic impact. According to the LVCVA, Las Vegas was the largest convention market in the country in 1995.

During the past five years, McCarran Airport has expanded its facilities to accommodate the increased number of airlines and passengers which it services. The number of passengers traveling through McCarran Airport has increased from approximately 12.4 million in 1986 to 30.5 million in 1996, a compound annual growth rate of 9.4%. Construction is currently underway on numerous roadway enhancements to improve access to the airport. The airport has additional long-term expansion plans underway which will provide additional runways, three new satellite concourses, 60 additional gates and other facilities.

The Black Hawk Project

The Company recently signed a letter of intent with Eagle to form RBL, a joint venture, to develop a casino at what management believes is the premier development site (the "Development Site") in Black Hawk, Colorado. The Development Site is currently the closest gaming site to Denver and is the first site encountered when traveling from Denver to Black Hawk/Central City. The Black Hawk/Central City market primarily serves the metropolitan Denver area and is approximately an hour drive and 40 miles from central Denver.

Located on South Main Street, the Development Site is directly in front of the Colorado Central Station, owned by Anchor Gaming, which management believes is the most successful casino in Colorado due to its location, size and availability of parking. Unlike most other sites, the Development Site is level and has a relatively broad footprint, which provides significant cost and time savings in construction relative to other projects in the market and can accommodate a large Las Vegas-style casino on one floor.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Development Site comprises 71,000 square feet, zoned for gaming. The casino building is expected to be approximately 62,000 square feet and include approximately 1,000 slot machines and 14 table games. In addition, the facility will provide entertainment, food and beverage service and will incorporate an attached covered parking facility for 500 vehicles. The Company believes that the Black Hawk Project could be expanded beyond its currently permitted scope based on zoning waivers granted to other casino developers.

The Company currently estimates that total costs for completion of the Black Hawk Project will be approximately $55 million. The Company estimates that, in addition to the equity financing of RBL, approximately $33 million of third party mortgage and equipment financing will be required in order to complete the Black Hawk Project. The Company currently does not have any commitments for such financing. It is anticipated that construction on the Development Site will begin in the third quarter of 1997, with an opening of the casino/hotel scheduled for mid-1998.

The Black Hawk Project joint venture outlined in the March 4, 1997 letter of intent (the "Letter of Intent") between the Company and Eagle contemplates the development of an integrated gaming, entertainment and parking facility on the Development Site. As part of the proposed joint venture and development of the Black Hawk Project, the Company will purchase an approximately 80% interest in RBL for $17.6 million and Eagle will acquire an approximately 20% interest in RBL for $4.4 million, assuming an approximately $55 million project cost and 40% equity capitalization. The Company intends to use the net proceeds of the Offering to fund its investment in RBL. Eagle has an option to increase its ownership interest in RBL up to 49.9% at any time prior to the date on which RBL is licensed by the Colorado gaming authorities by acquiring such additional ownership interest from the Company at cost. In addition, the Company has committed to provide a completion guaranty for up to $5.0 million. The Company will also enter into a management agreement with RBL that will provide for management fees based on gross revenue and EBITDA of the casino.

The Black Hawk Project is subject to a number of conditions. These conditions include obtaining commitments for approximately $33 million of mortgage and equipment financing on satisfactory terms, obtaining bonded fixed-price construction and completion contracts, obtaining regulatory approvals for the Black Hawk Project and completing a development and operating agreement with Eagle. There can be no assurance that these and other conditions to the Black Hawk Project can be satisfied on terms satisfactory to the Company.

In addition, the Black Hawk Project site may be subject to an adverse mineral rights claim which, if validated through the appeal of the adverse claimant, could materially and adversely affect development of the Black Hawk Project. Further, certain environmental conditions exist at the Black Hawk Project site, the remediation or related costs of which could increase development costs of the Black Hawk Project significantly.

Colorado Market

In November 1990, the state of Colorado approved limited stakes gaming ($5.00 or less per wager) in two historic gold mining areas, Black Hawk/Central City and Cripple Creek. Because of the $5.00 maximum bet, the casinos in Colorado emphasize gaming machine play. Black Hawk and Central City are contiguous and are located approximately 40 miles from Denver and 10 miles from Interstate 70, the main highway connecting Denver to many of Colorado's major ski resorts. Cripple Creek is located approximately 45 miles from Colorado Springs and 75 miles from Pueblo. Casinos located in the Black Hawk/Central City area serve primarily the residents of Denver and Boulder, Colorado and surrounding communities. Approximately three million people live within a 100-mile radius of the Black Hawk/Central City area.

The following table sets forth statistical information relating to the growth of the Black Hawk/Central City market compiled from data published by the Colorado Department of Revenue:

<TABLE>
<CAPTION>

	Years Ended December 31,			
	1993	1994	1995	1996

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<S>	<C>	<C>	<C>	<C>
Aggregate Gaming Revenues (in millions)	$186.2	$243.4	$291.0	$308.8
Revenue Per Slot Machine Per Day	$69.55	$79.88	$84.94	$93.04
Average Number of Slot Machines	6,922	7,705	8,636	8,446
Average Number of Casinos in Operation	36	34	32	33

</TABLE>

Riviera Gaming Management

In order to capitalize on management's experience in repositioning and managing the Riviera through the bankruptcy process, the Company formed RGM, a wholly owned subsidiary of the Company, for the primary purpose of obtaining casino management contracts with financially distressed casino/hotels in Nevada and other jurisdictions. Management believes there will be an increasing demand for their services by financially distressed casino/hotels. In addition, RGM may provide other services including assisting new venue licensee applicants in designing and planning their gaming operations and managing the start-up of new gaming operations. These services would include casino design, equipment selection, employee recruitment and training, control and accounting systems and marketing programs.

Four Queens Management Agreement. Since August 1996, RGM has been operating the Four Queens located adjacent to the Golden Nugget on Fremont Street in downtown Las Vegas under an interim management agreement for a fee of $83,333 per month. A long-term management agreement (the "Management Agreement") with Elsinore Corporation ("Elsinore"), the owner of the Four Queens, went into effect on February 28, 1997, the effective date of the Chapter 11 plan of reorganization of Elsinore.

The term of the Management Agreement is approximately 40 months, subject to earlier termination or extension. Either party may terminate if cumulative EBITDA for the first two fiscal years is less than $12.8 million. The term can be extended by an additional 24 months at RGM's option, if cumulative EBITDA for the three fiscal years of the term is at least $19.2 million. RGM will be paid a fee of 25% of any increase in annual EBITDA over $4.0 million, subject to a $1.0 million minimum fee, payable in equal monthly installments. RGM has received warrants for 20% of Elsinore's fully diluted equity, exercisable during the term or extended term of the Management Agreement at an exercise price based on the higher of (i) the per share book value on the effective date of the Elsinore bankruptcy plan or (ii) total shareholders' equity of $5.0 million. Either party can terminate the Management Agreement if (i) substantially all the Four Queens' assets are sold, (ii) the Four Queens is merged or (iii) a majority of the Four Queens' or Elsinore's shares are sold. Upon such termination, RGM will receive a $2.0 million termination bonus minus any amount realized or realizable upon exercise of the warrants.

Competition

Intense competition exists in the gaming industry, and many of the Company's competitors have significantly greater resources than the Company. The Riviera faces competition from all other casinos and hotels in the Las Vegas area, principally competitors located on or near the Las Vegas Strip. In recent months, several of the Company's direct competitors have opened new casino/hotels or have

commenced or completed major expansion projects, and other casino/hotels and expansions are planned. In addition, a number of new mega-resorts on the Strip have been announced and are expected to be completed within the next two years. Expansions or enhancements of existing properties or the construction of new properties by competitors could have a material adverse effect on the Company's business.

Management believes that the most direct competition for the Riviera comes from certain large casino/hotels located on or near the Strip which offer amenities and marketing programs similar to those offered by the Riviera. These facilities currently include Bally's Las Vegas, the Flamingo Hilton Hotel, The Frontier Hotel and Gambling Hall, Harrah's Las Vegas, The Monte Carlo Resort & Casino, the Sahara Resort & Casino, The Stardust Hotel & Casino and the Tropicana Resort & Casino. The Riviera competes on the basis of the atmosphere and excitement offered by the facility, the desirability of its location, the quality and relative value of its hotel rooms and restaurants, the quality and variety of entertainment offered, customer service, the availability of convention facilities, its marketing strategy and special marketing and promotional programs.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Intense competition also characterizes the Black Hawk/Central City, Colorado market. Casinos generally compete on the basis of parking, location and size. There are many casinos currently operating in the Black Hawk/Central City market, including Colorado Central Station, Harveys Wagon Wheel Hotel/Casino, Gilpin Hotel Casino, Fitzgeralds Casino Black Hawk, Bullwhackers Black Hawk and Bullwhackers Central City. In addition, several new development projects and expansion plans have been announced, including construction of a casino by a joint venture between Jacobs Entertainment, Ltd. and the owner/operator of Gilpin Hotel Casino. A number of Colorado casinos have ceased operations and others have filed for protection under Chapter 11 of the United States Bankruptcy Code. Others have closed temporarily or reduced the number of their employees. The Company believes that many Colorado casinos may not be operating profitably. In Black Hawk, Anchor Gaming has announced that the construction of a new casino across from its existing property has been halted, and the joint development of a casino by Nevada Gold & Casinos Inc. and an affiliate of Caesars World Gaming Development Corporation is also currently inactive.

The Company's Black Hawk Project may compete for customers with casinos located on Indian reservations in southwestern Colorado. In addition, the legalization of casino gaming in or near any metropolitan area, such as Denver, Colorado, from which RBL is expected to draw customers, would have a material adverse effect on RBL's business. Colorado law requires local voter approval for any expansion of limited gaming into additional locations. State and local public initiatives regarding limited gaming in Colorado are being actively pursued by many persons. Several cities within Colorado have active citizens' lobbies that were able to place gaming initiatives on recent statewide ballots. Although these initiatives failed by substantial margins, new initiatives could be introduced on future statewide ballots to allow expansion of gaming in Colorado. Future initiatives, if passed, could significantly increase the competition for gaming customers, thereby adversely affecting RBL's business in Colorado.

The Company also competes 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 legalized gaming in the United States, as well as with gaming on cruise ships and international gaming operations. In addition, certain states have recently legalized or are considering legalizing casino gaming in specific geographical areas within those states. Any future development of casinos, lotteries or other forms of gaming in other states, particularly areas close to Nevada, such as California, could adversely affect the Company's operations.

Employees and Labor Relations

As of December 31, 1996, the Riviera employed approximately 2,100 persons and had collective bargaining contracts with seven unions covering approximately 1,300 of such employees including food and beverage employees, rooms department employees, carpenters, engineers, stage hands, musicians, electricians, painters and teamsters. The Company's agreements with the Southern Nevada Culinary and Bartenders Unions, Musicians Union and Stage Hands Union, which cover the majority of the Company's unionized employees, were renegotiated in 1994 and will expire May 31, 1997. The Teamsters, Operating Engineers, Carpenters, Painters and Electricians Unions' collective bargaining agreements were renewed in 1995 and generally expire in 1998. Although unions have been active in Las Vegas, management considers its employee relations to be satisfactory. There can be no assurance, however, that new agreements will be reached without union action or will be on terms satisfactory to the Company.

Regulation and Licensing

Nevada

Nevada Gaming Authority. The ownership and operation of casino gaming facilities in Nevada are subject to: (i) The Nevada Gaming Control Act and the regulations promulgated thereunder (collectively the "Nevada Act"); and (ii) various local ordinances and regulations. The Company's gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission (the "Nevada Commission"), the Nevada State Gaming Control Board (the "Nevada Board"), and the Clark County Liquor and Gaming Licensing Board (the "Clark County Board"). The Nevada Commission, the Nevada Board and the Clark County Board 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: (i) the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time and in any capacity; (ii) the establishment and maintenance of responsible accounting

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

practices and procedures; (iii) 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; (iv) the prevention of cheating and fraudulent practices; and (v) providing a source of state and local revenues through taxation and licensing fees. Change in such laws, regulations and procedures could have an adverse effect on the Company's gaming operations.

ROC is required to be licensed by the Nevada Gaming Authorities. The gaming license held by ROC requires the periodic payment of fees and taxes and is not transferable. ROC is also licensed as a manufacturer and distributor of gaming devices. Such licenses also require the periodic payment of fees and are not transferable. The Company is registered by the Nevada Commission as a publicly traded corporation (a "Registered Corporation") and has been found suitable to own the stock of ROC which is a corporate gaming licensee under the terms of the Nevada Act. As a Registered Corporation, the Company is 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 shareholder of, or receive any percentage of profits from, ROC without first obtaining licenses and approvals from the Nevada Gaming Authorities. The Company and ROC have obtained from the Nevada Gaming Authorities the various registrations, approvals, permits and licenses required in order to engage in gaming activities and manufacturing and distribution activities in Nevada.

All gaming devices that are manufactured, sold or distributed for use or play in Nevada, or for distribution outside of Nevada, must be manufactured by licensed manufacturers, distributed or sold by licensed distributors and approved by the Nevada Commission. The approval process includes rigorous testing by the Nevada Board, a field trial and a determination as to whether the gaming device meets strict technical standards that are set forth in the regulations of the Nevada Gaming Authorities. Associated equipment must be administratively approved by the Chairman of the Nevada Board before it is distributed for use in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, the Company or ROC 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 ROC must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. Officers, directors and key employees of the Company who are actively and directly involved in the gaming activities of ROC 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 and, 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 the Company or ROC, the companies involved would have to sever all relationships with such person. In addition, the Nevada Commission may require the Company or ROC to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or of questions pertaining to licensing are not subject to judicial review in Nevada.

The Company and ROC 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 ROC must be reported to or approved by the Nevada Commission.

If it were determined that the Nevada Act was violated by ROC, the gaming licenses it holds could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, the Company, ROC and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act at the discretion of the Nevada Commission. Further, a supervisor could be appointed by the Nevada Commission to operate the 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 licenses of ROC or the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect the Company's gaming operations.

Any beneficial holder of the Company's voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have his suitability as a beneficial holder of the Company's 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 a Registered Corporation's 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. Under certain circumstances, an "institutional investor," as defined in the Nevada Act, which acquires more than 10%, but not more than 15%, of a Registered Corporation's voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold 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 the board of directors of the Registered Corporation, any change in the corporate charter, bylaws, management, policies or operations of the Registered Corporation, or any of its gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding the Registered Corporation's voting securities for investment purposes only. Activities which are deemed to be consistent with holding voting securities for investment purposes only include: (i) voting on all matters voted on by shareholders; (ii) 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 its management, policies or operations; and (iii) such other activities as the Nevada Commission may determine to be consistent with such investment intent. If the beneficial holder of voting securities who must be found suitable is a corporation, partnership 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 if the record owner, after request, fails to identify the beneficial owner. Any shareholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offense. The Company is subject to disciplinary action if, after it receives notice that a person is unsuitable to be a shareholder or to have any other relationship with the Company or ROC, the Company (i) pays that person any dividend or interest upon voting securities of the Company, (ii) allows that person to exercise, directly or indirectly, any voting right conferred through securities held by that person, (iii) pays remuneration in any form to that person for services rendered or otherwise, or (iv) fails 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 the holder of any debt security of a Registered Corporation, to file applications, be investigated and be found suitable to own the debt security of a Registered Corporation, 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 pursuant to the Nevada Act, the Registered Corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Commission, it: (i) pays to the unsuitable person any dividend, interest, or any distribution whatsoever; (ii) recognizes any voting right by such unsuitable person in connection with such securities; (iii) pays the unsuitable person remuneration in any form; or (iv) makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Company is 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. The Company is also required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power to require the Company's stock certificates to bear a legend indicating that the securities are subject to the Nevada Act. However, to date, the Nevada Commission has not imposed such a requirement on the Company.

The Company may not make a public offering of its securities without the prior approval of the Nevada Commission if the securities or proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. The Company has received approval of the Offering by the Nevada Commission. Approval of a public offering does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities offered. Any representation to the contrary is unlawful.

Changes in control of the Company 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 satisfy the Nevada Board and Nevada Commission in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Commission may also require controlling shareholders, 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 defense 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: (i) assure the financial stability of corporate gaming Licensees and their affiliates; (ii) preserve the beneficial aspects of conducting business in the corporate form; and (iii) 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 thereof 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 shareholders 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 in which the ROC's operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon either: (i) a percentage of the gross revenues received; (ii) the number of gaming devices operated; or (iii) the number of table games operated. A casino entertainment tax is also paid by casino operations where entertainment is furnished in connection with the selling of food, refreshments or merchandise. Nevada Licensees that hold a license to manufacture and distribute slot machines and gaming devices, such as ROC, also pay certain fees and taxes to the State of Nevada.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with 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 their 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

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ 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 Regulation. The sale of alcoholic beverages at the Riviera is subject to licensing, control and regulation by the Clark County Board. All licenses are revocable and are not 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 affect upon the operations of ROC.

Colorado

Colorado Gaming Regulation. On November 6, 1990, the State of Colorado electorate approved an amendment to the Colorado Constitution (the "Colorado Amendment") that legalized limited gaming. As a result, limited gaming became lawful in the cities of Central City, Black Hawk and Cripple Creek on October 1, 1991. The Colorado Amendment defines limited gaming as the use of slot machines and the card games of blackjack and poker, with a maximum single bet of five dollars.

Limited gaming is confined to the commercial districts of these cities as those commercial districts were defined in city ordinances by Central City on October 7, 1981, by Black Hawk on May 4, 1978, and by Cripple Creek on December 3, 1973. In addition, the Colorado Amendment restricts the conduct of limited gaming to structures that conform to the architectural styles and designs that were common to the areas prior to World War I, as determined by the municipal governing bodies. Further, the Colorado Amendment provides that no more than 35% of the square footage of any building and no more than 50% of any one floor of such building may be used for limited gaming. Pursuant to the Colorado Amendment, limited gaming operations are prohibited between the hours of 2:00 a.m. and 8:00 a.m. The Colorado Amendment allows limited gaming to occur in establishments licensed to sell alcoholic beverages under the Colorado Liquor Code.

The Colorado Amendment further provides that, in addition to any other applicable license fees, up to a maximum of 40% of the adjusted gross proceeds of limited gaming operations may be payable by a licensee for the privilege of conducting limited gaming.

The Colorado legislature promulgated the Limited Gaming Act of 1991 (the "Colorado Act") to implement the provisions of the Colorado Amendment. The Colorado Act was signed into law on June 4, 1991 and has been amended subsequently.

Through the Colorado Act, the Colorado legislature declared that its public policy toward limited gaming would be that: (i) the success of limited gaming is dependent upon public confidence and trust that licensed limited gaming is conducted honestly and competitively; that the rights of the creditors of licensees are protected; and that gaming is free from criminal and corruptive elements; (ii) 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; (iii) 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 gaming and to preserve the economy and policies of free competition in the state of Colorado; and (iv) no applicant for a license or other affirmative commission approval has any right to a license or to the granting of the approval sought. Any license issued or other commission approval granted pursuant to the provisions of the Colorado Act is a revocable privilege, and no holder acquires any vested right therein or thereunder.

Pursuant to the Colorado Act, the ownership and operation of limited gaming facilities in Colorado are subject to extensive regulation. Among other prohibitions, the Colorado Act prohibits persons under the age of 21 from participating in limited gaming or lingering in gaming areas of a casino. No limited gaming may be conducted in Colorado unless all appropriate licenses are approved by and obtained from the Colorado Limited Gaming Control Commission (the "Colorado Commission"). Further, the Colorado Commission has full and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

exclusive authority to promulgate, and has promulgated, rules and regulations related to limited gaming (the "Colorado Regulations"). Such authority does not require any approval by or delegation of authority from the Colorado Department of Revenue (the "Colorado Revenue Department"). In addition, the Colorado Act created the Division of Gaming within the Colorado Revenue Department to license, implement, regulate and supervise the conduct of limited gaming. The Director of the Division (the "Division Director"), under the general supervision of the Colorado Commission, has broad powers to ensure compliance with the Colorado Act and the regulations promulgated by the Colorado Commission.

The Colorado Commission may issue the following five types of licenses: (i) slot machine manufacturer or distributor; (ii) operator; (iii) retail gaming; (iv) support; and key employee. The first three licenses are issued for a one-year period and require annual renewal. However, support licenses and key employee licenses are issued for two year periods and are renewable. The Colorado Commission has broad discretion to condition, suspend, revoke, limit or restrict a license at any time and also has the authority to impose fines.

An applicant for any type of Colorado license must provide the following information: (i) personal background information; (ii) financial information; (iii) participation in legal or illegal activities in Colorado or other jurisdictions, including foreign countries; (iv) criminal record information; (v) information concerning all pecuniary and equity interests in the applicant; and (vi) other information as required. Prior to licensure, applicants must satisfy the Colorado Commission that they are suitable for licensing and are of good moral character. The Colorado legislature has defined unsuitability or unsuitable in relation to a person as the inability to be licensed by the Colorado Commission because of prior acts, associations or financial conditions, and, in relation to acts or practices, those which violate or would violate the statutes or rules or are or would be contrary to the declared legislative purposes of the Colorado Act. Applicants have the burden of proving their qualifications to the Colorado Commission and must submit to and pay the full cost of any background investigations as may be ordered by the Colorado Commission. There is no limit on the cost of such background investigations and no guaranty that any applicant will receive licensing from the Colorado Commission.

All natural persons employed in the field of limited gaming must hold either a support or key employee license. Every retail gaming licensee must have a key employee licensee in charge of all limited gaming activities available at all times when limited gaming is being conducted. The Colorado

Commission may determine that any employee of a licensee is a key employee and, therefore, require that such person apply for licensing as a key employee.

A retail gaming license is required for all persons permitting or conducting limited gaming on their premises and such license may be granted only to a retailer. In addition, an operator license is required for all persons who permit slot machines on their premises or who engage in the business of placing and operating slot machines on the premises of a retailer. No person may have an ownership interest in more than three retail licenses. A slot machine manufacturer or distributor license is required for all persons who manufacture, import or distribute slot machines in Colorado, or who otherwise act as slot machine manufacturers or distributors.

The current practice of the Division of Gaming and the Colorado Commission is to require every officer and director, or equivalent office holders for non-corporate applicants, and 5% or greater beneficial shareholders or owners of an applicant or licensee to complete background investigation forms, provide comprehensive information and submit to a full background investigation conducted by the Division of Gaming and the Colorado Commission. The purpose of the investigation is to determine each such person's or entity's qualifications and suitability for licensure. In addition, all persons loaning monies, goods or real or personal property to a licensee or applicant, or having any interest in a licensee or applicant, or entering into any agreement with a licensee or applicant, must provide any information requested by the Division of Gaming or the Colorado Commission; and, in the discretion of the Division of Gaming or the Colorado Commission, these persons must supply all information relevant to a determination of any such person's suitability for licensure and must submit to a full background investigation if ordered by the Colorado Commission.

Persons found unsuitable by the Colorado Commission may be required immediately to terminate any interest in, 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

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

license application. A license grant may be conditioned upon the termination of any relationship with unsuitable persons.

The Colorado Act and the Colorado Regulations require licensees to maintain detailed books and records that accurately account for all monies and business transactions. Books and records must be furnished upon demand to the Colorado Commission, the Division of Gaming and other law enforcement authorities. The Colorado Regulations also establish detailed and extensive playing procedures, standards, requirements and rules of play for poker, blackjack and slot machines. Retail gaming licensees must, in addition, adopt comprehensive internal control procedures governing their limited gaming operations. Such procedures must be approved in advance by the Division of Gaming and include the areas of accounting, surveillance, security, cashier operations, key control and fill and drop procedures, among others.

Licensees have a continuing duty to report to the Colorado Commission information concerning persons with a financial or equity interest in the licensee, or who have the ability to control or exercise a significant influence over the licensee, or who loan money to the licensee. Licensees are prohibited from engaging in fraudulent acts, which include, among other things, misrepresenting the probabilities of pay out, improperly canceling a bet and conducting limited gaming without a valid license. Finally, licensees must report to the Division of Gaming all licenses, and all applications for 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 Act or the Colorado Regulations are void and unenforceable.

All slot machines, cards, chips or tokens used in limited gaming must be approved by the Division Director or the Colorado Commission. All such items must meet standards established by the Division of Gaming and the Colorado Commission.

Upon request, an applicant or licensee must submit to the Colorado Commission or Director of Gaming written copies or summaries of all written or oral gaming contracts to which it is or will be a party. A gaming contract includes any agreement in which a person does business with a licensee. The Colorado Commission or the Division Director may require changes in gaming contracts or may require termination of a gaming contract. Parties to gaming contracts may be required to provide all information relevant to a determination of their suitability for licensing.

Colorado has enacted an annual tax on the adjusted gross proceeds ("AGP") from limited gaming. AGP is generally defined as the total amounts wagered less all payments to players. With respect to games of poker, AGP means those sums wagered in a hand retained by the licensee as compensation, which must be consistent with the minimum and maximum amounts established by the Colorado Commission. Currently, the gaming tax on AGP is: 2% on the first $2 million of AGP; 4% on AGP from $2 million to $4 million; 14% on AGP from $4 million to $5 million; 18% on AGP from $5 million to $10 million; and 20% on AGP over $10 million. The gaming tax is paid monthly, with licensees required to file returns by the 15th of the following month. Effective October 1 of each year, the Colorado Commission establishes the gaming tax for the following 12 months. Under the Colorado Amendment, the Colorado Commission may increase the gaming tax rate to as much as 40% of AGP.

The Colorado Commission requires all gaming licensees to pay an annual device fee for each slot machine, blackjack table and poker table. The current state device fee, established October 1, 1996, is $100. The municipalities of Central City, Black Hawk and Cripple Creek also assess and collect their own device fees. The current annual device fee in Black Hawk is $750 per device. There is no statutory limit on state or city device fees, which may be increased at the discretion of the state or city. The state device fee is not prorated; a device used at any time during the year is assessed the full state fee. Local device fees may be prorated according to device usage; the City of Black Hawk currently prorates device fees such that any device used at any time during a calendar quarter is subject to the device fee for such calendar quarter. In addition, a business improvement fee of $100 per device and a transportation impact fee of $77 per device also may apply depending upon the location of the licensed premises.

Black Hawk also imposes taxes and fees on other aspects of the businesses of gaming licensees, such as parking, alcoholic beverage licenses and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

other municipal taxes and fees. Significant increases in these fees and taxes, or the imposition of new taxes and fees, may occur.

Violations of the Colorado Act, or any of the Colorado Regulations, is a criminal offense. Persons violating the Colorado Act or the Colorado Regulations may, in addition to any gaming license suspension or revocation, be subject to criminal prosecution resulting in incarceration, fines or both.

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 non-transferable. State and local licensing authorities have full power to limit, condition, suspend or revoke any such licenses. Violation of the state alcoholic beverage laws may constitute a criminal offense, and violators may be subject to criminal prosecution, incarceration and fines. A gaming establishment that sells or provides alcoholic beverages is required to have a retail gaming tavern license.

There are various classes of alcoholic beverage licenses under the Colorado Liquor Code. However, only a retail gaming tavern license may be issued to persons who are licensed pursuant to the Colorado Act. A retail gaming tavern licensee may sell malt, vinous or spirituous liquors only by individual drinks for consumption on the premises and must also make available sandwiches or light snacks or contract with concessionaires to provide food services within the same building as the licensed premises. In no event may any person hold more than or have an interest in more than three retail gaming tavern licenses. An application for an alcoholic beverage license in Colorado requires notice, posting and a public hearing before the local liquor licensing authority. The Department's Liquor Enforcement Division also must approve the application.

In addition to the other requirements of the gaming laws, the Colorado Commission has enacted a special rule, Rule 4.5, which imposes additional requirements on publicly traded corporations holding gaming licenses in Colorado and on gaming licensees in Colorado owned directly or indirectly, five percent or more, by publicly traded corporations. The term "publicly traded corporation" is a specially defined term and may include limited liability companies, trusts, partnerships and other business organizations, and may even include entities exempted from the registration requirements of the securities laws under certain circumstances.

Under Rule 4.5, gaming licensees, affiliated companies and controlling persons thereof must notify the Colorado Commission within 10 days of the initial filing of a registration statement with the Securities and Exchange Commission. Licensed publicly traded corporations are also required to send proxy statements to the Division of Gaming within 5 days after distribution of such statement, and to follow a variety of other reporting requirements. Licensees to whom Rule 4.5 applies must include in their articles of organization or similar charter documents certain specified provisions that: restrict the rights of the licensee to issue voting interests or securities except in accordance with the Colorado gaming laws; limit the rights of persons to transfer voting interests or securities of a licensee except in accordance with the Colorado gaming laws; and provide that holders of voting interests or securities of a licensee found unsuitable by the Colorado Commission may be required to sell their interests or securities back to the issuer at the lesser of, in general terms, the holder's investment or the market price as of the date of the finding of unsuitability. Alternatively, and with authorization by the Colorado Commission, the holder may in limited circumstances 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 on them, the interests or securities may not be voted, or entitled to any vote, and 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 holder of the securities or interests.

Pursuant to Rule 4.5, persons who acquire direct or indirect beneficial ownership of (i) 5% or more of any class of the voting securities of a publicly traded corporation required to contain the Rule 4.5 charter language provisions, or (ii) 5% or more of the 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 (all such persons hereinafter referred to as "qualifying persons"), must notify the Division of Gaming within 10 days of such acquisition, are required to submit all requested information and are subject to a finding of suitability. Licensees also must notify any qualifying persons of these requirements. A qualifying person whose interests equal 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.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

A qualifying person who is an institutional investor under Rule 4.5 and whose interests equal 15% or more must apply to the Colorado Commission for a finding of suitability within 45 days after acquiring such interests. A qualifying person who is an institutional investor and whose interests equal

10% or more, but less than 15%, may not be required to apply for suitability, provided such person fulfills certain reporting requirements.

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 thereof. 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 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 interests. The Colorado Commission may determine that anyone with a material relationship to a licensee, or affiliated company, must apply for a finding of suitability.

RBL currently holds no gaming or liquor licenses and will therefore have to make applications for both types of licenses in connection with the Black Hawk Project. The failure or inability to obtain such licensing could materially and adversely affect the Black Hawk Project.

Federal Registration

ROC 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 the present year have been made.

Item 2. Properties

The Riviera complex is located on the Las Vegas Strip, occupies approximately 26 acres and comprises approximately 1,700,000 square feet, including 105,000 square feet of casino space, 100,000 square foot convention, meeting and banquet facility, approximately 2,100 hotel rooms (including approximately 169 luxury suites) in five towers, four restaurants, a buffet, four showrooms, a lounge and approximately 2,900 parking spaces. In addition, executive and other offices for the Riviera are located on the property.

There are 47 food and retail concessions operated under individual leases with third parties. The leases are for periods from one year to ten years and expire over the next five years.

The entire Riviera complex is encumbered by a first deed of trust securing the First Mortgage Notes. See "Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Liquidity and Capital Resources."

Item 3. Legal Proceedings

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

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

None.

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

The Company's Common Stock began trading on the American Stock Exchange on May 13, 1996 and was reported on the NASDAQ Bulletin Board prior to that date. As of March 4, 1997, based upon information available to it, the Company believes that there were approximately 1,319 beneficial holders of the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Company's Common Stock.

The Company has never paid any dividends on its Common Stock and does not currently expect to pay any dividends (cash or otherwise) on its Common Stock for the foreseeable future. The Company's ability to pay dividends is primarily dependent upon receipt of dividends and distributions from ROC. In addition, the indenture for the First Mortgage Notes restricts the Company's ability to pay dividends on its Common Stock.

The table below sets forth the bid and ask sales prices by quarter for the years ended December 31, 1995 and 1996, based on information provided by certain brokers who have had transactions in the Company's Common Stock during the year:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1996				
BID	$ 7.50	$11.00	$14.00	$12.94
ASK	9.75	17.75	17.13	15.63
1995				
BID	3.00	3.50	8.25	7.00
ASK	4.63	9.13	11.50	10.00

On March 4, 1997 (the most recent trade date of the Company's common stock), 1,200 shares were traded closing at $14.125 per share.

Item 6. Selected Financial Data

The following table sets forth a summary of selected financial data for the Company and its predecessor for the years ended December 31:

<TABLE>
<CAPTION>

	Year Ended Dec. 31, 1992	Six Months Ended June 30, 1993	Six Months Ended Dec. 31, 1993	Combined 1993	Years Ended December 31, 1994	1995	1996
	(Predecessor)	(Predecessor)	(Successor)				
			(dollars in thousands*)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total Operating Revenue, net	$144,502	$72,702	$76,221	$148,923	$153,921	$151,145	$164,409
Net Income (Loss)	(80,905)(1)(2)	5,628(2)	2,607	8,235(2)	4,790	6,344	8,440
Net Income (Loss) Per Common Share	N/A	N/A	$.54	N/A	$1.00	$1.26	$1.63
Total Assets	143,631	150,836	143,704	143,704	151,925	157,931	167,665
Long Term Debt	133,255	119,959	114,540	114,540	113,154	110,571	109,088

<FN>

---

* Except for Net Income (Loss) Per Common Share

(1) Includes a recognized loss on the permanent impairment of assets during the bankruptcy in the amount of $85.2 million to record the fair market value of the property and equipment.

(2) There was no accrual of interest on debt subsequent to December 18, 1991. If accrued, interest expense on these obligations would have totaled $21.4 million and $10.4 million for the year ended December 31, 1992 and for the six months ended June 30, 1993, respectively.

</FN>
</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

Results of Operations

The following table sets forth the Company's income statement data as a percentage of net revenues (unless otherwise noted) for the Company for the periods indicated:

<TABLE>
<CAPTION>

	1994	1995	1996
Revenues:			
<S>	<C>	<C>	<C>
Casino	53.3%	51.2%	48.9%
Rooms	23.0	26.4	25.4
Food and Beverage	14.9	14.5	13.8
Entertainment	11.0	9.5	12.7
Other	6.1	6.3	6.9
Less promotional allowances	(8.3)	(7.9)	(7.7)
Net revenues	100.0	100.0	100.0
Costs and Expenses:			
Casino(1)	59.5	58.6	59.1
Rooms(1)	49.7	47.1	45.0
Food and Beverage(1)	67.9	72.0	70.3
Entertainment(1)	82.5	71.6	73.2
Other(1)	37.4	37.1	34.6
Selling, general and administrative	18.7	19.6	19.1
Depreciation and amortization	3.7	4.5	5.0
Total Costs and Expenses	87.1	86.1	85.8
Income from operations	12.9	13.9	14.2
Interest expense, net	8.0	7.5	6.3
Income before provision for income taxes	5.0	6.4	7.8
Provision for income taxes	(1.9)	(2.2)	(2.7)
Net Income	3.1%	4.2%	5.1%

(1) Shown as a percentage of corresponding departmental revenue.

</TABLE>

1996 Compared to 1995

Revenues

Net revenues increased by approximately $13.3 million, or 8.8%, from $151.1 million in 1995 to $164.4 million in 1996. Casino revenues increased by approximately $3.0 million, or 3.9%, from $77.3 million in 1995 to $80.4 million in 1996 due primarily to a $2.9 million, or 5.4%, increase in slot revenues as a result of an increase in promotional activities directed at slot players. Room revenues increased by approximately $2.0 million, or 5.0%, from $39.8 million in 1995 to $41.8 million in 1996 as a result of an increase in hotel occupancy from 97.0% to 98.2% (based on available rooms) and an increase in average room rate of $2.40, or 4.4%. Food and beverage revenues increased approximately $700,000, or 3.4%, from $21.9 million in 1995 to $22.6 million in 1996 due to additional covers in the bars and restaurants. Entertainment revenues increased by approximately $6.5 million, or 44.8%, from $14.4 million in 1995 to $20.9 million in 1996. This was principally due to the reopening of the Splash variety show which had been closed during the first half of 1995 for show revisions and theater

remodeling. Other revenues increased by approximately $1.8 million, or 18.7%, from $9.5 million in 1995 to $11.3 million in 1996 due primarily to a refund of $576,000 from a union health and welfare trust fund for reduced premiums and general increases in other revenues such as telephone, gift shops and box office commissions. In addition, the Company received management fees of approximately $400,000 for operating the Four Queens Hotel/Casino in downtown Las Vegas beginning in August 1996. Promotional allowances increased by approximately $700,000, or 6.4%, from $11.9 million in 1995 to $12.6 million in 1996 due to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

additional complimentary show tickets for the Splash show and an increase in complimentaries associated with casino and slot marketing programs.

Direct Costs and Expenses of Operating Departments

Total direct costs and expenses of operating departments increased by approximately $7.7 million, or 8.2%, from $93.7 million in 1995 to $101.5 million in 1996. Casino expenses increased by approximately $2.2 million, or 4.8%, from $45.3 million in 1995 to $47.5 million in 1996 due to a corresponding increase in casino revenues and casino expenses as a percent of casino revenues increased from 58.6% to 59.1%, primarily due to increased entertainment promotional allowances upon the reopening of Splash on June 23, 1995. Room costs were mostly flat for 1996 compared to 1995, however, room costs as a percentage of room revenues decreased from 47.1% in 1995 to 45.0% in 1996 as room revenues increased while room costs remained relatively constant. Food and beverage costs increased by approximately $150,000, or 0.9%, from $15.8 million in 1995 to $15.9 million in 1996 resulting from a corresponding increase in revenues. Food and beverage costs as a percentage of food and beverage revenues decreased from 72.0% in 1995 to 70.3% in 1996 because food and beverage revenue increased while payroll and other costs remained relatively constant. Entertainment costs increased by approximately $5.0 million, or 48.0%, from $10.3 million in 1995 to $15.3 million in 1996, due to the additional expenses associated with operating Splash for a full year in 1996. Entertainment expenses as a percentage of entertainment revenues increased from 71.6% in 1995 to 73.2% in 1996 due to a revision in the Splash producer's agreement. Other expenses increased by approximately $400,000, or 10.9%, from $3.5 million to $3.9 million due to a corresponding increase in other revenues.

Other Operating Expenses

Selling, general and administrative expenses increased by approximately $1.8 million, or 6.2%, from $29.6 million in 1995 to $31.5 million in 1996 due to increased incentive plan costs required to retain personnel in the competitive gaming environment. As a percentage of total net revenues, selling, general and administrative expenses decreased from 19.6% in 1995 to 19.1% in 1996 as a result of lower general marketing expenses and the spreading of fixed costs over a larger revenue base in 1996. Depreciation and amortization increased by approximately $1.4 million, or 20.6%, from $6.8 million in 1995 to $8.2 million in 1996.

Other Income (Expense)

Interest expense decreased by approximately $400,000, or 3.0%, from $12.5 million in 1995 to $12.1 million in 1996 while interest income remained constant at $1.1 million in 1995 and 1996. This was due to a reduction in average debt outstanding, an increase in average cash balances and a decrease in the investment yield in 1996. Other income increased by $505,000 due to a gain on the final payment of certain unsecured notes in the fourth quarter of 1996 offset by a loss due to the change in terms of one of the Company's notes.

Net Income

As a result of the factors discussed above, net income increased by approximately $2.1 million, or 33.0%, from $6.3 million in 1995 to $8.4 million in 1996. The effective income tax rate was 34.4% for 1995 and 1996.

EBITDA

EBITDA increased by approximately $3.7 million, or 13.3%, from $27.8 million in 1995 to $31.5 million in 1996. During the same periods, EBITDA margin increased from 18.4% to 19.2% of net revenues.

1995 Compared to 1994

Revenues

Net revenues decreased by approximately $2.8 million, or 1.8%, from $153.9 million in 1994 to $151.1 million in 1995. Casino revenues decreased by approximately $4.7 million, or 5.8%, from $82.1 million in 1994 to $77.3 million in 1995 which was largely due to an approximately $5.9 million, or 22.9%, decrease in table game revenues as a result of reduced "high-roller" play and the elimination of unprofitable marketing programs offset by an approximately $1.3 million, or 2.8%, increase in slot machine revenues. Room revenues increased by approximately $4.4 million, or 12.5%, from $35.4 million in 1994 to $39.8 million in 1995 due to a slight decrease in occupancy offset by an increase of $7.18 in the average room rate. Food and beverage revenues decreased approximately $1.1 million, or 4.6%, from $23.0 million in 1994 to $21.9 million in 1995, principally due to reduced covers resulting from the decline in

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

customer traffic as a result of Splash being closed for six months in 1995 compared to one month in 1994. Entertainment revenues decreased by approximately $2.5 million, or 14.9%, from $16.9 million in 1994 to $14.4 million in 1995 due primarily to the closure of Splash from November 1994 to June 1995. Other income increased by approximately $125,000, or 1.3%, from $9.4 million in 1994 to $9.5 million in 1995. Promotional allowances decreased by approximately $1.0 million, or 7.7%, from $12.9 million in 1994 to $11.9 million in 1995, primarily due to the elimination of certain marketing programs.

Direct Costs and Expenses of Operating Departments

Total direct costs and expenses of operating departments decreased by approximately $5.8 million, or 5.8%, from $99.5 million in 1994 to $93.7 million in 1995. Casino expenses decreased by approximately $3.5 million, or 7.2%, from $48.8 million in 1994 to $45.3 million in 1995 due to a corresponding decrease in casino revenues. Casino expenses as a percentage of casino revenues decreased from 59.5% in 1994 to 58.6% in 1995 due to reduced complimentaries. Room costs increased by approximately $1.2 million, or 6.8%, from $17.6 million in 1994 to $18.8 million in 1995, principally due to the payment of higher credit card and travel agent commissions associated with the increase in room revenues. Room costs as a percentage of room revenues decreased from 49.7% in 1994 to 47.1% in 1995 as a result of certain fixed costs being allocated over a larger revenue base. Food and beverage costs increased by approximately $180,000, or 1.2%, from $15.6 million in 1994 to $15.8 million in 1995. As a percentage of food and beverage revenues, costs increased from 67.9% in 1994 to 72.0% in 1995 because certain fixed costs could not be reduced commensurate with the reduction of revenue.

Entertainment costs decreased by approximately $3.7 million, or 26.1%, from $14.0 million in 1994 to $10.3 million in 1995 due to Splash being closed during the first half of 1995. Entertainment costs as a percentage of entertainment revenues decreased from 82.5% in 1994 to 71.6% in 1995 due to better contract terms with the producer of Splash. Other expenses remained constant at $3.5 million in 1995.

Other Operating Expenses

Selling, general and administrative expenses increased by approximately $800,000, or 2.8%, from $28.8 million in 1994 to $29.6 million in 1995. As a percentage of total net revenues, selling, general and administrative expenses increased from 18.7% in 1994 to 19.6% in 1995 due to increases in payroll and maintenance offset by a decrease in workers' compensation insurance expense resulting from the Company becoming self-insured and a decrease in the provision for bad debts as a result of stricter credit policies during 1995. Depreciation and amortization increased by approximately $1.1 million, or 20.0%, from $5.7 million in 1994 to $6.8 million in 1995.

Other Income (Expense)

Interest expense decreased by approximately $311,000, or 2.4%, from $12.8 million in 1994 to $12.5 million in 1995, while interest income more than doubled from approximately $510,000 to $1.1 million. This was due to a reduction in average debt outstanding and an increase in average cash balances, respectively, during 1995 compared to 1994.

Net Income

As a result of the factors discussed above, net income increased by approximately $1.6 million, or 32.4%, from $4.8 million in 1994 to $6.3 million in 1995. The effective income tax rate for 1995 was 34.4% compared to 37.5% for 1994.

EBITDA

EBITDA increased by approximately $2.2 million, or 8.6%, from $25.6 million in 1994 to $27.8 million in 1995. During the same periods, EBITDA margin increased from 16.6% to 18.4% of net revenues.

Liquidity and Capital Resources

The Company had cash and cash equivalents of $25.7 million at December 31, 1996, which was an increase of $3.8 million from the balances at December 31, 1995. Significant debt service on the First Mortgage Notes and other debt issued pursuant to the Plan is paid in June and December and should be considered in evaluating cash increases in the first and third quarters.

For the year ended December 31, 1996, the Company's net cash provided by operating activities was $18.3 million compared to $16.7 million for 1995. EBITDA for 1996 and 1995 was $31.5 million and $27.8 million, respectively,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

which was adequate to cover the Company's debt service and capital expenditures. Management believes that sufficient cash flow will be available to cover the Company's debt service and enable investment in budgeted capital expenditures for the next 12 months.

Scheduled interest payments on the First Mortgage Notes and other indebtedness are $12.1 million in 1996 declining to $11.0 million in 2002. Cash flow from operations is not expected to be sufficient to pay 100% of the principal of the First Mortgage Notes at maturity in 2002. Accordingly, the ability of the Company to repay the First Mortgage Notes at maturity will be dependent upon its ability to refinance the First Mortgage Notes. There can be no assurance that the Company will be able to refinance the principal amount of the First Mortgage Notes at maturity. The First Mortgage Notes are not redeemable at the option of the Company until June 1, 1998, and thereafter are redeemable at premiums beginning at 104.3125% and declining each subsequent year to par in 2001.

The Note Indenture provides for mandatory redemption by the Company upon the order of the Nevada Gaming Authorities. The Note Indenture also provides that, in certain circumstances, the Company must offer to repurchase the First Mortgage Notes upon the occurrence of a change of control or certain other events. In the event of such mandatory redemption or repurchase prior to maturity, the Company would be unable to pay the principal amount of the First Mortgage Notes without a refinancing.

The Note Indenture imposes certain financial covenants and restrictions on the Company and ROC, including a minimum consolidated net worth requirement and limitations on the payment of dividends, the incurrence of debt and granting of liens, capital expenditures and mergers and sales of assets. As a result of these restrictions, the ability of the Company and ROC to incur additional indebtedness to fund operations or to make capital expenditures is limited. In the event that cash flow from operations is insufficient to cover cash requirements, the Company and ROC may not be able to obtain additional funds. The Company and ROC would be required to curtail or defer certain of their capital expenditure programs under these circumstances, which could have an adverse effect on the Company's operations.

Effective September 8, 1995, the Note Indenture was amended to permit the Company's management team to utilize its expertise in turning around troubled gaming properties which are either in, or on the verge of, bankruptcy and managing casinos in "new venues."

In February 1997, the Company entered into a $15.0 million, five year reducing revolving line of credit collateralized by equipment (the "Credit Facility"). The revolving line of credit bears interest at prime plus 0.5% or LIBOR plus 2.9%. The Company has not utilized this line of credit.

During the reorganization proceeding of Riviera, Inc., certain capital expenditures were deferred. Management considers it important to the competitive position of the Riviera that expenditures be made to upgrade the property. Capital expenditures totaled approximately $8.9 million in 1994, $7.8 million in 1995 and $14.9 million in 1996. Management has budgeted approximately $13.0 million for capital expenditures in 1997. The Company expects to finance such capital expenditures from cash flow and the Credit Facility.

Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. Certain matters discussed in this filing could be characterized as forward-looking statements such as statements relating to plans for future expansion, as well as other capital spending, financing sources and effects of regulation and competition. Such forward-looking

statements involve important risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements.

Recently Adopted Accounting Standards

During 1996 the Company adopted the provisions of Statement of Financial Accounting Standards No. 121 ("SFAS 121") Accounting for the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of SFAS 121 had no impact on the financial statements of the Company.

In October 1995, the Financial Accounting Standards Board ("FASB") issued SFAS 123 Accounting for Stock-Based Compensation which establishes financial accounting and reporting standards for stock-based employee compensation plans and for transactions in which an entity issues its equity instruments to acquire goods or services from non-employees. The Company continues to account for stock-based compensation arrangements in accordance with Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees" and therefore the adoption of SFAS 123 had no effect on the financial position or results of operations of the Company. The Company has provided the pro forma and other additional disclosures about stock-based employee compensation plans in its 1996 consolidated financial statements as required by SFAS 123.

Item 8. Financial Statements and Supplementary Data, etc.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Table of Contents	F-1
Independent Auditors' Report	F-2
Consolidated Balance Sheets as of December 31, 1995 and 1996	F-3
Consolidated Statements of Income for the Years Ended December 31, 1994, 1995 and 1996	F-4
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 1994, 1995 and 1996	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 1994, 1995 and 1996	F-6
Notes to Consolidated Financial Statements	F-7

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding this item is incorporated by reference to the Company's Proxy Statement dated April 16, 1997, relating to the Annual Meeting of Stockholders to be held on May 8, 1997, and is made a part hereof.

Item 11. Executive Compensation

Information regarding this item is incorporated by reference to the Company's Proxy Statement dated April 16, 1997, relating to the Annual Meeting of Stockholders to be held on May 8, 1997, and is made a part hereof.

Item 12. Principal Shareholders

Information regarding this item is incorporated by reference to the Company's Proxy Statement dated April 16, 1997, relating to the Annual Meeting of Stockholders to be held on May 8, 1997, and is made a part hereof.

Item 13. Certain Relationships and Related Transactions

Information regarding this item is incorporated by reference to the Company's Proxy Statement dated April 16, 1997, relating to the Annual Meeting of Stockholders to be held on May 8, 1997, and is made a part hereof.

PART IV

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) List of Financial Statements.

The following Consolidated Financial Statements of the Company and the Independent Auditors' Report set forth on pages F-3 through F-18 and F-2, respectively, are incorporated by reference into this Item 14 of Form 10-K by Item 8 hereof:

- Consolidated Balance Sheets as of December 31, 1995 and 1996.
- Consolidated Statements of Income for the Years Ended December 31, 1994, 1995 and 1996.
- Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 1994, 1995 and 1996.
- Consolidated Statements of Cash Flows for the Years Ended December 31, 1994, 1995 and 1996.
- Notes to Consolidated Financial Statements.
- Independent Auditors' Report.

(a)(2) List of Financial Statement Schedules.

No financial statement schedules have been filed herewith since they are either not required, are not applicable, or the required information is shown in the consolidated financial statements or related notes.

(a)(3) List of Exhibits.

Exhibit Number	Description
3.1*	Amended and Restated Articles of Incorporation of the Registrant filed June 18, 1993 (see Exhibit 3.1 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
3.2*	Bylaws of the Registrant (see Exhibit 3.2 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.1*	Lease Agreement between Riviera, Inc. and Mardi Gras Food Court, Inc. dated April 1, 1990 (see Exhibit 10.1 to Form 10, Commission File No. 0-21430)
10.2*	Amendment to Lease Agreement between Riviera, Inc. and Mardi Gras Food Court, Inc. dated April 1, 1990 (see Exhibit 10.2 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.3*	Lease Agreement between Riviera, Inc. and Leroy's Horse and Sports Place (see Exhibit 10.3 to Form 10, Commission File No. 0-21430)
10.4*	Equipment Lease between Riviera, Inc. and G.E. Capital Corporation (successor in interest to RCA Service Company) (see Exhibit 10.4 to Form 10, Commission File No. 0-21430)
10.5*	Sales and Security Agreement for Slot Equipment between Riviera, Inc. and Bally Distributing of Nevada, Inc. and Order re: Motion to Approve Adequate Protection Payments (see Exhibit 10.5 to Form 10, Commission File No. 0-21430)
10.6*	Documents Relating to Sale by Universal Distributing of Nevada, Inc. of Slot Equipment to Riviera, Inc. and Stipulation and Order re: Modification of Automatic Stay and Compromise of Claim (see Exhibit 10.6 to Form 10, Commission File No. 0-21430)
10.7*	Indemnity Agreement, dated June 30, 1993, from Riviera, Inc. and Meshulam Riklis in favor of the Registrant and Riviera Operating Corporation (see Exhibit 10.7 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

10.8*	Indemnity Agreement, dated June 30, 1993, from the Registrant in favor of IBJ Schroder Bank & Trust Company (see Exhibit 10.8 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.9*	Equity Registration Rights Agreement, dated June 30, 1993, among the Registrant and the Holders of Registerable Shares (see Exhibit 10.9 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.10*	The Registrant's Class 4 Unsecured Promissory Note (see Exhibit 10.10 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.11*	The Registrant's Class 5 (Sequoia "A") Unsecured Promissory Note (see Exhibit 10.11 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)

10.12*	The Registrant's Class 5 (Sequoia "B") Unsecured Promissory Note (see Exhibit 10.12 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.13*	The Registrant's Class 12 Non-Negotiable Unsecured Promissory Note (see Exhibit 10.13 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.14*	The Registrant's Class 13/14 Unsecured Promissory Note (see Exhibit 10.14 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.15*	Operating Agreement, dated June 30, 1993, between the Registrant and Riviera Operating Corporation (see Exhibit 10.15 to Registration Statement Form S-1 filed with the Commission on August 11, 1993).
10.16*	Adoption Agreement regarding Profit Sharing and 401(k) Plans of the Registrant (see Exhibit 10.16 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.17*	Howard Johnson & Company Regional Defined Contribution Plan, dated March 16, 1990 (adopted by the Registrant pursuant to the Adoption Agreement filed as Exhibit 10.17 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.18*	Employment Agreement between Riviera, Inc. and William L. Westerman, dated January 6, 1993 (see Exhibit 10.18 to Form 10, Commission File No. 0-21430)
10.19*	Form of Agreement between the Registrant and Directors (see Exhibit 10.19 to Form 10, Commission File No. 0-21430)
10.20*	Form of Termination Fee Agreement (see Exhibit 10.20 to Form 10, Commission File No. 0-21430)
10.21*	Form of Employment Agreement between Riviera, Inc. and Albert Rapuano, dated January 6, 1993 (see Exhibit 10.21 to Form 10, Commission File No. 0-21430)
10.22*	Implementation Agreement between Riviera, Inc. and Albert Rapuano (see Exhibit 10.21 to Amendment No. 1 to Registration Statement Form S-1 filed with the Commission on August 19, 1993)

10.23*	Restricted Account Agreement, dated June 30, 1993, among

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	Riviera Operating Corporation, IBJ Schroder Bank & Trust Company and Bank of America Nevada (see Exhibit 10.22 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.24*	Disbursement Agreement, dated June 30, 1993, between the Registrant and IBJ Schroder Bank & Trust Company (see Exhibit 10.23 to Registration Statement Form S-1 filed with the Commission on August 11, 1993)
10.25*	Tax Sharing Agreement between the Registrant and Riviera Operating Corporation dated June 30, 1993 (see Exhibit 10.24 to Amendment No. 1 to Registration Statement Form S-1 filed with the Commission on August 19, 1993)
10.26*	The Registrant's 1993 Stock Option Plan (see Exhibit 10.25 to Amendment No. 1 to Registration Statement Form S-1 filed with the Commission on August 19, 1993)
10.27*	Form of Stay Bonus Agreement (See, Exhibit 10.27 to Form 10-Q filed with the Commission November 9, 1994.
10.28*	Amendment dated February 19, 1995, to Lease Agreement between Riviera, Inc. and Mardi Gras Food Court, Inc. (See, Exhibits 10.1 --- and 10.2)
10.29*	Amendment dated September 30, 1994, to Employment Agreement between Riviera, Inc. and William L. Westerman. (See, Exhibit 10.18)
10.30	Management Agreement by and between Elsinore Corporation, Four Queens, Inc. and Riviera Gaming Management Corp. - Elsinore
10.31	Employment Agreement dated as of November 21, 1996 by and between the Registrant, Riviera Operating Corporation and William L. Westerman
10.32	Revolving Line of Credit Loan Agreement dated Februaruy 28, 1997 by and between the Registrant, Riviera Operating Corporation and U.S. Bank of Nevada
10.33	Letter of Intent dated March 4, 1997 between the Registrant and Eagle Gaming, L.P.

* The exhibits thus designated are incorporated herein by reference as exhibits hereto. Following the description of such exhibits is a reference to the copy of the exhibit heretofore filed with the Commission, to which there have been no amendments or changes.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed with the Commission during the fourth quarter ended December 31, 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RIVIERA HOLDINGS CORPORATION

By:/s/ WILLIAM L. WESTERMAN

William L. Westerman
Chief Executive Officer and President
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ WILLIAM L. WESTERMAN William L. Westerman	Chairman of the Board, Chief Executive Officer and President	March 10, 1997
/s/ DUANE R. KROHN Duane R. Krohn	Treasurer (Principal Financial and Accounting Officer)	March 10, 1997
/s/ ROBERT R. BARENGO Robert R. Barengo	Director	March 10, 1997
/s/ WILLIAM FRIEDMAN William Friedman	Director	March 10, 1997
/s/ PHILIP P. HANNIFIN Philip P. Hannifin	Director	March 10, 1997

RIVIERA HOLDINGS CORPORATION

TABLE OF CONTENTS

	Page
Independent Auditors' Report	F-2
Consolidated Balance Sheets as of December 31, 1995 and 1996	F-3
Consolidated Statements of Income for the Years Ended December 31, 1994, 1995 and 1996	F-4
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 1994, 1995 and 1996	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 1994, 1995 and 1996	F-6
Notes to Consolidated Financial Statements	F-7

INDEPENDENT AUDITORS' REPORT

Riviera Holdings Corporation
d.b.a. Riviera Hotel & Casino
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Riviera Holdings Corporation and subsidiaries (the "Company") d.b.a. Riviera Hotel & Casino as of December 31, 1995 and 1996, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 1995 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Las Vegas, Nevada
February 28, 1997

RIVIERA HOLDINGS CORPORATION

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31, 1995	December 31, 1996
	(in thousands)	
ASSETS		
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents (Note 1)	$21,962	$25,747
Accounts receivable, net (Notes 1 and 2)	4,334	5,113
Inventories (Note 1)	2,186	3,039
Prepaid expenses and other assets	2,602	2,692
Total current assets	31,084	36,591
Property and Equipment, Net (Notes 1, 3, 5 and 7)	121,049	127,760
Other Assets	4,759	2,853
Restricted Cash For Periodic Slot Payments (Notes 1 and 5)	1,039	461
Total Assets	$157,931	$167,665
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt (Note 5)	$2,322	$1,550
Accounts payable (Notes 1 and 4)	8,364	8,530
Current income taxes payable (Note 6)	51	413
Accrued expenses (Notes 1 and 4)	9,640	9,757
Total current liabilities	20,377	20,250
Deferred Income Taxes Payable (Note 6)	3,023	4,626
Long-Term Debt, Net of Current Portion (Notes 1 and 5)	108,249	107,538
Commitments and Contingencies (Notes 5, 7, 8, 9, 10 and 12)		
Shareholders' Equity: (Notes 1 and 11)		
Common stock ($.001 par value; 20,000,000 shares authorized; 4,800,000 shares at December 31, 1995 and 4,922,503 shares at December 31, 1996 issued and outstanding)	5	5
Additional paid-in capital	12,537	13,919
Notes receivable from employee shareholders	--	(853)
Retained earnings	13,740	22,180
Total shareholders' equity	26,282	35,251
Total Liabilities and Shareholders' Equity	$157,931	$167,665

See notes to consolidated financial statements.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

</TABLE>

RIVIERA HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1994	1995	1996
	(in thousands, except share data)		
Revenues: (Note 1)			
<S>	<C>	<C>	<C>
Casino	$82,060	$77,337	$80,384
Rooms	35,422	39,848	41,835
Food and beverage	22,961	21,895	22,641
Entertainment	16,945	14,423	20,883
Other (Notes 7 and 9)	9,390	9,515	11,293
	166,778	163,018	177,036
Less promotional allowances (Note 1)	12,857	11,873	12,627
Net revenues	153,921	151,145	164,409
Costs and expenses: (Notes 1, 7 and 10)			
Direct costs and expenses of operating departments:			
Casino	48,826	45,325	47,509
Rooms	17,594	18,787	18,834
Food and beverage	15,588	15,768	15,916
Entertainment	13,982	10,329	15,290
Other	3,516	3,527	3,913
Other operating expenses:			
Selling, general and administrative	28,822	29,618	31,454
Depreciation and amortization	5,674	6,811	8,212
Total costs and expenses	134,002	130,165	141,128
Income from operations	19,919	20,980	23,281
Other income (expense):			
Interest expense (Notes 5 and 7)	(12,764)	(12,453)	(12,085)
Interest income	510	1,149	1,167
Other, net (Note 5)	--	--	505
Total other income (expense)	(12,254)	(11,304)	(10,413)
Income before provision for income taxes	7,665	9,676	12,868
Provision for income taxes (Notes 1 and 6)	2,875	3,332	4,428
Net income	$ 4,790	$ 6,344	$ 8,440
Weighted average common and common equivalent shares outstanding (Notes 1 and 11)	4,800,000	5,040,720	5,177,809
Net income per common and common equivalent shares (Notes 1 and 11)	$ 1.00	$ 1.26	$ 1.63

See notes to consolidated financial statements.

</TABLE>

RIVIERA HOLDINGS CORPORATION

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Years Ended December 31, 1994, 1995 and 1996
(in thousands, except share data)

<TABLE>
<CAPTION>

	Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Notes Receivable from Employee Shareholders	Total
Balances, January 1, 1994...........	4,800,000	$ 5	$12,537	$2,606	--	$15,148
Net income..........................	--	--	--	4,790	--	4,790
Balances, December 31, 1994.........	4,800,000	5	12,537	7,396	--	19,938
Net income..........................	--	--	--	6,344	--	6,344
Balances, December 31, 1995.........	4,800,000	5	12,537	13,740	--	26,282
Stock issued under Employee Stock Purchase Plan................	137,000	--	1,543	--	$(1,383)	160
Collections of shareholders' receivables........................	--	--	--	--	332	332
Refunds on employee stock purchases.........................	(17,600)	--	(198)	--	198	--
Director Compensation Plan...............................	3,103	--	37	--	--	37
Net income..........................	--	--	--	8,440	--	8,440
Balances, December 31, 1996.........	4,922,503	$ 5	$13,919	$22,180	$(853)	$35,251

</TABLE>

See notes to consolidated financial statements.

RIVIERA HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Years Ended December 31, 1994	1995	1996
	(in thousands)		
Cash flows from operating activities:			
Net income..	$4,790	$6,344	$8,440
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization......................................	5,674	6,811	8,212
Provision for bad debts...	991	478	524
Provision for gaming discounts.....................................	133	143	232
Other, net..	--	--	(505)
Interest expense..	12,764	12,453	12,085
Interest paid...	(13,052	(12,489)	(12,072)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	(1,116)	126	(1,535)
Decrease (increase) in inventories	(508)	86	(853)
Increase in prepaid expenses and other assets	(310)	(212)	(90)
Decrease in restricted cash for periodic slot payments	591	318	578
Increase in accounts payable	1,064	1,033	166
Increase in accrued expenses	2,393	758	104
Increase (decrease) in current income taxes payable	573	(522)	362
Increase in deferred income taxes payable	2,010	1,013	1,603
Increase in non-qualified pension plan obligation to CEO upon retirement	375	400	1,039
Net cash provided by operating activities	16,372	16,740	18,290
Cash flows from investing activities:			
Capital expenditures for property and equipment	(8,933)	(7,836)	(14,923)
Decrease (increase) in other assets	(1,506)	(382)	1,906
Net cash used in investing activities	(10,439	(8,218)	(13,017)
Cash flows from financing activities:			
Proceeds from long-term borrowings	675	176	209
Payments on long-term borrowings	(3,371)	(3,159)	(2,226)
Proceeds from issuance of stock to employees and directors	--	--	197
Collections of notes receivable from employees	--	--	332
	--		
Net cash used in financing activities	(2,696)	(2,983)	(1,488)
Increase in cash and cash equivalents	3,237	5,539	3,785
Cash and cash equivalents, beginning of period	13,186	16,423	21,962
Cash and cash equivalents, end of period	$16,423	$21,962	$25,747
Supplemental disclosure of cash flow information -- Income taxes paid	$292	$2,852	$2,463
Supplemental disclosure of non-cash financing activities:			
Stock issued to employees for notes receivable			$1,383
Non-cash reductions of long-term debt			$845

See notes to consolidated financial statements.

</TABLE>

RIVIERA HOLDINGS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

In July 1994, management established a new division, Riviera Gaming Management, Inc. ("RGM") for the purpose of obtaining management contracts in Nevada and other jurisdictions. In August 1995, RGM incorporated in the state of Nevada as a wholly owned subsidiary of ROC.

Nature of Operations

The primary line of business of the Company is the operation of the Riviera Hotel & Casino on the "Strip" in Las Vegas, Nevada. The Company is engaged in a single industry segment, the operation of a hotel/casino with restaurants and related facilities. The Company also manages the Four Queens Hotel/Casino in downtown Las Vegas (see Note 9).

Casino operations are subject to extensive regulation in the State of Nevada by the Gaming Control Board and various other state and local regulatory agencies. Management believes that the Company's procedures for supervising casino operations, for recording casino and other revenues and for granting

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

credit comply, in all material respects, with the applicable regulations.

Principles of Consolidation

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

Cash and Cash Equivalents

All highly liquid investment securities with a maturity of three months or less when acquired are considered to be cash equivalents. The Company accounts for investment securities in accordance with Statement of Financial Accounting Standards No. 115 ("SFAS 115"), Accounting for Certain Investments in Debt and Equity Securities.

The Company's investment securities, along with certain cash and cash equivalents that are not deemed securities under SFAS 115, are carried on the consolidated balance sheets in the cash and cash equivalents category. SFAS 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities, and requires such securities to be classified as either held-to-maturity, trading or available-for-sale. Management determines the appropriate classification of its investment securities at the time of purchase and reevaluates such determination at each balance sheet date. Pursuant to the criteria that are prescribed by SFAS 115, the Company has classified its investment securities in inventory as of December 31, 1994,

and acquired during fiscal 1995 as held to maturity. Held to maturity securities are required to be carried at amortized cost. At December 31, 1996, securities classified as held to maturity were comprised of debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies and repurchase agreements with an amortized cost of $19,756,000 maturing in three months or less.

Inventories

Inventories consist primarily of food, beverage, gift shop and promotional inventories and are stated at the lower of cost (determined on a first-in, first-out basis) or market.

Property and Equipment

Property and equipment are stated at the lower of cost or market, and capitalized lease assets are stated at the lower of the present value of future minimum lease payments at the date of lease inception or market value. Interest incurred during construction of new facilities or major additions to facilities is capitalized and amortized over the life of the asset. Depreciation is computed by the straight-line method over the shorter of the estimated useful lives or lease terms, if applicable, of the related assets, which range from 5 to 40 years. The costs of normal maintenance and repairs are charged to expense as incurred. Gains or losses on disposals are recognized as incurred.

Restricted Cash for Periodic Slot Payments

At December 31, 1995 and 1996, the Company had interest-bearing deposits with a commercial bank in the amount of $1,039,000 and $461,000 respectively, which are restricted as to use. These amounts represent deposits required by the State of Nevada Gaming Control Board to fund periodic slot payments due customers through the year 2000.

Fair Value Disclosure as of December 31, 1996

Cash and cash equivalents, accounts receivable, restricted cash for periodic slot payments, accounts payable and accrued expenses -- The carrying value of these items are a reasonable estimate of their fair value.

Long-term Debt -- The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. Based on the borrowing rates currently available to the Company for debt with similar terms and average maturities, the estimated fair value of long-term debt is approximately $112,588,000.

Casino Revenue

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Company recognizes, as gross revenue, the net win from gaming activities, which is the difference between gaming wins and losses.

Promotional Allowances

Promotional allowances consist primarily of accommodations, entertainment, and food and beverage services furnished without charge to customers. The retail value of such services is included in the respective revenue classifications and is then deducted as promotional allowances.

The estimated costs of providing promotional allowances are classified as costs of the casino operating department through interdepartmental allocations. These allocations for the years ended December 31, 1994, 1995 and 1996 are as follows:

	1994	1995	1996
		(in thousands)	
Food and beverage	$7,225	$6,570	$6,671
Rooms	1,843	1,451	1,410
Entertainment	2,121	2,280	2,592
Total costs allocated to casino	$11,189	$10,301	$10,673

Federal Income Taxes

The Company and its subsidiaries file a consolidated federal tax return. The Company accounts for income taxes in accordance with SFAS 109, Accounting for Income Taxes. SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred income taxes reflect the net tax effects of (i) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (ii) operating loss and tax credit carryforwards.

Net Income Per Share

Earnings per common and common equivalent share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to outstanding options to purchase common stock. Fully diluted per share amounts are substantially the same as primary per share amounts for the periods presented.

On November 16, 1995, the shareholders of the Company approved an amendment to the Company's Amended and Restated Articles of Incorporation to increase the authorized shares of common stock from 5,000,000 to 20,000,000 and a four for one stock split. Accordingly, per share information, average number of shares outstanding and number of shares outstanding in the accompanying consolidated financial statements have been adjusted for the stock split as of the earliest date presented (December 31, 1994).

Estimates and Assumptions

The preparation of financial statements in conformity with generally

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates.

Reclassifications

Certain reclassifications have been made to the 1994 and 1995 financial statements to conform with the current year presentation.

Recently Adopted Accounting Standards

During 1996 the Company adopted the provisions of Statement No. 121 ("SFAS 121"), Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of SFAS 121 had no impact on the financial position or results of operations of the Company.

In October 1995, the Financial Accounting Standards Board ("FASB") issued Statement No. 123 ("SFAS 123"), Accounting for Stock-Based Compensation, which establishes financial accounting and reporting standards for stock-based employee compensation plans and for transactions in which an entity issues its equity instruments to acquire goods or services from nonemployees. The Company continues to account for stock-based compensation arrangements in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and therefore the adoption of SFAS 123 had no effect on the financial position or results of operations of the Company. The Company has included additional disclosures about stock-based employee compensation plans as required by SFAS 123 (see Note 11).

2. Accounts Receivable

Accounts receivable consist of the following at December 31:

	1995	1996
	(in thousands)	
Casino	$2,581	$2,280
Hotel	2,494	3,479
Total	5,075	5,759
Less allowance for bad debts and discounts	741	646
Total	$4,334	$5,113

Changes in the casino and hotel allowance for bad debts and discounts for the years ended December 31, 1995 and 1996 consist of the following:

	1995	1996
	(in thousands)	
Beginning balance	$1,424	$741
Write-offs	(1,358)	(912)
Recoveries	54	61
Provision for bad debts	478	524
Provision for gaming discounts	143	232
Ending balance	$ 741	$ 646

3. Property and Equipment

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Property and equipment consists of the following at December 31:

	1995	1996
	(in thousands)	
Land and improvements	$21,751	$21,751
Buildings and improvements	75,875	77,455
Equipment, furniture, and fixtures	38,307	51,650
Total property and equipment	135,933	150,856
Less accumulated depreciation	14,884	23,096
Net property and equipment	$121,049	$127,760

4. Accounts Payable and Accrued Expenses

Accounts payable consist of the following at December 31:

	1995	1996
	(in thousands)	
Outstanding chip and token liability	$854	$836
Casino account deposits	642	498
Unpaid race and sports book winners	26	17
Miscellaneous gaming	850	762
Total liabilities related to gaming activities	2,372	2,113
Accounts payable to vendors	4,497	5,118
Hotel deposits	1,415	1,123
Other	80	176
Total	$8,364	$8,530

Accrued expenses consist of the following at December 31:

	1995	1996
	(in thousands)	
Payroll, related payroll taxes and vacation	$5,095	$5,244
Health and other liability claims	548	450
Union benefits and dues	816	663
Progressive slot machine liability	226	203
Taxes	518	631
Professional fees	208	176
Incentive and pension plans	2,209	2,357
Interest	20	33
Total	$9,640	$9,757

5. Long-Term Debt

Long-term debt consists of the following at December 31:
<TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<CAPTION>

<S>	1995	1996
	(in thousands)	
First Mortgage Notes maturing on December 31, 2002, bearing interest at the rate of 11% per annum, payable semi-annually on June 30 and December 31, redeemable beginning June 1, 1998, at 104.3125%; 1999 at 102.8750%; 2000 at 101.4375%; and 2001 and thereafter at 100%. These notes are collateralized by the physical structures comprising the Riviera Hotel and Casino.......................	$100,000	$100,000
Unsecured, non-interest bearing notes to settle Class 4, 5 and 12 claims, discounted at 16.8%, paid in 1996..	2,056	--
Unsecured, non-interest bearing promissory note in an original principal amount of $8,000,000 (the "Class 13/14 Note") to settle the claims of the former sole shareholder, and his affiliates, payable to a bank in semi-annual installments of $500,000 to $750,000 discounted at 12%..	4,159	4,707
Capitalized lease obligations (see Note 7)...	1,341	986
Unsecured promissory notes in the original principal amount of $441,262, bearing interest at the rate of 8.5% per annum, payable monthly and maturing on December 31, 1998..	266	185
Periodic slot payments due customers through 2000, prefunded by restricted cash (see Note 1)...	1,039	461
Non-qualified pension plan obligation to the CEO of the Company, payable in 20 quarterly installments upon expiration of his employment contract..	1,710	2,749
Total long-term debt..	110,571	109,088
Less current maturities by terms of debt...	2,322	1,550
Total...	$108,249	$107,538

</TABLE>

Maturities of long-term debt for the years ending December 31, were as follows:

	(in thousands)
1997...	$1,550
1998...	1,884
1999...	1,817
2000...	2,043
2001...	1,244
Thereafter..	100,550
Total..	$109,088

The Indenture for the First Mortgage Notes imposes certain financial covenants and restrictions on the Company, including but not limited to the maintenance of a minimum consolidated net worth, which should not be less than $2,542,000 for any two consecutive fiscal quarters, and limitations on (i) dividends on common stock, (ii) liquidation of assets, (iii) incurrence of indebtedness, (iv) creation of subsidiaries and joint ventures and (v) capital purchases. Capital purchases are limited to annual cash expenditures of $6,000,000 plus 80% of cumulative available cash flow from the Company's inception

at July 1, 1993, to the extent that this cash flow has not been utilized in any prior year. Management believes the Company is in compliance with the covenants of the Indenture.

Effective September 8, 1995, the Board of Directors and holders of 94% of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

the Company's First Mortgage Notes approved amendments to certain note restrictive covenants. Noteholders who consented to the modification of the restrictive covenants were paid a fee of $5.00 for each $1,000 of Notes held, for an aggregate payment by the Company of $500,000 which is included in other assets at December 31, 1995 and 1996 and amortized over the life of the related debt. These costs are being amortized using the straight-line method which approximates the effective interest method over the life of the indebtedness. The amendments to the restrictive covenants were designed to permit the Company's management team to utilize its expertise in turning around troubled gaming properties which are either in or on the verge of bankruptcy and to manage casinos in so called "new venues".

During the fourth quarter of 1996, the Company made the final payment on the note issued to settle the Class 12 claim, which was less than what was recorded and resulted in income of approximately $845,000. Also during the fourth quarter of 1996, the terms of the Class 13/14 Note was revised, which resulted in a decrease in the discount rate from 16.8% to 12.0% and increased principal, resulting in additional expense of $340,000. Other, net income for the year ended December 31, 1996 includes the net effect of the above transactions.

In February, 1997, the Company entered into a $15.0 million five year reducing revolving line of credit collateralized by equipment. The revolving line of credit bears interest at prime plus 0.5% or LIBOR plus 2.9%. The Company has not utilized this line of credit.

The Company has credit facilities totaling $1,100,000 at banks for letters of credit issued periodically to foreign vendors for purchases of merchandise.

6. Federal Income Taxes

SFAS 109 requires the Company to compute deferred income taxes based upon the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

The effective income tax rates on income attributable to continuing operations differ from the statutory federal income tax rates for the year ended December 31, 1994, 1995 and 1996 as follows:

	1994 Amount	Rate	1995 Amount	Rate	1996 Amount	Rate
	(dollars in thousands)					
Taxes at federal statutory rate...........	$2,680	35.0%	$3,386	35.0%	$4,504	35.0%
Other	195	2.5	(54)	(1.0)	(76)	(1.0)
Provision for income taxes..............	$2,875	37.5%	$3,332	34.0%	$4,428	34.0%

The tax effects of the items comprising the Company's net deferred tax liability consist of the following at December 31:

	1995	1996
	(in thousands)	
Deferred Tax Liabilities:		
Basis in long-term debt obligations.....................................	$640	$457
Reserve differential for hospitality and gaming activities................	1,090	1,133
Difference between book and tax depreciable property.....................	4,430	5,226
Other..	383	806
Total...	6,543	7,622
Deferred Tax Assets:		

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Reserves not currently deductible	1,500	1,806
Bad debt reserves	260	226
AMT credit	1,760	964
Total	3,520	2,996
Net deferred tax liability	$3,023	$4,626

</TABLE>

The Company has $964,000 of alternative minimum tax credit available to offset future income tax liabilities. The credit has no expiration date.

7. Leasing Activities

The Company leases certain equipment under capital leases. These agreements have been capitalized at the present value of the future minimum lease payments at lease inception and are included with property and equipment. Management estimates the fair market value of the property and equipment subject to the leases approximates the net present value of the leases. The leased property and equipment consist primarily of signs and air conditioning equipment.

The following is a schedule by year of the minimum rental payments due under capital leases, as of December 31, 1996:

	(in thousands)
1997	$ 441
1998	441
1999	429
2000	227
Total minimum lease payments	1,538
Less taxes, maintenance and insurance	390
Less interest portion of payments	162
Present value of net minimum lease payments	$ 986

Rental expense for the years ended December 31, 1994, 1995 and 1996 was approximately $295,000, $406,000 and $334,000, respectively.

In addition, the Company leases retail space to third parties under terms of noncancelable operating leases which expire in various years through 1999. Rental income, which is included in other income,

for the years ended December 31, 1994, 1995 and 1996 was approximately $1,687,000, $1,533,000 and $1,573,000, respectively.

At December 31, 1996, the Company had future minimum annual rental income due under noncancelable operating leases as follows:

	(in thousands)
1997	$1,159
1998	946
1999	748
2000	494
2001	351
Thereafter	993
Total	$4,691

8. Commitments and Contingencies

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

9. Management Agreements

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Since August 1996, RGM has been operating the Four Queens located adjacent to the Golden Nugget on Fremont Street in downtown Las Vegas under an interim management agreement for a fee of $83,333 per month. A long-term management agreement (the "Management Agreement") with Elsinore Corporation ("Elsinore"), the owner of the Four Queens, went into effect on February 28, 1997, the effective date of the Chapter 11 plan of reorganization of Elsinore.

The term of the Management Agreement is approximately 40 months, subject to earlier termination or extension. Either party may terminate the Management Agreement if cumulative earnings before interest, taxes, depreciation and amortization ("EBITDA") for the first two fiscal years is less than $12.8 million. The term of the Management Agreement can be extended by an additional 24 months at RGM's option, if cumulative EBITDA for the three fiscal years of the term is at least $19.2 million. RGM will be paid a fee of 25% of any increase in annual EBITDA over $4.0 million, subject to a $1.0 million minimum fee, payable in equal monthly installments. RGM has received warrants for 20% of Elsinore's fully diluted equity, exercisable during the term or extended term of the Management Agreement at an exercise price based on the higher of (i) the per share book value on the effective date of the Elsinore bankruptcy plan or (ii) total shareholders' equity of $5.0 million. Either party can terminate the Management Agreement if (i) substantially all the Four Queens' assets are sold, (ii) the Four Queens is merged or (iii) a majority of the Four Queens' or Elsinore's shares are sold. Upon such termination RGM will receive a $2.0 million termination bonus minus any amount realized or realizable upon exercise of the warrants.

10. Employment Agreements and Employee Benefit Plans

The Company has an employment agreement with Mr. Westerman, Chairman of the Board and Chief Executive Officer of the Company. This agreement includes an annual base salary, an incentive bonus based upon the extent of adjusted operating earnings, contributions to a Non-Qualified Pension Plan and contributions to a Profit Sharing and 401(k) Plan. In addition, the Company has termination fee agreements with each of the Directors, Executive Officers and Significant Employees pursuant to which each of such employees will be entitled to receive one year's salary and health insurance benefits if their employment with the Company is terminated within one year of a change of control of the Company and without cause, or the involuntary termination of Mr. Westerman. On November 21, 1996, the Company amended Mr. Westerman's employment agreement subject to stockholder approval at their annual meeting scheduled for May 8, 1997. If the Company's stockholders do not ratify the amended agreement the agreement described above will remain in full force.

The Company has an incentive compensation plan, covering employees of the Company who, in the opinion of the Chairman of the Board, either serve in key executive, administrative, professional or technical capacities with the Company or other employees who also have made a significant contribution to the successful and profitable operation of the Company. The amount of the bonus is based on operating earnings before depreciation, amortization, interest expense, provision for income taxes, extraordinary losses and gains, any provisions or payments made pursuant to the Plan, and any provisions or payments made pursuant to the incentive compensation of the Chairman and Chief Executive Officer. At December 31, 1994, 1995 and 1996 the Company recorded accrued bonuses of $1,430,000 and $2,123,000 and $2,588,000, respectively, based upon the above incentive compensation plan and the incentive compensation plan established for the Chairman of the Board under his employment agreement.

The Company contributes to multi-employer pension plans under various union agreements to which the Company is a party. Contributions, based on wages paid to covered employees, were approximately $1,725,000, $1,576,000 and $1,650,000 for the years ended December 31, 1994, 1995 and 1996. These contributions were for approximately 1,364 employees including food and beverage employees, room department employees, carpenters, engineers, stage hands, electricians, painters and teamsters. The Company's share of any unfunded liability related to multi-employer plans, if any, is not determinable.

The Company sponsors a Profit Sharing and 401(k) Plan which incurred administrative expenses of approximately $67,000, $59,000 and $34,000 for the years ended 1994, 1995 and 1996.

The profit sharing component of the Profit Sharing and 401(k) Plan provides that the Company will make a contribution equal to 1% of each eligible employee's annual compensation if a prescribed annual operating earnings target

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

is attained and an additional 1/10th of 1% thereof for each $200,000 by which operating earnings is exceeded, up to a maximum of 3% thereof. The Company may elect not to contribute to the Profit Sharing and 401(k) Plan if it notifies its employees in January of the Profit Sharing and 401(k) Plan year. An employee will become vested in the Company's contributions based on the employee's years of service. An employee will receive a year of vesting service for each plan year in which the employee completed 1,000 hours of service. Vesting credit will be allocated in 20% increments for each year of service commencing with the attainment of two years of service. An employee will be fully vested following the completion of six years of service.

The 401(k) component of the Profit Sharing and 401(k) Plan provides that each eligible employee may contribute up to 15% of such employee's annual compensation, and that the Company will contribute 1%

of each employee's annual compensation for each 4% of compensation contributed by the employee, up to a maximum of 2%. All non-union employees of the Company will be eligible to participate in the Profit Sharing and 401(k) Plan after twelve consecutive months of service with the Company.

ROC is a party to termination fee agreements with certain significant employees pursuant to which each such employee is entitled to receive one year's salary and benefits if his or her employment with ROC is terminated within one year of a change of control of the Company or ROC, or the involuntary termination of Mr. Westerman's employment. The estimated total amount that would be payable under all such agreements is approximately $1.3 million in salaries and $400,000 in benefits.

ROC is a party to stay bonus agreements with certain significant employees pursuant to which each such employee is entitled to receive one year's salary (less the amount of any incentive bonus paid in 1997 for 1996) in the event there is a change of control of the Company. The agreements expire on December 31, 1997. The estimated total amount that would be payable under all such agreements is approximately $300,000.

11. Stock Option Plans

At a meeting held on July 27, 1993, the Company's Board of Directors adopted a stock option plan (the "Stock Option Plan") providing for the issuance of both non-qualified and incentive stock options (as defined in the Internal Revenue Code). This stock option plan was ratified by the Company's shareholders at the April 26, 1994 annual meeting. The number of shares available for purchase under the Stock Option Plan as adopted was 120,000 (as adjusted pursuant to antidilution provisions). On November 16, 1995, the stockholders approved a four-for-one stock split, increasing the number of shares of Common Stock available for purchase under the Stock Option Plan to 480,000. Options were granted for 228,000 shares for 1993, 132,000 shares for 1994, none for 1995, and 110,000 for 1996, leaving a balance available for future grants of 10,000 shares. No options were exercised or cancelled in 1994, 1995 or 1996. On November 21, 1996 the Company amended the Stock Option Plan to increase the number of shares available under the Stock Option Plan from 480,000 shares to 1,000,000 shares and granted options to purchase 300,000 additional shares to Mr. Westerman, each subject to stockholder approval at the annual meeting of stockholders scheduled in May 1997. Options vest 25% one year after the date of grant and 25% each subsequent year. The term of an option can in no event be exercisable more than ten years (five years in the case of an incentive option granted to a shareholder owning more than 10% of the Common Stock), or such shorter period, if any, as may be necessary to comply with the requirements of state securities laws, from the date such option is granted.

On March 5, 1996, the Board of Directors adopted an employee stock purchase plan (the "Stock Purchase Plan"), which was approved by the stockholders on May 10, 1996. A total of 300,000 shares of common stock (subject to adjustment for capital changes) in the aggregate may be granted under the Stock Purchase Plan. The Stock Purchase Plan is administered by the compensation committee. On May 31, 1996, approximately 560 union and non-union employees participated in the 1996 employee stock purchase plan. Under the plan, 137,000 shares were issued at a discount to employees at $11.26 for $160,000 cash and the balance in notes receivable of $1,383,000 which are payable over two years via payroll deduction. During 1996, 17,600 shares were returned to the plan as the result of refunds to the employees.

On May 10, 1996, the shareholders approved a Nonqualified Stock Option Plan for Non-Employee Directors (the "Nonqualified Stock Option Plan") and a Stock Compensation Plan for Directors serving

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

RIVIERA HOLDINGS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

on the Compensation Committee (the "Stock Compensation Plan"). The total number of shares available for purchase under each plan is 50,000. Pursuant to the Nonqualified Stock Option Plan, two directors were granted options to purchase an aggregate of 4,000 shares in 1996 at an exercise price of $13.25. As of December 31, 1996, 3,103 shares were issued pursuant to the Stock Compensation Plan.

The Company has adopted the disclosures-only provision of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation. Accordingly, no compensation cost has been recognized for the Stock Option Plan. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. Had compensation cost for the Stock Option Plan been determined based on the fair value at the date of grant for awards consistent with the provisions of SFAS 123, the Company's net income and pro forma net income common share and common share equivalent would have been decreased to the pro forma amounts indicated below:

	Years Ended December 31,	
	1995	1996
	(in thousands, except per share data)	
Net income-as reported	$6,344	$8,440
Net income-pro forma	6,289	8,380
Net income per common and common share equivalent-as reported	$1.26	$1.63
Net income per common and common share equivalent-pro forma	$1.25	$1.61

12. Subsequent Event (unaudited)

On March 4, 1997, the Company entered into a letter of intent with Eagle Gaming, L.P. ("Eagle") to form a joint venture, Riviera Black Hawk, LLC ("RBL"), to develop a casino (the "Project") in the Black Hawk/Central City, Colorado gaming market for approximately $55 million, subject to satisfaction of a number of conditions. The Company will manage the Project for a management fee based upon the gross revenue and EBITDA of the Project. The Company will initially have an approximately 80% equity interest and Eagle an approximately 20% equity interest in the joint venture. Eagle has the option, prior to the Company being licensed by the Colorado gaming authorities, to acquire up to 29.9% of additional equity interest in the Project from the Company at the Company's cost. If Project costs exceed the approximately $55 million preliminary estimate, the Company and Eagle will be required to bear their respective pro-rata share of increased costs or their respective equity interests will be adjusted. In addition, the Company has committed to provide a completion guaranty for up to $5.0 million.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (this "Agreement") is dated as of _________, 1996 by and between Elsinore Corporation, a Nevada corporation ("Elsinore"), Four Queens, Inc., a Nevada corporation ("Four Queens" and, together with Elsinore, the "Companies"), and Riviera Gaming Management Corp.-Elsinore, a Nevada corporation ("Manager").

PRELIMINARY STATEMENTS

A. Elsinore owns and operates through its subsidiary, Four Queens, a hotel and casino commonly known as the Four Queens Hotel and Casino, located at 202 Fremont Street, Las Vegas, Nevada.

B. The Companies are party to those certain Chapter 11 bankruptcy proceedings pending in the United States Bankruptcy Court for the District of Nevada (the "Bankruptcy Court") as Case No. 95-24685 RCJ and Case No. 95-24687 RCJ respectively (the "Proceedings").

C. Pursuant to the terms and conditions of that certain Interim Management Agreement dated as of __________, 1996 between the Companies and Manager (the "Interim Management Agreement") the Companies have engaged Manager to manage the Project. The term of the Interim Management Agreement expires on the Effective Date (as defined below).

D. Pursuant to the terms and conditions of the Joint Plan of Reorganization for the Debtors with respect to the Proceedings (the "Plan"), Manager shall be engaged to manage the Project upon the expiration of the term of the Interim Management Agreement in accordance with the terms and conditions of this Agreement.

In consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties to this Agreement hereby agree as follows:

ARTICLE I. DEFINITIONS

The following defined terms are used in this Agreement:

"Affiliate" shall mean a person that directly or indirectly, or through one or more intermediaries, controls, is controlled by, or is under common control with the person in question and any stockholder or partner of any person referred to in the preceding clause owning 10% or more of such entity.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

"Audit Day" is defined in Section 3.6(a).

"Audited Statements" is defined in Section 3.6(a).

"Business Days" shall mean all weekdays except those that are official holidays of the State of Nevada or the U.S. Government. Unless specifically stated as "Business Days," a reference to "days" means calendar days.

"Capital Budget" is defined in Section 3.9.

"Casino" shall mean those areas reserved for the operation of slot machines, table games and any other legal forms of gaming permitted under applicable law, and such additional ancillary service areas including reservations and admissions, cage, vault, count room, surveillance room and any other room or area or activities therein regulated or taxed by the Nevada Gaming Authorities by reason of gaming operations.

"Casino Bankroll" shall mean an amount reasonably determined by Manager as funding required to bankroll the Casino Gaming Activities but in no case less than the amount required by Nevada gaming law or Nevada Gaming Authorities. In no event shall such Casino Bankroll include any amount necessary to cover Operating Expenses or Operating Capital. Casino Bankroll shall include the funds located on the casino tables, in the gaming devices, cages, vault, counting rooms, or in any other location in the Casino where funds may be found and funds in a bank account identified by the Companies for any additional amount required by Nevada gaming law or Nevada Gaming Authorities or such other amount as is reasonably determined by Manager and the Companies.

"Casino Gaming Activities" shall mean the Casino cage, table games, slot machines, video machines, and other forms of gaming managed by Manager in the Casino.

"Casino Operating Expenses" shall mean expenses incurred in the management of the Casino, including, but not limited to, gaming supplies, maintenance of the Casino area, gaming marketing materials, uniforms, complimentaries, Casino employee training, Casino employee compensation and entitlements, and Gaming Taxes.

"Companies' Advances" is defined in Section 3.11.

"Confirmation Date" is defined in Recital C.

"Default" or "Event of Default" is defined in Section 6.1.

"EBITDA" shall mean revenues derived from the operation of Four Queens less all costs of operating Four Queens (including, without limitation, any and all costs associated with the Fremont Street Experience and the Minimum Fee) except for (i) bankruptcy restructuring costs, (ii) Elsinore D&O insurance,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(iii) Elsinore director and officer compensation, (iv) expenses related to Elsinore debt (including Trustee Fees), (v) any other

Elsinore expense over which Manager has no control and (vi) the Performance Fee, all before (a) interest on indebtedness, (b) all taxes on income other than Gaming Taxes, (c) depreciation of tangible assets and (d) amortization of goodwill and other intangible assets, all as determined by the independent certified public accountant of the Companies in accordance with generally accepted accounting principles applied on a consistent basis (after giving effect to "fresh start" accounting), subject, however, to the dispute provisions of Section 3.6(b).

"Effective Date" shall mean the date the Plan becomes effective as defined in the Plan.

"Extended Term" is defined in Section 2.3.

"Extension Option" is defined in Section 2.3.

"Fiscal Year" shall mean the 12-month period starting with the first full quarter beginning immediately following the Effective Date and each 12-month period thereafter.

"Gaming Taxes" shall mean any tax imposed by the Nevada Gaming Authorities on Gross Gaming Revenues.

"Governmental Authorities" shall mean the United States, the State of Nevada and any court or political subdivision agency, commission, board or instrumentality or officer thereof, whether federal, state or local, having or exercising jurisdiction over the Companies, Manager or the Project, including the Casino.

"Gross Gaming Revenues" shall mean all of the revenue from the operation of the Casino (which is taxed by the Nevada Gaming Authorities) from all business conducted upon, related to or from the Casino in accordance with generally accepted accounting principles and shall include, but not be limited to, the net win from gaming activities, which is the difference between gaming wins and losses before deducting Gaming Taxes, and plus or minus, as appropriate, deposits made in respect of progressive slot machines and other similar games.

"Gross Revenues" shall mean Gross Gaming Revenues, plus all other revenues resulting from the operation of the Project, minus all Gaming Taxes.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

"Management Fee" shall mean the Minimum Fee and the Performance Fee, if any.

"Minimum Fee" is defined in Section 4.1.

"Monthly Financial Statements" is defined in Section 3.7.

"Nevada Gaming Authorities" shall mean the Nevada Gaming Commission, State Gaming Control Board and all other gaming regulatory bodies, including, but not limited to,

any municipality, political subdivision, board, commission, agency or other public body now in existence or hereafter created to regulate gaming in the State of Nevada.

"Olympia" means the Seven Cedars Casino located in Sequim, Washington.

"Operating Bank Accounts" is defined in Section 3.10.

"Operating Budget" is defined in Section 3.9.

"Operating Capital" shall mean such amount in the Operating Bank Accounts as will be reasonably sufficient to assure the timely payment of all current liabilities of the Project, including the operations of the Casino, during the term of this Agreement, and to permit Manager to perform its management responsibilities and obligations hereunder, with reasonable reserves for unanticipated contingencies and for short term business fluctuations resulting from monthly variations from the Operating Budget.

"Operating Expenses" shall mean actual expenses incurred following the Effective Date in operating the Project, including the Casino Operating Expenses, employee compensation and entitlements, Operating Supplies, maintenance costs, fuel costs, utilities, taxes and the Minimum Fee.

"Operating Supplies" shall mean gaming supplies, paper supplies, cleaning materials, marketing materials, maintenance supplies, uniforms and all other materials used in the operation of the Project.

"Palm Springs" means the Spotlight 29 Casino located in Palm Springs, California.

"Performance Fee" shall mean the annual amount payable to Manager which equals 25% of any increase in EBITDA in any Fiscal Year of the Term or Extended

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Term over $8 million.

"Performance Fee Statement" is defined in Section 3.6(a).

"Project" shall mean the Four Queens Hotel and Casino in Las Vegas, Nevada and all necessary ancillary facilities to the Project, including, but not limited to, vehicular parking area, entertainment facilities, hotels, restaurants, waiting areas, restrooms, administrative offices for, but not limited to, accounting, purchasing, and management information services (including offices for Manager management personnel) and other areas utilized in support of the operations of the Project.

"Projected EBITDA" shall mean the EBITDA for the first two Fiscal Years of the Term and is deemed to be $8 million for each such year.

"Selected Arbitrator" is defined in Section 9.1.

"Term" is defined in Section 2.2.

ARTICLE II: ENGAGEMENT OF MANAGER AND TERM OF AGREEMENT

Section 2.1 Engagement of Manager. The Companies hereby engage and employ Manager to act as their exclusive agent for the supervision and control of the management of the business and affairs of the Project and to provide certain services to the Companies as detailed in Section 3.3 of this Agreement in connection with the Project, and Manager hereby accepts such engagement and employment, on the terms and conditions hereinafter set forth. In addition, Manager may provide consulting services to Elsinore from time to time with respect to non-Project related issues and Manager agrees to provide consulting services upon terms mutually acceptable to Manager and the Companies.

Section 2.2 Term. Manager shall manage the Project from the period (the "Term") commencing on the Effective Date and ending 60 days after the third Fiscal Year's audited results are available, subject to termination prior to the end of such period as hereinafter specified or extension as hereinafter provided. Either Manager or Elsinore may terminate this Agreement upon 120 days notice after the second Fiscal Year's audited results are available, provided that cumulative EBITDA for the first two Fiscal Years is less than 80% of the cumulative Projected EBITDA. In the event that Elsinore elects to terminate this Agreement at the end of the second Fiscal Year because the 80% cumulative Projected EBITDA target was not met, Manager will have 60 days after receipt of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

notice of Elsinore's election to so terminate in which to exercise its Warrants. If Manager does not exercise its Warrants, or exercises only a portion of its Warrants, then any Warrants remaining unexercised at the end of the 60 day period will be automatically cancelled.

Section 2.3 Option to Extend Term. The Term may be extended at the option (the "Extension Option") of Manager (the "Extended Term") for an additional term of two years, provided that cumulative EBITDA for the Term is 80% or more of the cumulative Projected EBITDA. Manager shall give written notice of its exercise of an Extension Option no later than 120 days prior to the expiration of the Term, on the assumption that cumulative EBITDA for the Term will be 80% or more of the cumulative Projected EBITDA.

ARTICLE III: RESPONSIBILITIES OF THE PARTIES.

Section 3.1 Standards. With respect to the operation of the Project pursuant to this Agreement, Manager shall manage and maintain the Project in a manner reasonably consistent with the average of standards and procedures exercised by other casino/hotel operators in the management of other casino/hotels of the same or similar type, class and quality as the Project and located in Las Vegas, Nevada.

Section 3.2 No Interference; Board Representation. In order for Manager to meet its responsibilities under Section 3.1 of this Agreement in a professional manner, and to comply with any legal requirements and the terms of this Agreement, the Companies hereby

agree that (i) Manager shall have uninterrupted control of and responsibility for the operation of the Project during the Term of this Agreement and (ii) the Companies will not interfere or be involved with the operation of the Project and that Manager may operate the Project free of molestation, eviction or disturbance by the Companies or any third party claiming by, through or under the Companies, provided that Manager shall not engage in any transaction with any of its affiliates relating to the Project in excess of $10,000 without the prior written approval of the Elsinore Board of Directors. Notwithstanding the foregoing, during normal business hours and upon reasonable notice to Manager, the Companies' directors and Elsinore's major stockholder and their agents may visit the Project and may ask the Manager and the companies' officers about various aspects of the Companies' business, operations and financial results. Examples of the matters which Manager shall determine from time to time hereunder include, but are not limited to, room rates, food and beverage menu prices, charges to guests for other services performed by Manager at the Project, for rooms, gaming, commercial purposes and entertainment, entertainment policies and specific entertainment obligations, the labor policies of the Project and the type and character of publicity and promotion. Manager agrees,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

however, that it will in good faith use its best efforts to perform its obligations and discharge its responsibilities in the control and operation of the Project in and for the purpose of maximizing profits from the operation of the Project. Nothing contained in this Section 3.2 shall prohibit the Companies' Boards of Directors from exercising their fiduciary duties if Manager shall default in its obligations under this Agreement pursuant to Section 6.2 and such default shall continue after any required notice and/or cure period.

Section 3.3 Services. Manager covenants and agrees to perform, or cause to be performed, the following services in connection with the Project:

(a) Permits. Manager, on behalf of and with the cooperation of the Companies, shall oversee obtaining and maintaining all necessary licenses, findings of suitability, approvals and permits required by any law, rule or regulation of the Nevada Gaming Authorities, as may be required for the operation of the Project as a casino/hotel including, without limitation, gaming, liquor, bar, restaurant, signage and hotel licenses and any permits required in connection with any refurbishing or expansion of the Project. Manager shall comply with the rules, regulations and orders of the Nevada Gaming Authorities and with any conditions set out in any such licenses and permits issued by any such authorities and, with the cooperation of the Companies, shall provide any information, report or access to records reasonably required by the Nevada Gaming Authorities.

(b) Personnel. Manager shall maintain such level of staffing as shall be required to carry out its duties hereunder. If the Board of Directors of Elsinore determines that Manger is not meeting its staffing requirements, then Manager and Elsinore will meet in good faith to resolve any staffing issues. If such dispute is not resolved within two weeks, and either Manager or Elsinore determines that such dispute cannot be resolved within a reasonable time, then such dispute shall be resolved by arbitration pursuant to Article IX.

(i) Except as otherwise expressly provided herein, all personnel employed at the Project shall be employees of Four Queens. Manager shall hire, terminate, advance, demote, supervise, direct the work of and determine the compensation and other benefits (except for the establishment of any new employee pension and profit-sharing plans, which shall be determined by Manager and shall be subject to the approval of the Board of Directors of Elsinore in its sole and absolute discretion, it being understood that any employee pension and profit-sharing plans in existence as of the date hereof have been

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

approved by the Board of Directors of Elsinore) of all personnel working at the Project, and Elsinore shall not interfere with or give orders or instructions to personnel employed at the Project; provided, however, that Manager will not enter into any employment contracts with any employees that exceed the duration of the Term or the Extended Term of this Agreement, as the case may be, or any material employee contracts or benefit arrangements (i.e., any such contract or arrangement involving an annual compensation (including salary and bonuses) of more than $125,000), unless first approved by the Board of Directors of Elsinore which approval shall not be unreasonably withheld. Manager agrees that employees' wages or benefits and conditions of employment (inclusive of any discretionary employee bonuses granted from time to time by Manager) shall be granted by Manager in a manner consistent with the existing standards therefor currently employed at the Project. The parties hereto agree that all wages, bonuses, compensation and benefits (including, without limitation, severance and termination pay) of personnel at the Project are the exclusive obligation of Four Queens.

(ii) All wages, salaries, benefits, compensation and entitlements of the Project employees, including the General Manager, the consultants and independent contractors approved by the Companies and Manager, shall be paid from the Operating Bank Accounts by Manager. Notwithstanding the foregoing, Manager shall not be liable to any of the Companies' personnel for wages, compensation or other employee benefit including without limitation to health care, insurance benefits, worker's compensation, severance or termination pay.

(iii) Manager shall be responsible for the training of all personnel and shall cooperate with all personnel in an effort to obtain and maintain all required licenses issued by the Nevada Gaming Authorities, and will hire only persons with valid employee licenses, if under the rules and regulations of the Nevada Gaming Authorities, such employee licenses are a condition of employment.

(iv) The employees necessary to discharge Manager's obligations and responsibilities hereunder shall be employees of Manager (or its Affiliates) and shall be hired, paid and discharged by Manager in its sole and absolute discretion. Manager shall in good faith determine the number of employees necessary to discharge Manager's obligations and responsibilities hereunder, the salaries and other compensation arrangements of such employees shall be the responsibility of Manager and Manager shall not have any right of reimbursement from the Companies in respect thereof.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(v) The Companies may employ such corporate executives, each of whom shall be licensable if required by Nevada Gaming Authorities, as they may choose, provided that none of the salaries, bonuses and benefits for such executives or costs or expenses of the Companies' Boards of Directors shall be a cost of operation of the Project for the purposes of determining EBITDA.

Section 3.4 Sales and Promotions. Manager shall formulate, coordinate and implement promotion, marketing and sales programs, and shall cause the Project to participate in promotional, marketing and sales campaigns and, as appropriate, activities involving complimentary rooms and food and beverages to bona fide travel agents, tourist officials and airlines representatives, and to all other individuals and entities whatsoever which, in the exercise of good management practice, is deemed to be beneficial to the Project.

The Companies agree that no unreasonable influence shall be brought upon Manager relating to the granting or extension of credit or complimentaries. Credit facilities shall be granted by Manager in its reasonable discretion and in accordance with good management practices and Manager's and its Affiliates standard procedures; provided that except for extending credit for the purchase of goods, services, gaming or entertainment at the Project and except as otherwise permitted herein, Manager shall not be authorized to make any loans or extensions of credit for or on behalf of the Companies without the prior approval of the Board of Directors of Elsinore.

Section 3.5 Books and Records. Manager shall maintain, or cause to be maintained, a complete accounting system for and on behalf of the Companies in connection with Manager's management of the Project. The books and records shall be kept in accordance with generally accepted accounting principles consistently applied and in accordance with the uniform system of accounts for hotels. Such books and records shall be kept on the basis of a Fiscal Year. Books and accounts shall be maintained at the Project or at the principal office of Manager with a duplicate copy thereof at the Project. The Companies shall have the right and privilege of examining and copying said books and records, including all daily reports prepared by Manager for internal use at the Project, during regular business hours. Manager shall comply with all requirements with respect to internal controls and accounting and shall prepare and provide all required reports under the rules and regulations of the Nevada Gaming Authorities.

Section 3.6 Audits.

(a) Manager shall engage Arthur Andersen LLP, unless a different mutually agreed upon auditor is substituted ("Regular Auditor"), to audit the operations of the Companies, (i) for the purpose of calculating the Performance Fee ("Performance Fee Statements") and (ii) as of and at the end of each year occurring after

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

the date hereof (the "Audited Statements"). A sufficient number of copies of the Performance Fee Statements and the Audited Statements shall be furnished to the Companies and Manager as soon as available to permit the Companies and

Manager to meet any public reporting requirements as may be applicable to them, but in no event later than ninety (90) days following the end of such fiscal period (such 90th day to be the "Audit Day"). Any cost of such statements shall be deemed an Operating Expense.

(b) Nothing herein contained shall prevent either party ("Initiator") from designating an additional independent nationally recognized accounting firm ("Special Auditor") to review one of the Performance Fee Statements or Audited Statements at the Initiator's expense (which shall not be an Operating Expense). In the event of any dispute between the Regular Auditor and the Special Auditor as to any item subject to audit, the Regular Auditor and the Special Auditor shall select a third nationally recognized accounting firm ("Third Auditor") whose resolution on the non-prevailing party of such dispute to pay the fees and expenses of the Special Auditor or Third Auditor shall bind the parties. The fees of the Third Auditor shall be paid by either the Companies or Manager, based upon which of them the Third Auditor designates as the non-prevailing party, and the Third Auditor may also, in its sole discretion, impose the costs of the Special Audit on the non-prevailing party.

(c) If no Special Auditor shall have been designated within 60 days after the delivery of a Performance Fee Statement or an Audited Statement, the same shall be final and binding upon the parties to this Agreement for all purposes.

Section 3.7 Monthly and Quarterly Financial Statements. On or before the 20th day of each month, Manager shall prepare an unaudited operating statement for the preceding calendar month detailing the Gross Revenues and expenses incurred in the Project's operation (the "Monthly Financial Statements"). The Monthly Financial Statements shall include a statement detailing drop figure accounts on all Gross Gaming Revenues. On or before the 45th day after the end of each quarter, Manager shall prepare an unaudited report for the preceding quarter detailing the capitalized expenditures and marketing expenses incurred in the Project's operation.

Section 3.8 Expenses. All costs, expenses, funding or operating deficits and Operating Capital, real property and personal property taxes,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

insurance premiums and other liabilities incurred due to the gaming and nongaming operations of the Project shall be the sole and exclusive financial responsibility of the Companies. It is understood that statements herein indicating that the Companies shall furnish, provide or otherwise supply, present or contribute items or services hereunder shall not be interpreted or construed to mean that Manager is liable or responsible to fund or pay for such items if the Companies do not.

Section 3.9 Annual Budgets. Manager shall prepare and submit to the Companies' Boards of Directors at least 60 days before the start of the new Fiscal Year for their approval a capital budget for the expenditure of capital improvements ("Capital Budget"). To the extent practical, a reserve shall be established for this purpose. The parties agree that any "material" expenditure not contemplated by the Capital Budget shall require the consent of both Manager and the Companies. For the foregoing purposes, "material" shall

mean $20,000 in the case of any such individual item and an aggregate of $250,000 in the case of all such items. Manager shall also prepare and submit to the Companies' Boards of Directors at least 60 days before the start of the new Fiscal Year for their approval an operating budget projecting revenues, expenses and EBITDA for the next Fiscal Year ("Operating Budget"). Manager shall have the responsibility to manage the Project in accordance with the Operating Budget except for expenses necessitated by circumstances beyond Manager's reasonable control. Any dispute as to the Capital Budget or the Operating Budget shall be resolved by arbitration pursuant to Article IX.

Section 3.10 Operating Bank Accounts.

(a) Manager shall establish bank accounts that are necessary for the operation of the Project, including an account for the Casino Bankroll, at various banking institutions chosen by Manager (such accounts are hereinafter collectively referred to as the "Operating Bank Accounts"). The Operating Bank Accounts shall be named in such a manner as to identify the Project and particular uses for the account as the Companies and Manager may determine. All instructions to and checks drawn on the Operating Bank Accounts shall be signed only by representatives of the Companies or Manager who are covered by fidelity insurance and designated the Companies or Manager personnel may be the only authorizing signing persons on checks drawn on the Operating Bank Accounts. All checks shall be drawn only in accordance with established normal and customary accounting policies and procedures. The Operating Bank Accounts shall be interest bearing accounts if such accounts are reasonably available and all interest thereon shall be credited to the Operating Bank Accounts. All Gross Revenues (excluding noncash items) shall be deposited in the Operating Bank Accounts, and Manager shall

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

pay out of the Operating Bank Accounts, to the extent of the funds therein, from time to time, all Operating Expenses and other amounts required by Manager to perform its obligations under this Agreement. All funds in the Operating Bank Accounts shall be separate from any other funds of any of Manager's Affiliates and the Companies' Affiliates and neither the Companies nor Manager may commingle such funds in the Operating Bank Accounts with the funds of any other bank accounts.

(b) Manager agrees that it will not use any Operating Bank Accounts as compensating balances related to the extension of credit to Manager or grant any right of set-off or bankers' lien on any such accounts in respect of any amounts owed by Manager to such depositories. Manager shall seek to obtain reasonable rates of interest for the Operating Bank Accounts, with due regard to the financial stability of and services offered by the depositories with which such accounts are kept. The parties to this Agreement agree that all funds held from time to time in the Operating Bank Accounts are solely the property of Four Queens, and upon the expiration or Termination (as defined below) of this Agreement for any reason, Manager shall cease to withdraw funds from all Operating Bank Accounts and shall take such steps as shall be necessary to (1) remove Manager's designees as signatories to the Operating Bank Accounts and (2) authorize Elsinore's designees

to become the sole signatories to the Operating Bank Accounts. This provision shall survive Termination. It is understood and agreed that Manager may maintain petty cash funds at the Project and make payments therefrom as the same are customarily made in the casino/hotel business.

(c) The Companies shall have the right to fund their obligations under the Plan by withdrawals from Operating Bank Accounts. The Companies' ability to make other withdrawals from Operating Bank Accounts shall be consistent with their funding obligations under this Agreement and in accordance with established accounting policies and procedures.

Section 3.11 Payment of Expenses.

(a) Manager shall pay from the Gross Revenues the following items in the order of priority listed below, on or before their applicable due date: (i) required payments to the Governmental Authorities, including federal, state or local payroll taxes ("Payroll

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Taxes"), (ii) Operating Expenses, including taxes (other than Payroll Taxes) and the Management Fee, and (iii) emergency expenditures to correct a condition of an emergency nature, including structural repairs, which require immediate repairs to preserve and protect the Project. In the event that funds are not available for payment of the Operating Expenses in their entirety, all Payroll Taxes or withholding taxes shall be paid first from the available funds.

(b) During the Term of this Agreement, within five (5) Business Days after receipt of written notice from Manager, the Companies shall fund the Operating Bank Accounts designated by Manager (the "Companies' Advances") in such a fashion so as to adequately insure that the Operating Capital set forth in the Operating Budget as revised is sufficient to support the uninterrupted and efficient ongoing operation of the Project. The written request for any additional Operating Capital shall be submitted by Manager to the Companies on a monthly basis based on the interim statements and the Operating Budget, as revised.

Section 3.12 Cooperation of the Companies and Manager. The Companies and Manager shall cooperate fully with each other during the Term and the Extended Term, if any, of this Agreement to facilitate the performance by Manager of Manager's obligations and responsibilities set forth in this Agreement.

Section 3.13 Financing Matters.

(a) In no event may either party represent that the other party or any Affiliate of such party is or in any way may be liable for the obligations of such party in connection with (i) any financing agreement, or (ii) any public or private offering or sale of securities. If the Companies, or any Affiliate of the Companies shall, at any time, sell or offer to sell any securities issued by the Companies or any Affiliate of the Companies through the medium of any prospectus or otherwise and which

relates to the Project or its operation, it shall do so only in compliance with all applicable laws, and shall clearly disclose to all purchasers and offerees that (i) neither Manager nor any of its Affiliates, officers, directors, agents or employees shall in any way be deemed to be an issuer or underwriter of such securities, and (ii) Manager and its Affiliates, officers, directors, agents and employees have not assumed and shall not have any liability arising out of or related to the sale or offer of such securities, including without limitation, any liability or responsibility for any financial

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

statements, projections or other information contained in any prospectus or similar written or oral communication. Manager shall have the right to approve any description of Manager or its Affiliates, or any description of this Agreement or of the Companies' relationship with Manager hereunder, which may be contained in any prospectus or other communications (unless such information is furnished to the Companies by Manager in writing), and the Companies agree to furnish copies of all such materials to Manager for such purposes within a reasonable time prior to the delivery thereof to any prospective purchaser or offeree. The Companies agree to indemnify, defend or hold Manager and its Affiliates, officers, directors, agents and employees, free and harmless from any and all liabilities, costs, damages, claims or expenses arising out of or related to the breach of the Companies' obligations under this Section 3.13. Manager agrees to reasonably cooperate with the Companies in the preparation of such agreements and offerings.

(b) Notwithstanding the above restrictions, subject to Manager's right of review set forth in this Section 3.13, the Companies may represent that the Project is managed by Manager and Manager may represent that it manages the Project and both may describe the terms of this Agreement and the physical characteristics of the Project in regulatory filings and public or private offerings. Moreover, nothing in this Section shall preclude the disclosure of (i) already public information, or (ii) audited or unaudited financial statements from the Project required by the terms of this Agreement or (iii) any information or documents required to be disclosed to or filed with the Governmental Authorities. Both parties shall use their best efforts to consult with the other concerning disclosures as to the Project. The Companies and Manager shall cooperate with each other in providing financial information concerning the Project and Manager that may be required by any lender or required by any Governmental Authority.

Section 3.14 Taxes and Insurance. Throughout the Term or the Extended Term, the Companies shall furnish Manager with copies of all tax statements and insurance policies and all financing documents (including notes and mortgages) relating to the Companies. Manager shall cause all federal and state income and sales tax returns of the Companies to be prepared and shall cooperate with taxing authorities in connection with any inquiries or audits that relate to the Companies. Manager will also assist the Companies in procuring and maintaining liability, property and such other insurance in at least such amounts and covering such risks as is currently maintained with respect to the Companies and in such additional amounts and covering such additional risks, if any, as Manager and Elsinore determine is necessary in connection with the operation of the Companies, with responsible

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

and reputable insurance companies or associations. All such insurance policies shall name Manager as an additional insured and all insurers thereon shall be required to issue to Manager a certificate of insurance providing that such insurer shall deliver to Manager reasonable prior notice of termination of any such policy or the coverage provided thereby and, if and to the extent the same shall be available without adversely affecting Four Queens' coverage and without additional premiums or charges, waiving the rights of such insurer, if any, of subrogation against Manager. Without in any way diminishing Four Queens' responsibility hereunder, Manager is hereby authorized and directed to pay from the Operating Bank Accounts all taxes and insurance fees including, without limitation, withholding taxes and insurance premiums, and all other items of expense relating to the ownership or operation of the Companies.

Section 3.15 Concessions. Manager shall consummate, if in Manager's reasonable discretion it deems the same to be in the best interest of the Project, in the name of and for the benefit of Four Queens, reasonable arms-length arrangements and leases with concessionaires, licensees, tenants and other intended users of any facilities related to the Project. Copies of all such arrangements shall be furnished to Elsinore.

Section 3.16 Material Assessments. Manager, as exclusive agent for Four Queens, is authorized to make and enter into any agreements (including, without limitation, agreement with Manager's Affiliates, provided such agreements represent the equivalent of reasonable arms, length negotiations) as are, in Manager's opinion, necessary or desirable for the operation, supply and maintenance of the Project, as required by this Agreement. Manager shall be required to obtain the prior written approval of the Board of Directors of Elsinore which approval shall be in the absolute discretion of such Board of Directors before entering into any agreement not contemplated by the approved Annual Budget. Manager shall not enter into any agreement involving the incurrence of debt obligations on behalf of either or both of the Companies, or for Manager's own account, with respect to the operations of the Project, over any amounts therefor set forth in the approved Annual Budget.

Section 3.17 Trademarks. Manager (i) acknowledges the Companies' exclusive rights in and to the trademarks, service marks, trade names and other such intellectually property utilized by the Companies in the operation of the Project (the "Four Queens Marks") and (ii) agrees not to do any act that will impair or affect the strength of the Four Queens Marks, the continuity of the registration of the Four Queens Marks, the Companies' ownership of the Four Queens Marks or the goodwill associated with the Four Queens Marks. Manager agrees to render whatever assistance Elsinore may reasonably require in the procurement and maintenance of registrations of the Four Queens Marks in the United States Patent and Trademark Office and in other jurisdictions.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE IV: MANAGEMENT FEE; WARRANTS

Section 4.1 Payments to Manager.

(a) Manager shall be paid a minimum fee at the rate of $1,000,000 per annum (the "Minimum Fee") payable in advance in equal monthly installments of $83,333.33 on the first day of each month during the Term and the Extended Term, if any.

(b) Promptly, and in no event later than 90 days following receipt of audited financial statements after the end of a Fiscal Year, Manager shall be paid the Performance Fee, if any. Although the Effective Date will occur approximately two months later, the Performance Fee for 1997 will be calculated for the period commencing January 1, 1997.

Section 4.2 Interest on Overdue Amounts; Collection Costs. If for any reason the Management Fee (both the Minimum Fee or Performance Fee) or any other amount due to Manager under this Agreement is not paid on a timely basis, such amount shall bear interest at the rate of 12% per annum until paid in full. Manager shall also be entitled to reimbursement for the costs of collection, including counsel fees and disbursements, with respect to amounts due to it under this Agreement but which are unpaid.

Section 4.3 Bonus. Four Queens or Elsinore will have the option to terminate this Agreement on 90 days prior written notice if (i) substantially all of the assets of the Four Queens are sold, (ii) Four Queens is merged or consolidated with another company, or (iii) the current shareholders sell at least the majority of the shares of Four Queens or Elsinore during the term of this Agreement. If this Agreement is so terminated before the expiration of the Term or the Extended Term, if applicable, then Manager will be entitled to receive $2 million in cash, minus any amount realized or realizable upon exercise of the Warrants.

Section 4.4 Warrants. Elsinore hereby grants Manager warrants (in customary form in the reasonable opinion of counsel to Manager) (the "Warrants") on the terms summarized below, which summary is qualified by reference to the Warrant Agreement, a copy of which is attached hereto as Exhibit A:

(a) Number of Shares Purchased: 20% of the issued and outstanding equity capital (on a fully diluted basis) of Elsinore on the Effective Date.

(b) Duration: Co-extensive with the Term and Extended Term of this Agreement (i.e. five years but only if Extension Option is exercised).

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(c) Exercise Price: The greater of (i) book value per share on the Effective Date after the additional cash from the rights offering (as defined in the

Plan) or (ii) the "Rights Offering Net Per Share" resulting from such rights offering. Rights Offering Net Per Share shall mean $5 million divided by the number of shares of Elsinore outstanding after giving effect to the rights offering and exercise of the Warrants.

(d) Anti-Dilution Adjustment: In addition to standard adjustment for stock splits, stock dividends, recapitalizations and similar events, the Exercise Price would be reduced and the number of Warrants would increase by a formula if (i) shares of common stock are sold at less than current market value, unless the Company obtains an opinion from an investment banker that such sale at less than current market value was necessary as a result of the quantity of common stock being sold, or (ii) warrant options or convertible securities are issued with an exercise or conversion price less than current market value (other than issuances to full-time employees of Elsinore involved in the operation of the Project of shares of common stock and options or warrants to purchase up to an aggregate of 10% of the Elsinore issued and outstanding common stock as of the Effective Date).

(e) Registration Rights: Manager will have the right to become a party (with the identical rights as the Elsinore bondholders) to the Registration Rights Agreement among the Elsinore bondholders and Elsinore.

ARTICLE V: REPRESENTATIONS AND WARRANTIES

Section 5.1 Manager represents and warrants to the Companies as follows:

(a) Companies' Organization. Manager is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has the full corporate power and authority to enter into and perform its obligations under this Agreement.

(b) Authorization of Agreement. The execution, delivery and performance of this Agreement has been duly authorized and approved by all necessary corporate action on the part of Manager, and this Agreement has been duly executed and delivered by Manager and constitutes the legal, valid and binding obligation of Manager,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

enforceable against Manager in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity. The execution, delivery and performance of this Agreement by Manager does not and will not conflict with any law, rule or regulation of the Nevada Gaming Authorities.

(c) Litigation. There are no judicial or administrative actions, proceedings or investigations pending or, to the best of Manager's knowledge, threatened against Manager that question the validity of this Agreement or any action taken or to be taken by Manager in connection with this Agreement and that, if adversely

determined, would have a material adverse effect upon Manager's ability to perform its obligations under this Agreement.

(d) Consents and Approvals. With the exception of the requisite approvals of the Nevada Gaming Authorities, no authorization, consent, approval, license, finding of suitability, exemption from or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be necessary as a condition to the valid execution, delivery or performance by Manager of this Agreement, other than such authorizations, consents, approvals, licenses, findings of suitability, exemptions, filings or registrations as have been obtained and are in full force and effect.

Section 5.2 The Companies represent and warrant to Manager as follows:

(a) Companies' Organization. The Companies are corporations duly organized, validly existing and in good standing under the laws of the State of Nevada and have the full corporate power and authority to enter into and perform its obligations under this Agreement.

(b) Authorization of Agreement. The execution, delivery and performance of this Agreement and the Plan has been duly authorized and approved by all necessary corporate action on the part of the Companies, and this Agreement has been duly executed and delivered by the Companies and constitutes the legal, valid and binding obligation of them, enforceable against them in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

principles of equity. The execution, delivery and performance of this Agreement by the Companies does not and will not conflict with any law, rule or regulation of the Nevada Gaming Authorities.

(c) Consents and Approvals. With the exception of the requisite approvals of the Nevada Gaming Authorities, no authorization, consent, approval, license, finding of suitability, exemption from or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be necessary as a condition to the valid execution, delivery or performance by the Companies of this Agreement, other than such authorizations, consents, approvals, licenses, findings of suitability, exemptions, filings or registrations as have been obtained and are in full force and effect.

(d) No Joint Venture. It is expressly understood and agreed that Manager is being employed by the Companies as an independent contractor to provide, or cause to be provided, supervisory management and consulting services in respect of the Project and not as a partner or joint venturer of the Companies or either or them. All purchases and acquisitions of every kind and character by Manager on

behalf of the Companies shall be property of the Companies and all debts and liabilities incurred by Manager within the scope of the authority granted and permitted hereunder in the course of its management and operation of the Project shall be debts and liabilities of the Companies only, and Manager shall not be liable therefor for its own account, except as specifically stated to the contrary herein.

ARTICLE VI. DEFAULT

Section 6.1 Definition. The occurrence of any one or more of the events described in the Sections 6.2, 6.3, 6.4 or 6.5 which is not cured within the time permitted, shall constitute a default under this Agreement (hereinafter referred to as a "Default" or an "Event of Default") as to the party failing in the performance or effecting the breaching act.

Section 6.2 Manager's Defaults. If Manager shall (a) fail to perform or materially comply with any of the covenants, agreements, terms or conditions contained in this Agreement applicable to Manager and such failure shall continue for a period of thirty (30) days after written notice thereof from the Companies to Manager specifying in detail the nature of such failure, or, in the case such failure is of a nature that it cannot, with due diligence and good faith, be cured within thirty (30) days, if Manager fails to proceed promptly

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

and with all due diligence and in good faith to cure the same and thereafter to prosecute the curing of such failure to completion with all due diligence within ninety (90) days thereafter, or (b) take or fail to take any action to the extent required of Manager by the Nevada Gaming Authorities unless Manager cures such default or breach prior to the expiration of applicable notice, grace and cure periods, if any, provided, however, that Manager shall only be required to cure any defaults with respect to which Manager has a duty hereunder.

Section 6.3 The Companies' Default. If the Companies shall (a) fail to make any monetary payment required under this Agreement, including, but not limited to, the Companies' Advances, on or before the due date recited herein and said failure continues for five (5) Business Days after written notice from Manager specifying such failure, or (b) fail to perform or materially comply with any of the other covenants, agreements, terms or conditions contained in this Agreement applicable to the Companies (other than monetary payments) and which failure shall continue for a period of thirty (30) days after written notice thereof from Manager to the Companies specifying in detail the nature of such failure, or, in the case such failure is of a nature that it cannot, with due diligence and good faith, cure within thirty (30) days, if the Companies fail to proceed promptly and with all due diligence and in good faith to cure the same and thereafter to prosecute the curing of such failure to completion with all due diligence within ninety (90) days thereafter.

Section 6.4 Bankruptcy. With the exception of any actions taken pursuant to the Proceedings, if any party (a) applies for or consents to the appointment of a receiver, trustee or liquidator of itself or any of its property, (b) makes a general assignment for the benefit of creditors, (c) is adjudicated a bankrupt or insolvent, or (d) files a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with

creditors, takes advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, or admits the material allegations of a petition filed against it in any proceedings under any such law.

Section 6.5 Reorganization/Receiver. With the exception of any actions taken pursuant to the Proceedings, if an order, judgment or decree is entered by any court of competent jurisdiction approving a petition seeking reorganization of Manager or the Companies, as the case may be, or appointing a receiver, trustee or liquidator of Manager or the Companies, as the case may be, or of all or a substantial part of any of the assets of Manager or the Companies, as the case may be, and such order, judgment or decree continues unstayed and in effect for a period of sixty (60) days from the date of entry thereof.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Section 6.6 Delays and Omissions. No delay or omission as to the exercise of any right or power accruing upon any Event of Default shall impair the non-defaulting party's exercise of any right or power or shall be construed to be a waiver of any Event of Default or acquiescence therein.

Section 6.7 Disputes in Arbitration. Notwithstanding the provisions of this Article VI, any occurrence which would otherwise constitute an Event of Default hereunder shall not constitute an Event of Default for so long as such dispute is in arbitration pursuant to the arbitration provisions of Article IX.

ARTICLE VII. TERMINATION

Section 7.1 Termination Events. This Agreement may be terminated by the non-defaulting party upon the occurrence of an Event of Default and the lapsing of the time to cure.

Section 7.2 Notice of Termination. In the event of the occurrence and continuation for the relevant cure period of an Event of Default, either Manager or the Companies, as appropriate, may terminate ("Termination") this Agreement by giving ten (10) days written notice, and the Term or the Extended Term of this Agreement shall expire by limitation at the expiration of said last day specified in the notice as if said date was the date herein originally fixed for the expiration of the Term or the Extended Term hereof.

Section 7.3 Payments Upon Termination. The Companies shall pay to Manager all accrued but unpaid Management Fees and expenses of Manager and any other sum owed Manager pursuant to this Agreement.

Section 7.4 Post Termination. Upon a Termination:

(a) Manager shall promptly deliver to Elsinore any books, records, instruments or other documentation relating to the Project and the Companies in Manager's possession or under Manager's control;

(b) Manager and its Affiliates shall release and waive all rights, claims, interests and relationships they may have to control, retain, or discharge any matter of management with respect to the Project, or any other benefit thereunder or in connection therewith, except as specified in Section 7.3 and for the provisions of Article VIII which shall survive Termination; and

(c) Manager shall peacefully vacate and surrender possession to Four Queens, and shall fully cooperate in the prompt and efficient

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

transfer of the management of the Project from Manager to Four Queens or a person or entity designated by Four Queens. In connection with the foregoing, Manager shall act in good faith to avoid any breach or disruption of any contract involving the Project or the lapse of any insurance policy covering or pertaining to the Project.

Section 7.5 Transfer of Permits and Gaming Licenses Upon Termination. To the fullest extent permissible under applicable law, upon termination or expiration of this Agreement, Manager shall cooperate in the transfer of any and all permits, licenses or similar authorizations issued by any governmental body (including, without limitation, the Nevada Gaming Authorities) relating to the operation or management of any or all of the Project to the new manager.

Section 7.6 Option to Terminate. Elsinore will have the right to terminate this Agreement on 90 days prior written notice if (i) three months after William L. Westerman has given notice that he will retire as Chief Executive Officer ("CEO") of Riviera Holdings Corporation or its subsidiary Riviera Gaming Management, a successor acceptable to Elsinore has not been appointed or (ii) three months after the death of William L. Westerman, a successor acceptable to Elsinore has not been appointed.

If either Four Queens or Elsinore terminates this Agreement pursuant to this Section 7.6 or Section 4.3, then any increase in the Management Fee due to the Performance Fee payable under Section 4.1 will be calculated as follows: the Performance Fee through the date of termination will be 25% of the increase of (i) EBITDA through the date of termination over (ii) $666,666.67 times the number of months elapsed in the Fiscal Year through the date of termination. The Performance Fee will be paid to Manager promptly, but in no event later than 90 days after the termination date.

ARTICLE VIII: EXCULPATION AND INDEMNIFICATION.

Section 8.1 Exculpation. Manager, its Affiliates and each of their respective officers, partners, directors, employees and agents shall not be liable to the Companies or any person who has acquired an interest in either or both of the Companies, for any losses sustained or liabilities incurred, including monetary damages, as a result of any act or omission of Manager, its Affiliates or any of their respective officers, partners, directors, employees or agents, if the conduct of Manager or such other person did not constitute actual fraud, gross negligence or willful or wanton misconduct ("Manager Conduct Standard"). The negative disposition of any action, suit or proceeding by judgment, order,

settlement, conviction or upon a plea of nolo contendere, or its equivalent,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

shall not, of itself, create a presumption that Manager, its Affiliates or any of their respective officers, partners, directors, employees or agents acted in a manner contrary to the Manager Conduct Standard. Nothing contained in this Agreement shall exculpate or limit Manager's liability for unlawful misappropriation of the Companies' assets.

Section 8.2 Indemnification.

(a) Subject to the provisions of Section 8.2(b) hereof, the Companies shall indemnify and hold harmless Manager, its Affiliates and any of their respective officers, partners, directors, employees and agents (each individually, an "Indemnitee"), from and against any and all losses, claims, damages, liabilities, expenses (including reasonable legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which an Indemnitee may be involved, or threatened to be involved, as a party or otherwise, which relates to, or arises out of, the performance of any duties and services for or on behalf of the Companies pursuant to the terms and within the scope of this Agreement, regardless of whether the liability or expense accrued at or relates to, in whole or in part, any time before, on or after the date hereof. The negative disposition of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that an Indemnitee acted in a manner contrary to the Manager Conduct Standard.

(b) An Indemnitee shall not be entitled to indemnification under this Section 8.2 with respect to any claim, issue or matter in which it has been finally adjudged in a nonappealable order that such Indemnitee has breached the Manager Conduct Standard unless and only to the extent that the court in which such action was brought, or another court of competent jurisdiction, determines upon application that, despite the adjudication of liability, in view of all of the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnification for such liabilities and expenses as the court may deem proper. In addition, notwithstanding anything to the contrary contained in this Article VIII, an Indemnitee shall not be entitled to indemnification under this Section 8.2 against losses sustained or liabilities incurred if such losses or liabilities are finally determined by a court of competent jurisdiction to have been the direct result of the Manager Conduct Standard.

(c) In the event that any legal proceedings shall be instituted or any claim or demand shall be asserted by any person in respect of which payment may be sought by an Indemnitee under the provisions of this Section 8.2, the Indemnitee shall promptly cause written notice of the assertion of any such proceeding or claim of which it has actual knowledge to be forwarded to the Companies. Upon receipt of such notice, the Companies shall have the right, at their option and expense, to be represented by counsel of their choice, and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

to defend against, negotiate, settle or otherwise deal with any proceeding, claim or demand which relates to any loss,

liability, damage or deficiency indemnified against hereunder; provided, however, that no settlement shall be made without prior written consent of the Indemnitee which shall not be unreasonably withheld; and provided further, that the Indemnitee may participate in any such proceeding with counsel of its choice and at its expense. The Indemnitee and the Companies agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any such legal proceeding, claim or demand.

After any final judgment or award shall have been rendered by a court, arbitration board or administrative agency of competent jurisdiction and the expiration of the time in which to appeal therefrom, or a settlement shall have been consummated, or the Indemnitee and the Companies shall have arrived at a mutually binding agreement with respect to each separate matter indemnified by the Companies hereunder, the Indemnitee shall forward to the Companies notice of any sums due and owing by it pursuant to this Agreement with respect to such matter and the Companies shall be required to pay all of the sums so owing to the Indemnitee in immediately available funds, thirty (30) days after the date of such notice.

(d) The indemnification provided by this Section 8.2 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, bylaw or vote of the Board of Directors of Elsinore or Four Queens, respectively, or as a matter of law or otherwise, both as to action in the Indemnitee's capacity as Manager, an Affiliate thereof or an officer, partner, director, employee or agent of Manager or its Affiliates and as to action in any other capacity, shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of an Indemnitee.

ARTICLE IX: ARBITRATION

Section 9.1 Appointment of Arbitrators. All disputes arising out of or connected with the subject matter of this Agreement are to be referred first to a committee of four (4) persons who shall meet in an attempt to resolve said dispute or open issue. The committee shall consist of two (2) persons appointed by the Companies and two (2) persons appointed by Manager. If an agreement cannot be reached to resolve the dispute by the committee, the dispute or open issue will be resolved by binding arbitration. Any award of the arbitrators may be filed in a court of law as a final judgment. Any such arbitration shall be

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

conducted in Las Vegas, Nevada in accordance with the rules and regulations adopted by the American Arbitration Association. Either party may serve upon the other party a written notice of the demand dispute or appraisal to be resolved pursuant to this Article IX. Within thirty (30) days after the giving of such notice, each of the parties hereto shall nominate and appoint an arbitrator (or appraiser, as the case may be) and shall notify the other party in writing of the name and address of the arbitrator so chosen. Upon the appointment of the two (2) arbitrators as hereinabove provided, said two (2) arbitrators shall forthwith, within fifteen (15) days after the appointment of the second arbitrator, and before exchanging views as to the question at issue, appoint in writing a third arbitrator who shall

be experienced in the operation of a gaming casino (the "Selected Arbitrator") and give written notice of such appointment to each of the parties hereto. In the event that the two (2) arbitrators shall fail to appoint or agree upon the Selected Arbitrator within said fifteen (15) day period, the Selected Arbitrator shall be selected by the parties themselves if they so agree upon such Selected Arbitrator within a further period of ten (10) days. If a Selected Arbitrator shall not be appointed or agreed upon within the time herein provided, then either party on behalf of both may request such appointment by the American Arbitration Association (or its successor or similar organization if the American Arbitration Association is no longer in existence). Said arbitrators shall be sworn faithfully and fairly to determine the question at issue. The arbitrators shall afford to the Companies and Manager a hearing and the right to submit evidence, with the privilege of cross-examination, on the question at issue, and shall with all possible speed make their determination in writing and shall give notice to the parties hereto of such determination. The concurring determination of any two (2) of said three (3) arbitrators shall be binding upon the parties, or, in case no two (2) of the arbitrators shall render a concurring determination, then the determination of the Selected Arbitrator shall be binding upon the parties hereto. Each party shall pay the fees of the arbitrator appointed by it, and the fees of the Selected Arbitrator shall be divided equally between the Companies and Manager.

Section 9.2 Inability to Act. In the event that an arbitrator appointed as aforesaid shall thereafter die or become unable or unwilling to act, his successor shall be appointed in the same manner provided in this Article IX for the appointment of the arbitrator so dying or becoming unable or unwilling to act.

ARTICLE X: NOTICES

Notice given by a party under this Agreement shall be in writing and shall be deemed duly given (i) when delivered by hand, (ii) when three (3) days

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

have elapsed after its transmittal by registered or certified mail, postage prepaid, return receipt requested, or two (2) days have elapsed after its transmittal by nationally recognized air courier service; or (iii) when delivered by telephonic facsimile transmission (with a copy thereof so delivered by hand, mail or air courier if recipient does not acknowledge receipt of the transmission). Notices shall be sent to the addresses set forth below, or another as to which that party has given notice, in each case with a copy provided in the same manner and at the same time to the persons shown below

if to Elsinore or Four Queens to:

202 Fremont Street
P.O. Box 370
Las Vegas, Nevada 89101
Attention: President
Facsimile No: (702) 387-5142

with a copy to:

Gordon & Silver, Ltd.
3800 Howard Hughes Parkway
14th Floor
Las Vegas, Nevada 89109
Attn: Gerald M. Gordon, Esq.
Facsimile No: (702) 369-2666

if to Manager to:

c/o William L. Westerman
2901 Las Vegas Boulevard South
Las Vegas, Nevada 89109-1935
Facsimile No: (702) 794-9277

with a copy to:

Dechert, Price & Rhoads
477 Madison Avenue
New York, New York 10022
Attn: Fredric J. Klink, Esq.
Facsimile No: (212) 308-2041

Any party may change the name and/or address by written notice given in each instance to the other parties.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE XI: MISCELLANEOUS

Section 11.1 Nevada Gaming Control Act and Nevada Gaming Authorities. Notwithstanding anything to the contrary contained in this Agreement, this Agreement shall be deemed to include all provisions required by the Nevada Gaming Control Act, as amended, and the regulations promulgated thereunder (the "Act"), and shall be conditioned upon the approval of the Nevada Gaming Authorities as required by the Act. To the extent that any term or provision contained in this Agreement shall be inconsistent with the Act, the provisions of the Act shall govern. All provisions of the Act, to the extent required by law to be included in this Agreement, are incorporated herein by reference as if fully restated in this Agreement.

Section 11.2 Entire Agreement. This Agreement contains the entire understanding of the parties to this Agreement in respect of its subject matter and supersedes all prior agreements and understandings between the parties with respect to such subject matter.

Section 11.3 Amendment; Waiver. This Agreement may not be modified, amended, supplemented, canceled or discharged, except by written instrument executed by all of the parties to this Agreement. No failure to exercise, and no delay in exercising, any right,

power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege hereunder preclude the exercise of any other right, power or privilege. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing between or among the parties. No extension of time for performance of any obligations or other acts hereunder or under any other agreement shall be deemed to be an extension of the time for performance of any other obligations or any other acts.

Section 11.4 Binding Effect; Assignment; Combinations Involving the Companies.

(a) The rights and obligations of this Agreement shall bind and inure to the benefit of the parties (including their respective officers, directors, employees, agents and Affiliates) and their respective heirs, executors, successors and assigns. No party to this Agreement shall have the right to assign this Agreement and its respective rights and obligations hereunder without the consent of each other party to this Agreement.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(b) If the termination option of Section 4.3 is not exercised, the Companies agree that during the Term or the Extended Term they will not enter into an agreement with a third party to sell substantially all of the Project assets (as opposed to sale of equity securities) to a third party unless, as a condition to such combination (i) Manager's rights under this Agreement shall continue in full force and effect and (ii) the third party shall agree to continue to pay to Manager the Management Fee. In the event of a combination, it shall use its best efforts to assert and protect, in good faith, Manager's rights granted to Manager in this Agreement at all times during the negotiation of said combination.

Section 11.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

Section 11.6 Terminology. The headings contained in this Agreement are for convenience of reference only and are not to be given any legal effect and shall not affect the meaning or interpretation of this Agreement.

Section 11.7 Governing Law. This Agreement shall be construed in accordance with and governed for all purposes by the laws and public policy of the State of Nevada applicable to contracts executed and to be wholly performed within such State.

Section 11.8 Severability. If any provision of this Agreement, or the application of any such provision to any person or circumstance, is held to be inconsistent with any present or future law, ruling, rule or regulation of any court or governmental or regulatory authority having jurisdiction over the subject matter of this Agreement, such provision shall be deemed to be modified to the minimum extent necessary to comply with such law, ruling,

rule or regulation, and the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held inconsistent, shall not be affected. If any provision is determined to be illegal, unenforceable, or void, which provision does not relate to any payments made hereunder and the payments made hereunder shall not be affected by such determination and this Agreement is capable of substantial performance, then such void provision shall be deemed rescinded and each provision not so affected shall be enforced to the extent permitted by law.

Section 11.9 No Third Party Benefits. This Agreement is for the benefit of the parties hereto and their respective permitted successors and assigns. The parties neither intend to confer any benefit hereunder on any person, firm or

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

corporation other than the parties hereto, nor shall any such third party have any rights hereunder.

Section 11.10 Drafting Ambiguities. Each party to this Agreement and its counsel have had an opportunity to review and revise this Agreement. The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or of any amendments or exhibits to this Agreement.

Section 11.11 Attorneys' Fees. Should either party institute an arbitration, action or proceeding to enforce any provisions hereof or for other relief due to an alleged breach of any provision of this Agreement, the prevailing party shall be entitled to receive from the other party all costs of the action or proceeding and reasonable attorneys' fees.

Section 11.12 Limitations on Responsibilities of Manager. Manager shall use its best efforts to render the services contemplated by this Agreement in good faith to the Companies, but notwithstanding anything to the contrary which may be expressed or implied in this Agreement, Manager hereby explicitly disclaims any and all warranties, express or implied, including but not limited to the success or profitability of the Project. In the performance of the services contemplated by this Agreement, Manager shall not be liable to the Companies for any acts or omissions in connection therewith, except which constitute a breach of the Manager Conduct Standard and then only to the extent of the Management Fees actually received by Manager, provided that so long as Elsinore is controlled by affiliates of John C. Waterfall, Manager's liability for breach of the Manager Conduct Standard shall not be limited to the Management Fees received by Manager.

Section 11.13 No Violation. Nothing contained in this Agreement shall entitle the Boards of Directors, Manager or any other persons acting for any of the Companies or Manager to exercise control over the operation of the Casino or other operations of the Project in a manner which would violate any regulation of the Nevada Gaming Authorities.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by an authorized representative thereof, all as of the day and year first above written.

ELSINORE:

Elsinore Corporation, a Nevada corporation

FOUR QUEENS:

Four Queens, Inc., a Nevada corporation

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

By: ______________________________
Name:_________________________
Title:________________________

By: ____________________________
Name:_______________________
Title:______________________

MANAGER:

By: ______________________________
Name:_________________________
Title:________________________

Exhibit A

WARRANTS TO PURCHASE SHARES
OF COMMON STOCK OF ELSINORE CORPORATION

[number of warrants]

This Warrant Certificate certifies that Riviera Gaming Management Corporation - Elsinore (or registered assigned (the "Holder"), is the owner of [number] Warrants (subject to adjustment as provided herein), each of which represents the right to subscribe for and purchase from Elsinore Corporation, a Nevada corporation (the "Company"), one share of the Common Stock, no par value, of the Company (the common stock, including any stock into which it may be changed, reclassified or converted, is herein referred to as the "Common Stock") at the purchase price (the "Exercise Price") of [amount] per share (subject to adjustment as provided herein). This Warrant Certificate represents Warrants issued pursuant to a Management Agreement dated [date], between the Company and Riviera Gaming Management Corporation - Elsinore (the "Management Agreement").

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ARE SUBJECT TO CERTAIN RESTRICTIONS, CONTAINED IN PARAGRAPHS 5 AND 6 HEREOF, WITH RESPECT TO THEIR TRANSFER.

The Warrants represented by this Warrant Certificate are subject to the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

following provisions, terms and conditions:

1. Exercise of Warrants. The Warrants may be exercised by the Holder, in whole or in part (but not as to a fractional share of Common Stock), by surrender of this Warrant Certificate at the principal office of the Company at [address] (or such other office or agency of the Company as may be designated by notice in writing to the Holder at the address of such Holder appearing on the books of the Company), with the appropriate form attached hereto duly exercised, at any time within the period beginning on the date hereof and expiring at the same time as the Term or Extended Term under the Management Agreement expires (the "Exercise Period") and by payment to the Company by certified check or bank draft of the purchase price for such shares. The Company agrees that the shares of Common Stock so purchased shall be and are deemed to be issued to the Holder as the record owner of such shares of Common Stock as of the close of business on the date on which the Warrant Certificate shall have been surrendered and payment made for such shares of Common Stock. Certificates representing the shares of Common Stock so purchased, together with any cash for fractional shares of Common Stock paid pursuant to Section 2E, shall be delivered to the Holder promptly and in no event later than ten (10) days after the Warrants shall have

been so exercised, and, unless the Warrants have expired, a new Warrant Certificate representing the number of Warrants represented by the surrendered Warrant Certificate, if any, that shall not have been exercised shall also be delivered to the Holder within such time.

2. Adjustments. The Exercise Price and the number of shares of Common Stock issuable upon exercise of each Warrant shall be subject to adjustment from time to time as follows:

(1) Stock Dividends; Stock Splits; Reverse Stock Splits; Reclassifications. In case the Company shall (i) pay a dividend with respect to its capital stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of any class of Common Stock or (iv) issue any shares of its capital stock in a reclassification of the Common Stock (including any such reclassification in connection with a merger, consolidation or other business combination in which the Company is the continuing corporation) (any one of which actions is herein referred to as an "Adjustment Event"), the number of shares of Common Stock purchasable upon exercise of each Warrant immediately prior to the record date for such Adjustment Event shall be adjusted so that the Holder shall thereafter be entitled to receive the number of shares of Common Stock or other

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

securities of the Company (such other securities thereafter enjoying the rights of shares of Common Stock under this Warrant Certificate) that such Holder would have owned or have been entitled to receive after the happening of such Adjustment Event, had such Warrant been exercised immediately prior to the happening of such Adjustment Event or any record date with respect thereto. An adjustment made pursuant to this Section 2A(I) shall become effective immediately after the effective date of such Adjustment Event retroactive to the record date, if any, for such Adjustment Event.

(2) Distributions of Subscription Rights or Convertible Securities. In case the Company shall fix a record date for the making of a distribution to all holders of shares of Common Stock of rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock (excluding those referred to in Section 2A(S) below), then in each case the number of shares of Common Stock purchasable after such record date upon the exercise of each Warrant shall be determined by multiplying the number of shares of Common Stock purchasable upon the exercise of each Warrant immediately prior to such record date by a fraction, the numerator of which shall be the then Current Market Value (as defined in Section 2A(3) below) of one share of Common Stock on the record date for such

distribution and the denominator of which shall be the then Current Market Value of one share of Common Stock on the record date for such distribution less the then fair value (as determined by the independent Financial Expert (as defined in Section 2A(3) below), of such subscription rights, options or warrants, or of such convertible or exchangeable securities distributed with respect to one such share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective on the date of distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution.

(3) Current Market Value. For the purpose of any computation under this Section 2, the Current Market Value of one share of Common Stock or of any other security (herein collectively referred to as a "security") at the date herein specified shall be (1) if the Company does not have a class of equity securities registered under the Securities Exchange Act of 1934 (the "Exchange Act"), the value of the security (a)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

determined in good faith in the most recently completed armslength transaction between the Company and a third party who is not an affiliate of the Company in which such determination is necessary and the closing of which occurs on such date or shall have occurred within the six months preceding such date, provided that the Board of Directors of the Company shall in good faith determine that any such value represents a reasonable estimate of the fair value of a share of Common Stock as of such date, (b) if no such transaction shall have occurred on such date or within such six-month period, most recently determined as of a date within the six months preceding such date by an Independent Financial Expert (in the event of more than one such determination, the determination for the later date shall be used) or (c) if no such determination shall have been made within such six month period, determined as of such date by an Independent Financial Expert, or (2) if the Company does have a class of equity securities registered under the Exchange Act, deemed to be the average of the daily market prices of the security for five trading days before such date or, if the Company has had a class of equity securities registered under the Exchange Act for less than five trading days before such date, then the average of the daily market prices for all of the trading days before such date for which daily market prices are available. For purposes of this Section 2 an affiliate of a person shall mean any other person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person. For purposes of this definition, control means the power to direct the management and policies of a person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

The market price for each such business day shall be: (A) in the case of a security listed or admitted to trading on any securities exchange, the closing price, regular way, on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, (B) in the case of a security not then listed or admitted to trading on any securities exchange, the last reported sale price on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reputable quotation source designated by the Company, (C) in the case of a security not then listed or admitted to trading

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

on any security exchange and as to which no such reported sale price or bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reputable quotation services, or a newspaper of general circulation in the Borough of Manhattan, City and State of New York, customarily published on each business day, designated by the Company, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than five days prior to the date in question) for which prices have been so reported, and (D) if there are no bid and asked prices reported during the five days prior to the date in question, the Current Market Value of the security shall be determined as if the Company did not have a class of equity securities registered under the Exchange Act.

For purposes of this Section 2A(3), an Independent Financial Expert shall mean a nationally recognized investment banking firm (i) which does not (and whose directors, officers, employees and affiliates do not), have a direct or indirect financial interest in the Company (other than the beneficial ownership, directly or indirectly, of less than three percent of the outstanding shares of capital stock of the Company), (ii) which has not been, and, at the time it is called upon to give independent financial advise to the Company, is not (and none of whose directors, officers, employees or affiliates is) a promoter, director or officer of the Company or any of its affiliates or an underwriter with respect to any of the Company's securities, (iii) which does not provide any advise or opinions to the Company except as an Independent Financial Expert and (iv) which is mutually agreeable to the Company and the holders of a majority of the Warrants. If the Company and the holders of a majority of the Warrants do not promptly agree as to the Independent Financial Expert, each shall appoint one investment banking firm and the two firms so appointed shall select the Independent Financial Expert to be employed by the Company. An Independent Financial Expert may be compensated by the Company for opinions or services it provides as an Independent Financial Expert. In making its determination of the value of the Common Stock, the Independent Financial Expert shall use one or more valuation methods that

the Independent Financial Expert, in its best professional judgment, determines to be most appropriate. After the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Independent Financial Expert has made its determination, the Company shall cause the Independent Financial Expert to prepare a report (a "Value Report") stating the methods of valuation considered or used and the value of the Common Stock or other security it values and containing a statement as to the nature and scope of the examination made. Such Value Report shall accompany any Adjustment Notice (as defined in Section 2B) sent by the Company to the Holder pursuant to Section 2B; provided, that the adjustment to the Exercise Price that is the subject of such Adjustment Notice requires the services of an Independent Financial Expert.

(4) Adjustment of Exercise Price. Whenever the number of shares of Common Stock purchasable upon the exercise of each Warrant is adjusted pursuant to Sections 2A(1) and 2A(2), the Exercise Price for each share of Common Stock payable upon exercise of each Warrant shall be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of shares of Common Stock purchasable upon the exercise of each Warrant immediately prior to such adjustment, and the denominator of which shall be the number of shares of Common Stock so purchasable immediately thereafter.

(5) Issuance of Common Stock to Stockholders of Less Than Current Market Value. In the event that the Company sells and issues [to a stockholder of the Company or to any "affiliate" of such stockholder] shares of any Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock [excluding (i) shares, rights, options, warrants or convertible or exchangeable securities issued in any of the transactions described in Sections 2A(1) and 2A(2) above, (ii) the Warrants and any shares of Common Stock issuable upon exercise thereof, (iii) shares of Common Stock or other securities, or options or rights in respect thereof, issued to full-time employees of the Company or its subsidiaries in the ordinary course of business as compensation for services rendered or to be rendered or as part of an employee incentive program and (iv) shares of common stock or other securities issued upon exercise, conversion or exchange of rights, options, warrants or convertible or exchangeable securities issued in any of the transactions described in Sections 2A(1) and 2A(2) above or in a transaction with respect to which no adjustment was required pursuant to this Section 2A (but including shares, rights, options, warrants or convertible or exchangeable securities issued as consideration in any merger, consolidation or other business combination)] at a price per share of Common Stock (determined, in the case of such rights, options, warrants or convertible or exchangeable securities, by dividing (X) the total

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

amount receivable by the Company in consideration of the sale and issuance of such rights, options, warrants or convertible or exchangeable securities (which amount may be zero if such rights, options, warrants or convertible or exchangeable securities are issued without consideration), plus the total consideration payable to the Company upon exercise, conversion or exchange thereof, by (Y) the total number of shares of Common Stock covered by such rights, opinions, warrants or convertible or exchangeable securities) that is lower than the then Current Market Value per share of such Common Stock (as determined by the Independent Financial Expert in accordance with Section 2A(3) above) in effect immediately prior to such sale and issuance, then the Exercise Price shall be adjusted (calculated to the nearest $0.01) so that it shall equal the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be (i) an amount equal to the sum of (A) the number of shares of Common Stock outstanding immediately prior to such sale and issuance plus (B) the number of shares of Common Stock which the aggregate consideration received (determined as provided below) for such sale or issuance would purchase at such Current Market Value per share, and the denominator of which shall be (ii) the total number of shares of Common Stock outstanding (determined as provided below) immediately after such sale and issuance. Such adjustment shall be made successively whenever such an issuance is made.

Upon the occurrence of a sale and issuance described in the preceding paragraph, the number of shares of Common Stock purchasable under the exercise of this Warrant shall be that number determined by multiplying the number of shares of Common Stock issuable upon exercise immediately prior to such adjustment by a fraction, the numerator of which is the Exercise Price in effect immediately prior to such adjustment and the denominator of which is the Exercise Price as so adjusted.

For the purposes of such adjustments, the shares of Common Stock which the holder of any such rights, options, warrants or convertible or exchangeable securities shall be entitled to subscribe for or purchase shall be deemed to be issued and outstanding as of the date of such sale and issuance and the consideration received by the Company therefor shall be deemed to be the consideration received by

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

the Company for such rights, options, warrants or convertible or exchangeable securities (which consideration may be zero if such rights, options, warrants or convertible or exchangeable securities are issued without consideration), plus the consideration or premiums stated in such rights, options, warrants or convertible or exchangeable securities to be paid for the shares of any Common Stock covered thereby. In case the Company shall sell and issue, in a transaction to which this paragraph 2A(5) applies, shares of Common

Stock or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, for consideration consisting, in whole or in part, of property other than cash or its equivalent, then determining the "price per share of Common Stock" and the "consideration received by the Company" for purposes of the first sentence of this Section 2A(5), the Board of Directors of the Company shall determine, in good faith, the fair value of the rights, options, warrants or convertible or exchangeable securities then being sold as part of such unit. There shall be no adjustment of the Exercise Price pursuant to this Section 2A(5) if the amount of such adjustment shall be less than $0.01 per share of Common Stock; provided, however, that any adjustments which by reason of this provision are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(6) Expiration of Rights Options and Conversion Privileges. Upon the expiration without being exercised of any rights, options, warrants or conversion or exchange privileges for which an adjustment has been made pursuant to this Warrant, the Exercise Price and the number of shares of Common Stock purchasable upon the exercise of each Warrant shall, upon such expiration, be readjusted and shall thereafter, upon any future exercise, be such as they would have been had they been originally adjusted (or had the original adjustment not be required, as the case may be) as if (A) the only shares of Common Stock so issued were the shares of such Common Stock, if any, actually issued or sold upon the exercise of such rights, options, warrants or conversion or exchange rights and (B) such shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise plus the consideration, if any, actually received by the Company for issuance, sale or grant of all such rights, options, warrants or conversion or exchange

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

rights whether or not exercised; provided, that no such readjustment shall have the effect of increasing the Exercise Price by an amount, or decreasing the number of shares purchasable upon exercise of each Warrant by a number, in excess of the amount or number of the adjustment initially made in respect to the issuance, sale or grant of such rights, options, warrants or conversion or exchange rights.

(7) De Minimis Adjustments. Except as provided in Section 2A(5) with reference to adjustments required by such Section 2A(5), no adjustment in the number of shares of Common Stock purchasable hereunder shall be required unless such adjustment would require an increase or decease of at least 1.0% percent in the number of shares of Common Stock purchasable upon an exercise of each Warrant; provided, however, that any adjustments which by reason of this Section 2A(7) are not required to be made shall be

carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest full share.

(8) Duty to Make Fair Adjustments in Certain Cases. If any event occurs as to which in the opinion of the Board of Directors the other provisions of this Section 2A are not strictly applicable or if strictly applicable would not fairly protect the purchase rights of the Warrants in accordance with the essential intent and principles of such provisions, then the Board of Directors shall make an adjustment in the application of such provisions, in accordance with such essential intent and principles, so as to protect such purchase rights as aforesaid.

(9) Adjustment for Asset Distributions. If the Company shall fix a record date for the making of a distribution to all holders of shares of Common Stock of evidence of indebtedness of the Company or other assets (other than ordinary cash dividends not in excess of the retained earnings of the Company determined by the application of generally accepted accounting principles), then the Exercise Price for each share of Common Stock payable upon exercise of each Warrant shall be reduced by the then fair value (as determined by the Independent Financial Expert (as defined in Section 2A(3) above)) of the indebtedness or other assets distributed in respect of one such share. Such adjustment shall be made

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

whenever any such distribution is made and shall become effective on the date of distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution.

A. Notice of Adjustment. Whenever the number of shares of Common Stock purchasable upon the exercise of each Warrant or the Exercise Price is adjusted, as herein provided, the Company shall promptly notify the Holder in writing (such writing referred to as an "Adjustment Notice") of such adjustment or adjustments and shall deliver to such Holder a certificate of a firm of independent public accountants selected by the Board of Directors of the Company (who may be the regular accountants employed by the Company) or of the Independent Financial Expert, if any, which makes a determination of Current Market Value with respect to any such adjustment setting forth the number of shares of Common Stock purchasable upon the exercise of each Warrant and the Exercise Price after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made.

B. Statement on Warrant Certificates. The form of this Warrant Certificate need not be changed because of any change in the Exercise Price or in the number or kind of shares purchasable upon the exercise of a Warrant and any Warrant Exercise Price and the same number and kind of shares as are stated in this Warrant Certificate. However, the Company may at the time in its sole discretion make any

change in the form of the Warrant Certificate that it may deem appropriate and that does not affect the substance thereof and any Warrant Certificate thereafter issued, whether in exchange or substitution for any outstanding Warrant Certificate or otherwise, may be in the form so changed.

C. Notice to Holder of Record Date, Dissolution, Liquidation or Winding Up. The Company shall cause to be mailed (by first class mail, postage prepaid) to the Holder of such of the record date for any dividend, distribution or payment, in cash or in kind (including, without limitation, evidence of indebtedness and assets), with respect to shares of Common Stock at least 20 calendar days before any such date. In case at any time after the date hereof, there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company, then the Company shall cause to be mailed (by first class mail, postage prepaid) to the Holder at such Holder's address as shown on the books of the Company, at the earliest practicable time (and, in any event, not less than 20 calendar days before any date set for definitive action), notice of the date on which such dissolution, liquidation or winding up shall take place, as the case may be. The notices referred to above shall also specify the date as of which the holders of the shares of Common Stock of record or

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

other securities underlying the Warrants shall be entitled to receive such dividend, ties, money or the property deliverable upon such dissolution, liquidation or winding up, as the case may be (the "Entitlement Date"). In the case of a distribution of evidence of indebtedness or assets (other than in dissolution, liquidation or winding up) which has the effect of reducing the Exercise Price to zero or less pursuant to Section 2A(9), if the Holder elects to exercise the Warrants in accordance with Section I and become a holder of the Common Stock on the Entitlement Date, the Holder shall thereafter receive the evidence of indebtedness or assets distributed in respect of shares of Common Stock. In the case of any dissolution, liquidation or winding up of the Company, the Holder shall receive on the Entitlement Date the cash or other property, less the Exercise Price for the Warrants then in effect, that such Holder would have been entitled to receive had the Warrants been exercisable and exercised immediately prior to such dissolution, liquidation or winding up (or, if appropriate, record date therefor) and any right of a Holder to exercise the Warrants shall terminate.

E. Fractional Interests. The Company shall not be required to issue fractional shares of Common Stock on the exercise of the Warrants. If more than one Warrant shall be presented for exercise in full at the same time by the same holder, the number of full shares of Common Stock which shall be issuable upon such exercise shall be computed on the basis of the aggregate number of whole shares of Common Stock purchasable on exercise of the Warrants so presented. If any fraction of a share of Common Stock would, except for the provisions of this Section 2E be issuable on the exercise of the Warrants (or specified proportion thereof), the Company shall pay an amount in cash calculated by it to be equal to the then fair value of one share of Common Stock, as determined by the Board of Directors of the company in good faith, multiplied by such fraction computed to the nearest whole cent.

3. Reservation and Authorization of Common Stock. The Company covenants and agrees (A) that all shares of Common Stock which may be issued upon the exercise of the Warrants represented by this Warrant Certificate will, upon issuance, be validly issued, fully paid and nonassessable and free of all insurance or transfer taxes, liens and charges with respect to the issue thereof, (b) that during the Exercise Period, the Company will at all times have authorized, and reserved for the purpose of issue or transfer upon exercise of the Warrants evidenced by this Warrant Certificate, sufficient shares of Common Stock to provide for the exercise of the Warrants represented by this Warrant Certificate, and (c) that the Company will take all such action as may be necessary to ensure that the shares of Common Stock issuable upon the exercise of the Warrants may be so issued without violation of any applicable law or regulation, or any requirements of any domestic securities exchange upon which any capital stock of the Company may be listed, provided, however, that nothing

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

contained herein shall impose upon the Company any obligation to register the warrants evidenced by this Warrant Certificate or such Common Stock under applicable securities laws except as provided in the Investment Agreement. In the event that any securities of the Company other than the Common Stock are issuable upon exercise of the Warrants, the Company will take or refrain from taking any action referred to in clauses (A) through (c) of this Section 3 as though such clauses applied, mutatis mutandis to such other securities then issuable upon the exercise the Warrants.

4. No Voting Rights. This Warrant Certificate shall not entitle the holder hereof to any voting rights or other rights as a stockholder of the Company.

5. Exercise or Transfer of Warrants or Common Stock. The Holder of this Warrant Certificate agrees to be bound by the provisions contained in the Warrant Purchase Agreement with respect to the limitations, including limitations imposed for Securities Act compliance, on the transfer of the Warrants and the shares of Common Stock or other securities issuable upon exercise of the Warrants.

6. Warrants Transferable. Subject to the provision of Section 5, this Warrant Certificate and the Warrants it evidences are transferrable, in whole or in part, without charge to the Holder, at the office or agency of the Company referred to in Section 1, by the Holder in person or by duly authorized attorney, upon surrender of this Warrant Certificate properly endorsed. Each taker and Holder of this Warrant Certificate, by taking or holding the same, consents and agrees that this Warrant Certificate, when endorsed in blank, shall be deemed negotiable, and that the Holder, when this Warrant Certificate shall have been so endorsed, may be treated by the Company and all other persons dealing with this Warrant Certificate as the absolute owner hereof for any purpose and as the person entitled to exercise the rights represented by this Warrant Certificate, or to the transfer hereof on the books of the Company, any notice to the contrary notwithstanding; but until such transfer on such books, the Company may treat the registered holder hereof as the owner for all purposes.

7. Registration. The Holder and certain successors of the Holder are entitled to the benefits of a Registration Rights Agreement, a copy of which is on file at the offices of the Company.

8. Closing of Books. The Company will at no time close its transfer books against the transfer of any Warrant or of any shares of Common Stock or other securities issuable upon the exercise of any Warrant in any manner which interferes with the timely exercise of the Warrants.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

9. Warrants Exchangeable, Loss, Theft. This Warrant Certificate is exchangeable, upon the surrender hereof of any Holder at the office or agency of the Company referred to in Section 1, for new Warrant Certificates of like tenor representing in the aggregate the right to subscribe for and purchase the number of shares of Common Stock which may be subscribed for and purchased hereunder, each such new Warrant to represent the right to subscribe and purchase such number of shares of Common Stock as shall be designated by said holder hereof at the time of such surrender. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation, upon surrender or cancellation of this Warrant Certificate, the Company will issue to the holder hereof a new Warrant Certificate of like tenor, in lieu of this Warrant Certificate, representing the right to subscribe for and purchase the number of shares of Common Stock which may be subscribed for and purchased hereunder.

10. Mergers, Consolidations, Etc.

A. Except as may otherwise be provided in Section 2A(5), if the Company shall merge or consolidate with another corporation, the holder of this Warrant shall thereafter have the right, upon exercise hereof and payment of the Exercise Price, to receive solely the kind and amount of shares of stock (including, if applicable, Common Stock), other securities, property or cash or any combination thereof receivable by a holder of the number of shares of Common Stock for which this Warrant might have been exercised immediately prior to such merger or consolidation (assuming, if applicable, that the holder of such Common Stock failed to exercise its rights of election, if any, as to the kind or amount of shares of stock, other securities, property or cash or combination thereof receivable upon such merger or consolidation).

B. In case of any reclassification or change of the shares of Common Stock issuable upon exercise of this Warrant (other than elimination or par value, a change in par value, or from par value to no par value, or as the result of a subdivision or combination of shares (which is provided for elsewhere herein), but including any reclassification of the shares of Common stock into two or more classes or series of shares) or in case of any merger or consolidation of another corporation into the Company in which the Company is the surviving corporation and in which there is a reclassification or change of the shares of Common Stock (other than a change in par

value, or from par value to no par value, or as a result of a subdivision or combination (which is provided for elsewhere herein), but including any reclassification of the shares of Common Stock this Warrant shall thereafter have the right, upon exercise hereof and payment of the Exercise Price, to receive solely the kind and amount of shares of stock (including, if applicable, Common Stock), other securities, property or cash or any combination thereof receivable upon such reclassification, change, merger or consolidation by a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

holder of the number of shares of Common Stock for which this Warrant might have been exercised immediately prior to such reclassification, change, merger or consolidation (assuming, if applicable, that the holder of such Common Stock failed to exercise its rights of election, if any, as to the kind or amount of shares of stock, other securities, property or cash or combination thereof receivable upon such reclassification, change, merger or consolidation).

11. Rights and Obligations Survive Exercise of Warrants. The rights and obligations of the Company, of the Holder, and of the holders of shares of Common Stock or other securities issued upon exercise of the Warrants, contained in Sections 5 and 7 of this Warrant Certificate shall survive the exercise of the Warrants.

Dated: [date].

ELSINORE CORPORATION

By:_______________________________

Attest:

____
[secretary]

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 10.31

EMPLOYMENT AGREEMENT

Employment Agreement, dated as of November 21, 1996 (this "Agreement"), by and between Riviera Holdings Corporation and its wholly-owned subsidiary Riviera Operating Corporation (collectively the "Company") and William L. Westerman ("Executive").

This Agreement is intended to replace the Employment Agreement, dated as of January 6, 1993, as amended, between the Company and Executive (the "Old Agreement") effective as of January 1, 1997 and to provide for certain amendments to the terms of the Old Agreement effective as of the date of this Agreement.

The Company's Board of Directors and the Compensation Committee of the Board of Directors have approved this Agreement, subject to ratification by the Company's stockholders. In entering into this Agreement and in particular in amending the "Option Plan" (hereinafter defined) and in granting the "Additional Options" (hereinafter defined) to Executive, the Company acknowledges that (i) Executive has surrendered extremely valuable rights under the Old Agreement, including the right to receive 8-3/4% of the Company's Operating Income (as defined in the Old Agreement) in excess of $20 million in each year of the Term and (ii) Executive is not prepared to continue to act as the Company's chief executive officer unless he receives either the benefits specified in the Old Agreement or in this Agreement.

If the Company's stockholders do not ratify this Agreement by June 30, 1997, the Old Agreement will remain in full force and effect from January 1, 1997, and this Agreement shall be null and void, except for the "Special Retirement Credit" provisions of Section 6(a), which became effective on November 21, 1996 and shall remain in full force and effect. If the Company's stockholders do ratify this Agreement, the provisions hereof shall be effective on January 1, 1997 except for those provisions which become effective on November 21, 1996.

In consideration of the mutual agreements hereinafter set forth, the parties hereto agree as follows:

1. Employment. During the "Term" (hereinafter defined) the Company agrees to employ Executive as Chairman of the Board, President and Chief Executive Officer of the Company during the Term (as defined in Section 2 below) upon the terms and conditions and for the compensation herein provided, and Executive agrees to be so

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

employed and to render the services herein specified. Executive will also serve as a member of the Company's Board of Directors during the Term.

2. Term of Employment. The initial term of employment of Executive hereunder (the "Initial Term") will be for the two-year period commencing on January 1, 1997 and ending on December 31, 1998. The Initial Term will be automatically renewed for successive one year terms (each such renewal term being an "Extended Term" and the Initial Term, together with any Extended Terms being referred to herein as the "Term") unless (i) Company gives Executive at least 90 days' written notice of termination ("Company Termination Notice"), (ii) Executive gives Company at least 180 days written notice of termination ("Executive Termination Notice") or (iii) unless the Term is terminated earlier by Company or Executive pursuant to the provisions of Section 11 of this Agreement. If both a Company Termination Notice and an Executive Termination Notice have been given the termination notice first given shall control.

3. Duties. During the Term Executive agrees to devote his full and exclusive business time and attention to the business of the Company and its subsidiaries (4 weeks vacation and sick leave in accordance with the Company's policy and personal time consistent with his position excluded); to devote his best efforts to the best of his skill, energy, experience and judgment to such duties. Executive shall have all the powers and agrees to perform all of the duties associated with his position as Chief Executive Officer of the Company, subject to such policies and guidelines as may be established by the Company's Board of Directors.

4. Salary. During the Term Executive shall receive a salary at the rate of $600,000 per annum, payable bi-weekly in arrears ("Base Salary").

5. Bonus. Executive shall be entitled to participate in the Company's Senior Management Compensation Plan or such other Executive bonus plan as shall be established by the Company's Board of Directors (collectively the "Plan"). When at least 80% of targeted "Net Income", as defined by the Plan, is met, the Company has agreed that Executive shall be entitled to receive a bonus ("Bonus") under the Plan expressed as a percentage of Base Salary depending upon the percentage of budgeted Net Income realized as specified on Schedule A.

6. Retirement Benefits.

(a) Credits to Account. A general ledger account (referred to as the "Retirement Account"), has been established by the Company for the purpose of reflecting retirement benefits for Executive (the "Retirement Benefits"). As at January 1, 1996, the Company had credited the Retirement Account with an aggregate of $1,710,000 and, as of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

December 31, 1996, will credit the Retirement Account by the amount by which Executive's incentive compensation under the Old Agreement for the year 1996 exceeds $600,000 ("Special Retirement Credit"). On January 1 of each year during the Term commencing January 1, 1997, the Company shall credit to the Retirement Account an amount equal to the Base Salary, to be paid to Executive for the current year of the Term which begins on such January 1, subject to the provisions of Section 3(b). Executive shall be deemed to be 100% vested in all Retirement Benefits in the Retirement Account. The Retirement Account shall be credited with additional amounts ("Interest Payments") on April 1, 1997 and on the first day of each succeeding calendar quarter equal to the product of (i) the Company's average borrowing cost for the immediately preceding fiscal year, as determined by the Company's chief financial officer (the "Interest Rate") and (ii) the average outstanding balance credited to the Retirement Account for the immediately preceding calendar quarter. Anything in the foregoing notwithstanding, in the event Executive is terminated for "Cause" (as defined in Section 11(b)(3)), Executive shall forfeit any and all rights to Retirement Benefits, and the Company shall have no further obligation to Executive for payment thereof.

(b) Rights to Retirement Account. The Company shall retain beneficial ownership of all monies in the Retirement Account, which it may earmark to pay the Executive's Retirement Benefits (however, such funds are to be subject to the interests of the general creditors of the Company). Notwithstanding the foregoing, upon the occurrence of the earlier of (i) the affirmative vote of the then holders of a majority of the then outstanding shares of the Company's common stock approving a "Change of Control" (as defined in Section 11(d)), (ii) an Event of Default by the Company under Subsection 11(a)(1) or Subsection 11(a)(2) or (iii) the expiration or earlier termination of the Term for any reason (other than "Cause" as defined in Section 11(b)(3)), Executive may require, upon written notice delivered to the Company (within 30 days following such event) that, within 30 days following receipt of such notice, the Company establish a "Rabbi Trust" in the form attached hereto as Schedule B and transfer to such Rabbi Trust an amount of cash equal to the amount credited to the Retirement Account, including any additional amount credited to the Retirement Account under Subsection 11(c)(2)(ii), to be held and administered in accordance with the terms of such Rabbi Trust. Upon the crediting of any Base Salary Credits (as defined above) to the Retirement Account under Subsection 6(a) of this Agreement following the establishment of the Rabbi Trust, the Company shall transfer an additional amount of cash to the Rabbi Trust equal to the amount of such Base Salary Credits, to be held and administered in accordance with the terms of such Rabbi Trust.

(c) Benefits. The Retirement Benefits are to be paid as deferred compensation as follows:

(1) Payment Upon Termination Including Disability. Upon termination of Executive's employment, other than termination by the Company for Cause,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

including, but not limited to termination because of "Disability" (as defined in Subsection (5) below), the Company shall pay to Executive in 20 equal quarterly installments the amount credited to the Retirement Account as of the Termination Date and the Company shall also pay to Executive as an addition to each such quarterly payment the additional amounts credited to the Retirement Account during the preceding quarter.

(2) Payment Upon Death of Executive. Upon the death of Executive at any time prior to the complete payment of amounts credited to the Retirement Account, all subsequent payments shall be made to the Executive's "Designated Beneficiary" (as defined below) in the same amount and on the same schedule as specified in (1) above provided that the date of death of Executive shall be treated as the Termination Date if no Termination Date has previously occurred and further provided that Company shall make within eight months of Executive's death a special payment equal to 60% of the value as of the date of Executive's death of all remaining payments hereunder and such special payment shall be treated a an acceleration of the final payments due.

(3) Designated Beneficiaries; Death of Executive or Designated Beneficiary. A "Designated Beneficiary" to whom amounts are payable under this Subsection 6(c) shall be the person designated in writing by the Executive on a form substantially similar to the form attached hereto as Schedule B (a "Beneficiary Designation Form") that is delivered to the Company prior to the Executive's death. Any such Beneficiary Designation Form may be revoked in writing by the Executive or may be changed, without the consent of any prior Designated Beneficiary, by the Executive's delivery to the Company of a Beneficiary Designation Form of later date revoking the prior form or specifying a new Designated Beneficiary. If the Executive fails to designate a Designated Beneficiary or if a Designated Beneficiary does not survive the Executive, all installments payable hereunder shall be paid to the Executive's personal representative or pursuant to the terms of the Executive's will or the laws of descent and distribution. If a Designated Beneficiary survives the Executive, but dies prior to receiving all remaining installment payments to be paid hereunder, any remaining installment payments shall be paid to the Designated Beneficiary's personal representative or pursuant to the terms of such Designated Beneficiary's will or the laws of descent and distribution.

(4) Disability Determination. Executive shall be deemed to have become disabled ("Disability") for purposes of this Agreement, if Company shall find on the basis of medical evidence satisfactory to it that Executive is so totally mentally or physically disabled as to be unable to engage in further employment by Company and that such disability shall be determined to be such that it will cause, or actually does cause or has caused,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Executive to be absent from work for a period, or aggregate of periods, in excess of three months in any one twelve month period.

(5) Payment Commencement. The installment payments to be made to the Executive or Executive's estate, as the case may be, under Subsections (d)(1) or (d)(2), shall commence on the first day of the calendar quarter following the Termination Date. The installment payments to be made to the designated beneficiary upon the death of Executive shall commence on a date to be selected by Company but within six (6) months from Executive's date of death. Each installment payment shall be equal to the amount credited to the Retirement Account immediately prior to the date of such payment, divided by the remaining number of installment payments to be paid.

(6) No Trust. Except to the extent that a Rabbi Trust is created pursuant to Section 6(b), nothing contained herein and no action taken pursuant to the provisions of this Agreement shall create or be construed to create a trust of any kind, or a fiduciary relationship between Company and Executive, his Designated Beneficiary or any other person.

(7) No Assignment. The right of Executive or any other person to the payment of deferred compensation or other benefits under this Agreement shall not be assigned, transferred, pledged, or encumbered except by will or by the laws of descent and distribution.

(8) Incapacity of Beneficiary. If the Company shall find that any person to whom any payment is payable under this Agreement is unable to care for his other affairs because of illness or accident or is a minor, any payment due (unless a prior claim therefor shall have been made by a duly appointed guardian, committee, or other legal representative) may be paid to the spouse, a child, parent, or brother or sister, or to any person deemed by Company to have incurred expense for such person otherwise entitled to payment, in accordance with the applicable provisions of this Section 6. Any such payment shall be a complete discharge of the Company's liabilities under this Agreement.

7. Profit Sharing and 401(k) Plan. In addition to the Base Salary, Bonus and Retirement Benefits, Executive shall be eligible for participation in the Defined Contribution Plan adopted by Company by Adoption Agreement, dated April 1, 1992, as modified pursuant to the provisions set forth on the Term Sheet attached hereto as Schedule C and made a part hereof.

8. Additional Benefits and Compensation. During the Term, Executive shall be entitled to:

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(a) life insurance, group health insurance, including major medical and hospitalization, comparable to such benefits offered to other key executives of the Company;

(b) reimbursement for all reasonable expenses incurred by Executive in connection with the performance of his duties and in accordance with any applicable policy of the Board (including 100% of reasonable travel and entertainment expenses), subject to submission of appropriate documentation therefor; and

(c) four weeks paid vacation during each year of the Term.

9. Options. On November 21, 1996, the Board of Directors took the following actions on behalf of the Company (subject to stockholder ratification):

(a) Amended the Company's Stock Option Plan ("Option Plan") to increase the number of shares issuable thereunder from 480,000 to 1,000,000 million shares of common stock.

(b) Amended the Option Plan to permit the grant to Executive of options to purchase an aggregate of 500,000 shares of common stock, of which options to purchase 200,000 shares have already been granted ("Old Options") to Executive.

(c) Granted Executive options ("New Options") to purchase 300,000 shares of common stock at per share Fair Market Value (as defined in the Option Plan) on November 21, 1996, with 25% of the New Options being vested immediately and 25% being vested on each of December 31, 1997, December 31, 1998 and December 31, 1999, provided that vesting of such options will be accelerated if the Term is terminated for any reason other than "Cause" or voluntary termination by Executive prior to 12/31/99 (as defined in Section 11(b)(3)), including a "Change in Control" (as defined in Section 11(a)(2)).

(d) Upon exercise by Executive of the Old Options and/or the New Options, the Company will lend (the "Loans") to Executive up to 40% of the spread between the option exercise price and the closing market price of the Company's common stock, multiplied by the number of shares being acquired upon exercise of such Options with the principal of each such loan and interest thereon at Interest Rate, being payable at the earlier of (i) on the second anniversary of each such loan, or (ii) out of the proceeds from the sale of the shares underlying each such exercised Option. The provisions of the New Options and the Loans are set forth in the Option Agreement, a copy of which is annexed hereto as Schedule D and to which reference is made for the complete provisions

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

of the New Options and the Loans.

10. Indemnity.

(a) The Company agrees:

(1) To use its best efforts to purchase and maintain during the Term of this Agreement a Directors and Officers Liability Insurance Policy covering liabilities which may have been or will be incurred by Executive in the performance of his services on behalf of Company provided, however, that if available, such insurance is at a cost Company believes is reasonable.

(2) Except as otherwise provided in Section 10(b), and to the fullest extent allowed by law, to indemnify and hold Executive free and harmless from any liability for injury or death to persons or damage or destruction of property due to any cause whatsoever, either in or about the Riviera Hotel and Casino (the "Hotel") or elsewhere, as a result of the performance by Executive of his duties under this Agreement irrespective of whether alleged to be caused, wholly or partially, by Executive;

(3) Except as otherwise provided in Section 10(b) below, to reimburse Executive upon demand for any money or other property which Executive is required to pay out for any reason whatsoever in performing his duties hereunder, whether the payment is for charges or debts incurred or assumed by Executive or any other party, or judgments, settlements, or expenses in defense of any claim, civil or criminal action, proceeding, charge, or prosecution made, instituted or maintained against Executive or the Company, jointly or severally, because of the condition or use of the Hotel, or acts or failures to act of Executive, or arising out of or based upon any law, regulation, requirement, contract or award; and

(4) Except as provided in Section 10(b), to defend any claim, action, suit or proceeding brought against Executive, arising out of or connected with any of the foregoing, and to hold harmless and fully indemnify Executive from any judgment, loss or settlement on account thereof, regardless of the jurisdiction in which any such claim, actions, suits or proceedings may be brought.

(b) Notwithstanding the foregoing, the Company shall not be liable to indemnify and hold Executive harmless from any liability described above which results from the gross negligence or willful misconduct of Executive.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(c) If (i) the Company shall be obligated to indemnify Executive, or (ii) a suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which Company may become obligated to Executive hereunder, Executive shall give prompt written notice to the Company of the occurrence is such event. The Company agrees to

defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding at the Company's own cost and expense. Executive shall have the right but not the obligation to participate at his own expense in the defense thereof by counsel of his own choice. In the event that the Company fails timely to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding, Executive shall have the right to defend, contest or otherwise protect against the same and may make any compromise or settlement thereof and recover the entire cost thereof from the Company including, without limitation, reasonable attorney's fees, disbursements and all amounts paid or payable as a result of such suit, action, investigation, claim, or proceeding or compromise or settlement thereof.

11. (a) Events of Default. The Term of employment of Executive hereunder and any obligations of Executive hereunder (except with respect to any obligations set forth in Section 12 hereof) may be terminated, at the option of the non-defaulting party (which termination by the non-defaulting party shall be deemed involuntary), upon the happening of any of the following events (which shall be deemed to be "Events of Default"):

(1) If the other party shall breach, default or fail to comply in any material respect with any covenant or agreement contained in this Agreement followed by written notice from the non-defaulting party to the other and failure of the defaulting party either to remedy or correct such breach, default or noncompliance within thirty (30) days after receipt of such notice; and

(2) A "Change in Control" (hereinafter defined), without Executive's prior written consent, which shall be considered an Event of Default by the Company.

(b) Other Termination. In addition to the Events of Default set forth in Section 11(a) above, the Term of employment of Executive hereunder shall be terminated upon the happening of the following events:

(1) The mutual consent of the parties hereof;

(2) The death or Disability of Executive;

(3) The Executive shall have been finally adjudicated

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

by a court to have committed a felony, fraud, or a crime involving dishonesty, whether or not involving the Company ("Cause"), provided that pending such final adjudication, the Company shall set aside in an escrow account, which shall be a separate, non-commingled, interest bearing account, from the date of an allegation of Cause, the following amounts which would not be payable in the event of Executive's discharge for Cause: (A) the Base Salary; (B) the

Retirement Benefits and (C) the Bonus; provided, however, that (I) if such final adjudication or other disposition is favorable to Executive, all escrowed amounts (including any interest accrued thereon) shall be paid to or for the benefit of Executive promptly, (II) if such final adjudication is unfavorable to Executive - i.e. Executive is found to have committed a felony, fraud or a crime involving dishonesty - then all escrowed funds (including any interest accrued thereon) shall be paid to the Company promptly and Executive shall have no further interest therein; or

(c) Remedies. (1) The remedies of each of the parties upon the occurrence of an Event of Default by the other party specified in Section 11(a)(1) shall be cumulative and not exclusive. However, no party shall be obligated to the other for punitive or other forms of speculative or expectancy damages. In addition to any and all such other remedies, the provisions of this Agreement requiring the performance of an affirmative act by a party or requiring a party to refrain from the performance of specific act, shall be enforceable by injunctive proceeding or by a suit for specific performance.

(2) Upon the occurrence of an Event of Default specified in Section 11(a)(2), Executive may, by giving not less than 90 days notice to the Company, terminate all of Executive's obligations under this Agreement (except for those specified in Section 12), effective upon the date specified in such notice (the "Termination Date"), and shall be entitled to (i) have credited to his Retirement Account an amount equal to one year of Base Salary (in effect upon the Termination Date) credited to the Retirement Account and (ii) 100% vesting on stock options held by Executive.

(d) "Change of Control" means any of the following: (i) all or substantially all of the assets of the Company are sold as an entirety or as part of a series of transactions to any person, (ii) the Company engages in any merger, consolidation, sale of capital stock, sale of equity interests or any other transactions with any other person, with the effect that after such transactions the holders of common stock of the Company immediately prior to such transactions own, directly or indirectly, in the aggregate less than a majority in voting interest of the total voting power entitled to vote in the election (A) of directors of the Company, if the Company is the surviving entity, or (B) of directors, managers or trustees (1) of such other person, if the Company is not the surviving entity, or (2) of such other person that

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

purchases all or substantially all of the Company's assets; (iii) any person who, as of the date hereof, does not have 10% or more of the common stock of the Company, acquires a majority in voting interest of the total voting power entitled to vote for directors of the Company (otherwise than by reason of the voting provisions of any preferred stock of the Company); (iv) any person acquires more than 50% of the total voting power entitled to vote for directors of the Company; or (v) any person acquires more than 50% of the total voting power entitled to vote for directors, managers or trustees (X) of such person other than the Company surviving any of the transactions referred to in clause (i)

above, or (Y) of such other person that purchases all or substantially all of the Company's assets. A "person" for the purposes hereof, shall include an individual corporation, partnership, trust or group acting in concert. A person for the purposes hereof, shall be deemed to be a beneficial owner as that term is used in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

12. Confidential Information; Non-Competition.

(a) During the Term and for a three year period commencing on the termination of the Term of this Agreement for any reason, (i) Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or its affiliates, and their respective businesses which shall not be public knowledge (other than information which becomes public as a result of acts of Executive or his representatives in violation of this Agreement), including, without limitation, customer/client lists, matters subject to litigation, and technology or financial information of the Company or its subsidiaries, and (ii) Executive shall not, without the prior written consent of the Company, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it in writing.

(b) Except as otherwise provided in this Section 12(b), during the Term and for a three year period commencing on the termination of the Term of this Agreement for any reason, the Executive will not, directly or indirectly, (i) own, manage, operate, control or participate in the ownership, management or control of, or be connected as an officer, employee, partner, director, or consultant or otherwise with, or have any financial interest in (except for (A) ownership as of the date hereof, (B) any ownership in the common stock of the Company, or (C) any ownership of less than 5% of the outstanding equity interest in any entity) any hotel/casino located in Clark County, Nevada or (ii) solicit or contact any employee of the Company or its affiliates with a view to inducing or encouraging such employee to leave the employ of the Company or its affiliates for the purpose of being employed by Executive, an employer

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

affiliated with Executive, or any competitor of the Company or any affiliate thereof. The provisions of Section 12(b) shall not apply in the event of (i) any involuntary termination by the Company of Executive's employment under this Agreement or (ii) the occurrence of a Change of Control.

(c) Executive acknowledges that the provisions of this Section 12 are reasonable and necessary for the protection of Company and that the Company will be irrevocably damaged if such provisions are not specifically enforced. Accordingly, Executive agrees that, in addition to any other relief to which the Company may be entitled in the form of actual or punitive damages, the Company shall be entitled to seek and obtain injunctive relief from a court of competent jurisdiction (without posting of a bond therefor)

for the purposes of restraining Executive from any actual or threatened breach of such provisions.

13. Miscellaneous

(a) This Agreement shall be governed, construed and interpreted in accordance with the internal laws of the State of Nevada applicable to agreements executed in that State.

(b) This Agreement supersedes all prior agreements and understandings among the parties, and contains the full understanding of the parties hereto with respect to the subject matter hereof. Any change, modification or waiver of this Agreement must be in writing, signed by both parties hereto or, in the case of a waiver, by the party waiving compliance. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. The captions of each article and section are intended for convenience only. All references herein to days, weeks and months shall mean by calendar; unless specifically stated to the contrary. All references herein to the singular shall include the plural, and all references to gender shall, as appropriate, include other genders. All representations and warranties made hereunder shall survive the execution and delivery and closing of this Agreement. The Company consents to the execution of a memorandum of this Agreement and the filing and recording of such memorandum with any governmental body or agency having jurisdiction over the filing or recordation of interests in real property. At the termination of this Agreement, Executive agrees to execute in recordable form an instrument sufficient to evidence said termination.

(c) It is the intention of the parties hereto that this Agreement shall not inure to the benefit of any third parties not parties to this Agreement, and it is specifically intended that no third party beneficiary relationships, benefits or obligations shall arise or be deemed to exist as a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

result of this said Agreement.

(d) This Agreement shall inure to the benefit of and be binding upon each of the parties hereto, their heirs, assigns, successors and personal representatives, however, as a personal service contract, it shall not be assignable by Executive without the prior written consent of the Company.

(e) The failure or delay by either party in any one or more instances to enforce one or more of the terms and conditions of this Agreement or to exercise any right or privilege under this Agreement shall not thereafter be construed as a waiver of any such term, condition, right or privilege and the same and all other terms, conditions, rights or privileges under this Agreement shall continue to remain in full force and effect as though no such failure or delay had occurred.

(f) Any and all disputes between the parties hereto, however significant, arising out of, relating in any way to or in connection with this Agreement (including the validity, scope, and enforceability of this arbitration clause) will be solely settled by an arbitration conducted in accordance with the rules of the American Arbitration Association or any similar successor body before a panel of three arbitrators. Each party shall appoint one arbitrator. If a party fails to nominate an arbitrator within 10 days from the date when the claimant's request for arbitration has been communicated to the other party in writing, the appointment shall be made within 10 days thereof by the American Arbitration Association. The two arbitrators so appointed shall attempt to agree upon the third arbitrator to act as chairman. If the two arbitrators fail to nominate the chairman within 10 days from the date of appointment of the later appointed arbitrator, the chairman shall be selected within 10 days thereof by the American Arbitration Association. The arbitration shall be conducted with a view to commencing proceedings within 30 days from the date when the claimant's request for arbitration was communicated to the other party in writing and to rendering the award or other judgment not more than 15 days thereafter. The award or other judgment of the arbitrators shall be final, and the parties agree to waive their right to any form of appeal, to the greatest extent allowed by law, and to share equally the fees and expenses of the arbitrators. Judgment upon any award of the arbitrators may be entered in any court having jurisdiction or application may be made to such court for the judicial acceptance of the award and for order of enforcement. Such arbitration shall be held only in Las Vegas, Nevada. Pending resolution of the dispute, there shall be no stoppage by either party under the terms hereof; rather, the parties hereto shall perform diligently under this Agreement pending ultimate resolution of the dispute. By agreeing to arbitration, neither party hereto is waiving any benefit of any statute of limitations or other equitable defenses.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(g) No voluntary or involuntary successor in interest of the Company shall acquire any rights or powers under this Agreement, except as specifically set forth herein. Otherwise, the Company shall not assign all or any part of this Agreement.

14. Notices. All notices, requests, demands, directions and other communications provided for hereunder shall be in writing and delivered personally or mailed by certified or registered mail, return receipt requested, to the following addresses for each party during the Term or until such time as written notice, as provided hereby, of a change of address to be used thereafter is given to the other party, with copies to such legal counsel as each party, from time to time, may designate:

Company	Executive
RIVIERA HOLDINGS CORPORATION 2901 Las Vegas Blvd. So. Las Vegas, Nevada 89109 Attn: Duane Krohn, Chief Financial Officer	MR. WILLIAM L. WESTERMAN 2901 Las Vegas Blvd. So. Las Vegas, Nevada 89109 PERSONAL & CONFIDENTIAL

Notices delivered personally shall be deemed to have been given upon delivery; notices delivered by certified or registered mail shall be deemed to have been given seventy-two (72) hours after the date deposited in the mail, except as otherwise provided herein.

15. Government Approvals. Notwithstanding any other terms and provisions set forth in this Agreement, if is understood and agreed that the engagement of Executive hereunder, the obligation of the parties hereto, and the effect of the Agreement, shall be subject to the approval of each and all of the terms, covenants and provisions of this Agreement by the Nevada Gaming Authorities and other Governmental Authorities from whom approval, if any, is required under the laws of the State of Nevada, the County of Clark, or any and all other governmental agencies having jurisdiction thereover. Each of the parties hereby covenant and agree to exercise their best good faith efforts to proceed to obtain any and all such necessary approvals.

16. Compensation Under Old Agreement. Notwithstanding the provisions of Sections 4, 5 and 6 hereof, in no event shall the sum of Base Salary, Bonus and Credits to Retirement Account (excluding the Interests Payments) payable to or for the account of Executive in any year of the Term under this Agreement exceed the sum of Base Salary, Bonus and Credits to Retirement Account which would have been payable to or for the account of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Executive under the Old Agreement and Executive shall instruct the Company as to the reductions of Base Salary, Bonus and Credits to

Retirement Account necessary to comply with the provisions of this Section 16.

IN WITNESS WHEREOF, the parties herein have entered into this Agreement the day and year first above mentioned.

COMPANY:

RIVIERA HOLDINGS CORPORATION

By:______________________

Its:___________________

EXECUTIVE:

____

WILLIAM L. WESTERMAN

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 10.32

REVOLVING LINE OF CREDIT
LOAN AGREEMENT

THIS REVOLVING LINE OF CREDIT LOAN AGREEMENT (the "Agreement") is made effective as of the ___ day of ___________________, 1997, by and between RIVIERA HOLDINGS CORPORATION, a Nevada corporation, and RIVIERA OPERATING CORPORATION, a Nevada corporation, doing business as RIVIERA HOTEL & CASINO (collectively, "Borrower"), and U.S. BANK OF NEVADA, a Nevada state-chartered commercial bank, ("Lender").

W I T N E S S E T H :

WHEREAS, Lender has agreed to lend to Borrower on a reducing revolving line of credit basis certain funds (the "Loan") in an amount not to exceed at any time FIFTEEN MILLION AND NO/100THS DOLLARS ($15,000,000.00) (the "Maximum Loan Amount") for the purpose of providing Borrower with funds to acquire certain new furniture, fixtures and equipment or to refinance or refund the cost of certain existing furniture, fixtures and equipment of Borrower.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and promises of the parties and subject to the following terms and conditions, Borrower agrees to borrow from Lender, and Lender agrees to loan to Borrower the Loan for the purposes provided herein. The Loan shall be evidenced by a Revolving Line of Credit Promissory Note (the "Note") bearing even date herewith, and be secured by a Security Agreement (the "Security Agreement") under the terms of which Borrower shall grant to Lender a security interest in certain collateral described in Section 3 thereof (the "Collateral"). This Agreement, the Note, the Security Agreement, and any and all other documents now or hereafter executed by Borrower or any other person or party in connection with or to evidence or secure payment of the Loan are sometimes hereafter collectively referred to as the "Loan Documents".

A. DISBURSEMENTS.

A.1 General. Provided that no Event of Default (as hereafter defined) then exists and is continuing hereunder, Lender shall disburse the Loan from time to time at the request of Borrower for the purposes provided herein once the original of this Agreement, the Note, the Security Agreement, and all other Loan Documents, all fully executed, have been delivered to Lender, and once Borrower has paid Lender's reasonable attorney's fees and costs incurred in connection herewith. Lender shall be under no obligation to make any disbursements under the Loan after January 1, 2002.

A.2 Reduction in Maximum Loan Amount. On the first day of January, April, July and October of each year, commencing on the first day of April, 1998, the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Maximum Loan Amount shall be reduced by an amount equal to $937,500.00. Borrower shall make a principal reduction payment under the Note on the first day of each January, April, July and October, commencing on the first day of April, 1998, in an amount, if any, required to reduce the principal balance due under the Note to the then effective Maximum Loan Amount.

A.3 Maximum Availability. The maximum amount available to Borrower under the Loan at any time (the "Maximum Availability") shall be an amount equal to the lesser of (a) the Maximum Loan Amount, as reduced from time to time pursuant to Section A.2 above; or (b) the Specified Value (as defined below) of the Collateral.

For the purposes of this Agreement and the other Loan Documents, the term "Gaming Devices" shall mean any equipment or mechanical, electromechanical or electronic contrivance, component or machine used remotely or directly in connection with gaming or any game which affects the results of a wager by determining win or loss. The term includes a system for processing information which can alter the normal criteria of random selection, which affects the operation of any game or which determines the outcome of any game. The term does not include a system or device which affects a game solely by stopping its operation so that the outcome remains undetermined.

For purposes of this Agreement and the other Loan Documents, the term "Specified Value" shall mean the amount reasonably determined by the Borrower to be the lesser of eighty percent (80%) of the (a) actual original cost of the Collateral (excluding Gaming Devices) and (b) fair market value (which is defined for purposes hereof as depreciated cost) of the Collateral (excluding Gaming Devices), as specified to the Lender in a schedule delivered to the Lender by the date of the making of a Loan for the purchase or refinancing of such Collateral, as such schedule shall be updated by Borrower and delivered to Lender on the twentieth day of the month immediately succeeding the last day of each fiscal quarter. With respect to Collateral consisting of Gaming Devices, the percentage used in determining Specified Value shall be one hundred percent (100%).

A.4 Conditions. Lender shall be under no obligation to make the initial disbursement under the Loan until Borrower has caused to be provided to Lender an opinion of Borrower's counsel in all respects acceptable to Lender, as to the following: (a) that Borrower is duly organized and existing and in good standing to transact business in Nevada; (b) that all conditions required by Borrower's organizational documents to authorize Borrower to enter into the Loan transaction and execute the Loan Documents have been satisfied; (c) that all licenses, permits and other governmental permits necessary to conduct Borrower's business (where the failure to maintain the same would have a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

material adverse effect upon its operations ("Material Adverse Effect") as presently conducted are in effect; (d) that the Loan Documents constitute valid, legal and enforceable obligations of Borrower in accordance with their terms; and (e) that Borrower's execution of the Loan Documents and performance of its obligations thereunder shall not constitute a default by Borrower under the terms of any license, permit or approval held by Borrower, or any agreement to which Borrower is a party, including, without limitation, that

certain $100,000,000.00 Indenture dated June 30, 1993, between Riviera Holdings Corporation, a Nevada corporation ("RHC"), Riviera Operating Corporation, doing business as Riviera Hotel & Casino ("ROC"), and IBJ Schroder Bank & Trust Company, as Trustee, as supplemented by the First Supplemental Indenture, dated June 30, 1993, as amended by Amendment to First Supplemental Indenture, dated as of September 8, 1995 (the "Indenture Agreement").

A.5 Loan Fees.

(a) Facility Fee. As a condition of Lender's obligation to make the initial disbursement under the Loan, Borrower shall pay to Lender a facility fee in the sum of $75,000.00 upon the execution of this Agreement.

(b) Non-Usage Fee. On the tenth day of January, April, July and October of each year, commencing on the tenth day of July, 1997, Borrower shall pay to Lender in arrears a non-usage fee in an amount equal to two-tenths of one percent (0.20%) of the difference between the Maximum Loan Amount, as reduced from time to time pursuant to Section A.2 above, and average outstanding amount of the Loan, during the previous three-month period in each case as reasonably determined by Lender.

B. INTEREST.

B.1 Interest Rate Options. Borrower shall pay interest on the principal amounts disbursed under the Loan at Borrower's option, as evidenced by an executed Rate Request ("Rate Request") in the form attached hereto as Exhibit "A", as follows:

(a) At the floating commercial loan rate of Lender publicly announced from time to time as Lender's prime rate (the "Prime Rate"), plus one-half of one percent (0.50%) per annum. Any change in such interest rate, as a result of a change in the Prime Rate, shall become effective upon the date of change in the Prime Rate. Any disbursements under the Loan which Borrower elects to bear interest at the foregoing interest rate shall be referred to herein as a "Prime Rate Disbursement"; or

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(b) At LIBOR (as defined below), plus two and ninety one-hundredths percent (2.90%) per annum (the "LIBOR Rate"). Any disbursements under the Loan which Borrower elects to bear interest at the LIBOR Rate shall be referred to herein as a "LIBOR Rate Disbursement".

B.2 LIBOR Election. Provided that no Event of Default then exists hereunder, if Borrower desires that the Loan, or a portion thereof, is to bear interest at the LIBOR Rate, or Borrower desires to convert a Prime Rate Disbursement to a LIBOR Rate Disbursement or desires to convert a LIBOR Rate Disbursement with a certain LIBOR Borrowing Period into a different LIBOR Borrowing Period, Borrower shall so elect (a "LIBOR Election") by providing Lender with at least two (2) Business Days (as defined below) prior

notice thereof, which notice shall specify (a) the LIBOR borrowing period (the "LIBOR Borrowing Period") of either 30, 60 or 90 days, and (b) the amount, which in no event shall be less than $500,000.00, and shall be in increments of $100,000.00 (a "LIBOR Increment"), to be subject to such LIBOR Election. Lender's LIBOR Rates are established as of approximately 8:00 a.m. and 10:00 a.m. on each Business Day for LIBOR Rates to take effect two (2) Business Days later, and LIBOR Rate quotes may be obtained from Lender between 8:00 a.m. and 12:00 noon on any Business Day. Quotes based on LIBOR Rates set as of 8:00 a.m. must be accepted by Borrower before 10:00 a.m., and quotes based on LIBOR Rates set as of 10:00 a.m. must be accepted by Borrower before 12:00 noon. Notice of acceptance of a quoted LIBOR Rate shall be given by Borrower to Lender in writing or by telephone (and if by telephone then thereafter immediately confirmed by Borrower in writing). In the event that notice is given to Lender after the times set forth above, the notice shall be deemed to be given as of the next Business Day. All times referred to herein shall be local time in Las Vegas, Nevada. The written notice of LIBOR Election, or written confirmation thereof, shall be in the form of a Rate Request. Any amounts outstanding under the Loan in excess of a LIBOR Increment shall bear interest as a Prime Rate Disbursement. At the expiration of a LIBOR Borrowing Period, in the event that the loan amount subject to a LIBOR Election has not been repaid by Borrower, it shall then bear interest as a Prime Rate Disbursement unless a new LIBOR Borrowing Period has been chosen by Borrower pursuant to the terms hereof. Notwithstanding anything to the contrary contained herein, Borrower shall be permitted to have no more than five (5) LIBOR Elections in effect at any time without the prior written consent of Lender.

B.3 LIBOR Regulatory Requirements. In the event that Lender is required under Regulation D, promulgated by the Board of Governors of the Federal Reserve System, or any other regulation, to maintain reserves against LIBOR obligations, Borrower shall pay to Lender on the last day of each LIBOR

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Borrowing Period, as additional interest ("Additional Interest") on any LIBOR Rate Disbursement, such additional amount (determined as though Lender has funded 100% of the LIBOR Rate Disbursement in the Interbank Eurodollar Market whether or not that is actually the case) as would, together with payments of interest on the LIBOR Rate Disbursement for that LIBOR Borrowing Period, result in receipt by Lender of total interest on the LIBOR Rate Disbursement for that LIBOR Borrowing Period at the rate reasonably determined by Lender to be equal to the following: the stated LIBOR Rate on the LIBOR Rate Disbursement divided by one (1), minus the Reserve Percentage (as defined below). In determining the Additional Interest, there shall be taken into account any transitional, adjustment or phase-in provisions of the reserve requirements which would reduce the reserve requirement of Lender during any LIBOR Borrowing Period. Lender's determination of such matters shall be conclusive in the absence of manifest error.

If, after the date hereof, the application or adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Lender with any request or directive

(whether or not having the force of law) of any such authority, central bank or comparable agency:

(a) shall subject Lender to any tax, duty or other charge with respect to the amount as to which Borrower has made a LIBOR Election (except any income taxes of Lender assessed on the basis of Lender's net income or gross receipts and any franchise taxes, branch taxes, taxes on doing business or taxes on overall capital or net worth of Lender imposed in lieu of income taxes); or

(b) shall impose, modify or deem applicable any reserve (including without limitation any reserve imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirements against assets of, deposits with or for the account of, or credit extended by, Lender with respect to or as a result of the making by Borrower of a LIBOR Election; or

(c) shall impose upon Lender, directly or indirectly, any condition affecting any amount advanced by Lender to Borrower as to which Borrower has made a LIBOR Election, or shall otherwise affect any of the same;

and the result of any of the foregoing has in the reasonable opinion of Lender, increased the cost to Lender of making or maintaining any outstanding

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

disbursement or other outstanding portion of the Loan as to which the Borrower has made a LIBOR Election, or reduced the amount of any sum received or receivable by Lender by an amount deemed by Lender to be material, then, within fifteen (15) days after demand by Lender (which demand shall not be made more than thirty (30) days after such cost is incurred by Lender and shall be accompanied by reasonable detail supporting such demand), Borrower shall pay to Bank such additional amount or amounts. If, following payment of any such additional amounts by Borrower to Lender, Lender receives a refund of or credit for any portion thereof, then Lender shall promptly repay Borrower the amount so refunded or credited. Notwithstanding anything to the contrary contained herein, in the event that Lender may minimize or eliminate any costs or restrictions associated with maintaining LIBOR Rate Disbursements by using another lending office within the U.S. Bancorp system, then Lender shall to the extent permissible under then existing laws and regulations governing Lender use such other lending office.

If, after the date hereof, the application or adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency, or the occurrence of circumstances affecting the Interbank Eurodollar Markets generally, shall, in the reasonable opinion of Lender, make it unlawful or impossible for Lender to make or maintain LIBOR Rate Disbursements or materially restrict the authority of Lender to purchase, sell, or take deposits in Eurodollars, then Lender's obligation to give effect to a

LIBOR Election shall be suspended for the duration of such illegality or impossibility. Upon receipt of notice of such illegality or impossibility, at Borrower's election either (a) all then outstanding LIBOR Rate Disbursements shall be immediately converted into Prime Rate Disbursements and thereafter be so treated for all purposes hereunder, or (b) Borrower shall repay in full the then outstanding principal amount of the applicable LIBOR Rate Disbursements together with accrued interest thereon, on either: (i) the last day of the LIBOR Borrowing Period applicable to such LIBOR Rate Disbursement if lender may lawfully continue to maintain the LIBOR Rate Disbursements to such day; or (ii) immediately, and without prepayment penalty, if Lender may not lawfully continue to maintain the LIBOR Rate Disbursements to such day. If Lender is unable, for the reasons set forth above, to make or maintain any LIBOR Rate Disbursements, Lender shall fund such amount as a Prime Rate Disbursement. Borrower hereby agrees to reimburse Lender on demand for all costs and expenses attributable to its making or maintaining LIBOR Rate Disbursements hereunder which result directly from any such change in law, rule, regulation, interpretation or

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

administration, or in connection with the conversion of the interest rate on any portion of the Loan as to which Borrower has made a LIBOR Election prior to the end of the applicable LIBOR Borrowing Period.

B.4 LIBOR Prepayments. Except as otherwise provided in Section B.3 above, upon payment or prepayment of any LIBOR Rate Disbursement, or conversion of a LIBOR Rate Disbursement to a Prime Rate Disbursement, on a day other than the last day in the applicable LIBOR Borrowing Period (whether voluntarily, involuntarily, by reason or acceleration, or otherwise), Borrower shall pay to Lender within fifteen (15) Business Days following demand by Lender a prepayment fee equal to the excess of (a) the present value of the principal amount prepaid as discounted (on the basis of a year of twelve 30-day months) to present value by reference to the yield for U.S. Treasury Securities with maturities most nearly approximating the remaining weighted average life to the end of the relevant LIBOR Borrowing Period for the principal payments being prepaid over (b) the sum of all such principal payments plus accrued interest thereon.

B.5 Definitions. For purposes of this Agreement the following terms shall have the following meanings unless otherwise indicated:

(a) "Business Day" means any day other than a Saturday, Sunday, or other day on which banks in Las Vegas, Nevada are authorized to close.

(b) "LIBOR" means the rate per annum (computed on the basis of a 360-day year and the actual number of days elapsed) determined by Lender as the average rate offered to Lender for U.S. dollar deposits in the London Eurodollar Market based upon quotations at five (5) major banks for a period equal to the relevant LIBOR Borrowing Period and in an amount equal to the applicable LIBOR Rate Disbursement.

(c) "Reserve Percentage" means a percentage that is reasonably determined by Lender as the average (rounded to the next highest 1/100th of 1%) of the maximum

percentage reserve in effect as prescribed by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement for a member bank of the Federal Reserve System in the district in which Lender is located.

C. REPRESENTATIONS, COVENANTS AND WARRANTIES.

Borrower hereby unconditionally represents, covenants and warrants as follows:

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

C.1 Power. If Borrower or any signator who signs on its behalf is a corporation, partnership, limited liability company, or trust, that it is a corporation duly incorporated, or a partnership, limited liability company, or trust duly organized, and in any event validly existing under the laws of the state of its incorporation or origination and duly qualified to do business in the State of Nevada, with requisite power and authority to (i) incur the indebtedness evidenced by the Note; (ii) enter into this Agreement; and (iii) enter into any other Loan Documents executed and delivered to Lender concurrently herewith.

C.2 Authority. That this Agreement, the Note, the Security Agreement, and all other Loan Documents executed and delivered to Lender concurrently herewith were executed in accordance with the requirements of law, and, if Borrower or any signator who signs on its behalf is a corporation, partnership, limited liability company, or trust, in accordance with any requirements of its articles of incorporation, articles of partnership, articles of organization and/or operating agreement, or declaration of trust, and any amendments thereto, and that the execution of the same, and the full and complete performance of the provisions thereof, is authorized by its bylaws, articles of partnership, articles of organization and/or operating agreement, or declaration of trust, or a resolution of its board of directors or partners, members or managers, or trustees, and will not result in any breach of, or constitute a default under, or result in the creation of any lien, charge or encumbrance (other than those contained herein or in any instrument delivered to Lender concurrently herewith) upon any property or assets of Borrower under any material indenture, mortgage, deed of trust, bank loan or credit agreement or other instrument or agreement to which Borrower is a party or by which Borrower is bound or, if applicable, under Borrower's corporate charter, bylaws, articles of partnership, articles of organization and/or operating agreement, or declaration of trust.

C.3 Financial Statements. Any and all unaudited balance sheets heretofore furnished Lender by or on behalf of Borrower and or any guarantors are true and correct in all material respects, and fully and accurately present the financial condition of the subjects thereof as of the dates thereof (subject to normal year-end audit adjustments), and no material adverse change has occurred in the financial condition reflected therein since the dates of the most recent financial statement submitted to Lender. During the Loan term, Borrower shall provide Lender with the following: (i) copies of annual CPA audited consolidated financial statements (as contained in annual reports required to be filed under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Sections") for Borrower within 120 days following the end of each of such Borrower's fiscal years; (ii) copies of quarterly CPA reviewed, unaudited

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

consolidated financial statements for Borrower (as contained in quarterly reports required to be filed under the Sections) within forty-five (45) days following the end of each fiscal quarter; (iii) copies of federal income tax returns (including all schedules) and/or extension requests for Borrower within fifteen (15) days after filing the same; and (iv) quarterly compliance certificates within forty-five (45) days following the end of each fiscal quarter, commencing with the fiscal quarter ending on March 31, 1997, executed by Borrower's treasurer, certifying that Borrower is in compliance with the financial covenants set forth in Section C.5 below; (v) copy of annual updated list of slot machines in the form attached as Exhibit "A" to the Security Agreement within forty-five (45) days following the end of each fiscal year; and (vi) copies of such other financial information relating to Borrower and Borrower's business operations which Lender may reasonably request.

C.4 Litigation. Except as heretofore disclosed in writing to Lender, there are no actions, suits or proceedings pending, or to the knowledge of Borrower threatened, against or affecting Borrower which, if adversely determined, would have a Material Adverse Effect.

C.5 Financial Covenants. During the term of the Loan:

(a) Borrower shall maintain a Maximum Leverage Ratio (defined as [average funded debt as of the last day of each month for the quarter then ended] / [earnings before interest, taxes, depreciation and amortization ("EBITDA"), calculated on a rolling four (4) quarter average]) of not greater than 4.50 to 1.00 tested for compliance quarterly as of the last day of each fiscal quarter of Borrower. The term "funded debt" means, as of any date of determination, without duplication, the sum of (i) all principal indebtedness of Borrower for borrowed money (including debt securities issued by Borrower) on that date, plus (ii) the aggregate amount of the net present value of principal payable by Borrower in respect of capital leases on that date, each as determined in accordance with generally accepted accounting principles.

(b) Borrower shall maintain a Minimum Times Fixed Charge Coverage Ratio (defined as [EBITDA, calculated on a rolling four (4) quarter average]/ [the prior year's current portion of long term debt, plus the prior year's current portion of capital lease obligations, plus interest expense for the current quarterly period, including capitalized interest and excluding interest on intercompany debt, plus short-term loans (with maturities of twelve (12) months or less)]) of not less than 1.50 to 1.00 tested for compliance quarterly as of the last day of each fiscal quarter of Borrower;

(c) Borrower shall incur no additional indebtedness or additional liens or encumbrances on Borrower's real or personal property in excess of $10,000,000.00, except for the financing evidenced by the Indenture Agreement, without the prior written consent of Lender, which consent shall not be unreasonably withheld; and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(d) except for mergers wherein either RHC or ROC is the surviving entity and Borrower is in compliance with each covenant contained herein following such merger, Borrower shall not sell or transfer all or substantially all of Borrower's assets, or merge or consolidate with any other person or entity, without Lender's prior written consent, which consent shall not be unreasonably withheld;

The foregoing representations, covenants, and warranties shall survive until all sums payable pursuant to the Note or this Agreement, or which are secured by any of the other Loan Documents, have been paid in full.

C.6 Licenses. Borrower shall maintain in effect, and shall comply with all of the terms and conditions of, all licenses, permits and approvals required by any governmental agency in connection with the operation of Borrower's business at the Riviera Hotel & Casino, including, without limitation, all gaming licenses and approvals where the failure to maintain and comply with the same would have a Material Adverse Effect.

D. DEFAULT.

D.1 Events of Default. Any of the following shall constitute a default hereunder (an "Event of Default"):

(a) The failure of Borrower to make any payment under the Note within fifteen (15) days after such payment is due;

(b) The materially false or misleading nature of any representation or warranty of Borrower contained herein or in any representation by Borrower to Lender concerning the financial condition of Borrower;

(c) The failure of Borrower to fully perform any and all other covenants and agreements hereunder within thirty (30) days after notice thereof is given by the Lender to the Borrower;

(d) The failure of Borrower to pay or perform as required under any other Loan Document; and

(e) Any material and substantial event of default (subject to any applicable notice requirement and opportunity to cure) by Borrower under the Indenture Agreement.

D.2 Acceleration. Upon the occurrence of an Event of Default hereunder, and following any applicable notice requirement and opportunity to cure, the entire unpaid balance of the Note including all accrued interest

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

shall, at the option of Lender, become immediately due and payable and Lender shall have such rights of enforcement as may be afforded by law,

hereunder, or under the Note, or any of the other Loan Documents, subject to the provisions of Section E.3 hereof.

E. REMEDIES.

E.1 General. Upon the occurrence of an Event of Default hereunder, Lender's obligation to make any further disbursements under the Loan or to honor any request by Borrower to convert the interest rate under the Loan or any portion thereof to the LIBOR Rate shall cease, and Lender shall have all rights and remedies available to Lender under the law, hereunder or under the Note (including but not limited to the right to accelerate the Note), or any of the other Loan Documents.

E.2 Remedies are Cumulative. Subject to Section E.3 hereof, all remedies of Lender provided for herein are cumulative and shall be in addition to any and all other rights and remedies provided in the Note, or any of the other Loan Documents or by law. The exercise of any rights of Lender hereunder shall not in any way constitute a cure or waiver of a default hereunder or elsewhere, or invalidate any act done pursuant to any notice of default, or prejudice Lender in the exercise of any of its other rights hereunder or elsewhere unless, in the exercise of said rights, Lender realizes all amounts owed to it hereunder and under the Note, and the other Loan Documents.

E.3 Subordination. Notwithstanding any provision in any Loan Document to the contrary, any indebtedness under any Loan Document owed at any time by the Borrower to the Lender which is not repaid out of the proceeds of the sale of Collateral (the "Subordinated Indebtedness") shall be subordinated to the prior payment in full of all amounts payable under the Senior Debt to the extent and in the manner provided in this Section.

For purposes of this Section, the term "Senior Debt" means the Borrower's obligations for the principal of, premium, if any, and interest (including post-petition interest in any liquidation or dissolution of the Borrower or in any bankruptcy, reorganization, insolvency, receivership or similar proceeding with respect to the Borrower or its property, whether or not a claim for such interest is allowed or allowable in any such proceeding) on, and reasonable fees, collection expenses and counsel and other professional fees incurred in connection with collection, work-out or insolvency related matters, and other amounts payable on or in connection with the Indenture Agreement, as the same may be amended, modified, supplemented, restated, extended or replaced

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

from time to time, or any guaranty in respect of any of the foregoing.

(a) If there shall be any Event of Default (as defined in the Indenture Agreement, herein, a "Senior Debt Event of Default") in respect of Senior Debt, unless and until such Senior Debt Event of Default shall have been cured or waived or shall have ceased to exist, the Borrower may not make any payment on account of the Subordinated Indebtedness, or acquire for cash, property or securities, by set-off or otherwise, or redeem, retire, purchase,

deposit moneys for defeasance of or to acquire the Subordinated Indebtedness, and the Borrower shall not segregate and hold separate for the benefit of Lender money for any such payment or distribution.

(b) If any payment or distribution of assets of the Borrower is received by Lender in respect of the Subordinated Indebtedness at a time when that payment or distribution should not have been made because of any provision of this Section, such payment or distribution will be received and held in trust for the benefit of and will be paid over to the holders of Senior Debt or their representatives which is due and payable and remains unpaid or unprovided for (pro rata as to each of such holders on the basis of the respective amounts of Senior Debt which is due and payable held by them) until such Senior Debt Event of Default shall have been cured or waived or shall have ceased to exist.

(c) Upon any distribution of assets of either Borrower, or upon any dissolution, winding up, liquidation or reorganization of such Borrower (whether in bankruptcy, insolvency, receivership or similar proceeding related to such Borrower or its property or upon an assignment for the benefit of creditors or otherwise) (a "Liquidation Event"):

(i) the holder of all Senior Debt will first be entitled to receive payment in full in cash of the principal and interest due on Senior Debt and all other amounts due in connection with Senior Debt before Lender is entitled to receive any payment on account of the Subordinated Indebtedness;

(ii) any payment or distributions of assets of the Borrower of any kind or character, whether in cash, property or securities, to which Lender would be entitled except for the provisions of this Section (including, without limitation, distributions received by Lender in respect of obligations junior in right of payment to the Subordinated Indebtedness) will be paid by the liquidating trustee or agent of such other person making such a payment or distribution directly to the holders of Senior Debt or their representatives to the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

extent necessary to make payment in full in cash of all Senior Debt remaining unpaid, after giving effect to any concurrent payment or distribution, to the holders of such Senior Debt or provision for that payment or distribution; and

(iii) if, notwithstanding the foregoing, upon a Liquidation Event any payment or distribution of assets of either Borrower of any kind or character, whether in cash, property or securities is received by Lender on account of the Subordinated Indebtedness before all Senior Debt is paid in full in cash, or effective provision made for such payment, such payment or distribution will be received and held in trust for the benefit of and will be paid over to the holders of the Senior Debt remaining unpaid or unprovided for or their representative for application to the payment of such Senior Debt until all such Senior Debt has been paid in full in cash, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Debt.

(d) For so long as payment hereunder is prohibited pursuant to this Section, Lender shall not demand, sue for, collect or receive any payment in respect of the Subordinated Indebtedness; provided, however, that the foregoing shall not be deemed to limit in any manner remedial actions by the Lender against the Collateral or the filing by Lender of proofs of claim or other required notices resulting from the occurrence of a Liquidation Event.

(e) Nothing contained in this Section is intended to or will impair, as between the Borrower and Lender, the obligations of the Borrower, which are absolute and unconditional, to pay to Lender the Subordinated Indebtedness as and when it becomes due or is intended to or will affect the relative rights of Lender and creditors of the Borrower other than the holders of the Senior Debt, nor, except as provided in this Section, will anything herein or therein prevent Lender from exercising all remedies otherwise permitted by applicable law upon an Event of Default under the Subordinated Indebtedness, subject to the rights, if any, under this Section of the holders of Senior Debt in respect of cash, property or securities of the Borrower received upon the exercise of any such remedy and subject to this Section.

(f) No right of any present or future holders of any Senior Debt to enforce subordination as provided herein will at any time in any way be prejudiced or impaired by any act or failure to act on the part of either Borrower or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Borrower with the terms of this Agreement or the Indenture Agreement, regardless of any knowledge thereof which any such holder

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

may have or otherwise be charged with. The holders of Senior Debt or any security therefor may release, sell or exchange such security and otherwise deal freely with the Borrower, all without affecting the liabilities and obligations of the Borrower to Lender.

F. MISCELLANEOUS.

F.1 No Waiver. No waiver of any Event of Default by Borrower hereunder shall be implied from any omission by Lender to take action on account of such Event of Default, and no express waiver shall affect any Event of Default other than the Event of Default specified in the waiver and the waiver shall be operative only for the time and to the extent therein stated. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by Lender to or of any act by Borrower requiring further consent or approval shall not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act.

F.2 No Third Parties Benefitted. This Agreement is made and entered into for the sole protection and benefit of Lender and Borrower. All conditions of the obligations of Lender to make advances hereunder are imposed solely and exclusively for the benefit of Lender and may be freely modified by Lender with the concurrence of Borrower or waived by Lender in whole or in part at any time if in its sole discretion it deems it advisable to do so.

No person other than Borrower shall have standing to require Lender to make any Loan advances or be a beneficiary of this Agreement or of any of the advances to be made hereunder.

F.3 Plural Borrowers Jointly and Severally Liable. RHC and ROC shall be jointly and severally liable to Lender for the faithful performance of the terms hereof.

F.4 Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be considered as properly given if mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, or by delivering the same in person to the intended addressee, or by nationally recognized overnight courier service. Notice so mailed shall be effective two (2) business days following its deposit. Notice given in any other manner shall be effective only if and when received by the addressee. For purposes of notice, the addresses of the parties shall be as set forth on the signature page hereof; provided, however, that either party shall have the right to change its address for notice hereunder to any other location by the giving of notice to the other party in the manner set forth above.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

F.5 Expenses. Borrower shall pay promptly all reasonable and necessary costs, charges, and expenses incurred by Lender in connection with the enforcement of the Loan.

F.6 Actions. Lender shall have the right to appear in or defend any action or proceeding purporting to affect its rights, duties, or liabilities hereunder, or the disbursement of its funds. In connection therewith, Lender may incur and pay costs and expenses, including reasonable and necessary (under the Loan Documents) attorneys' fees, and Borrower shall pay to Lender on demand all such costs and expenses and Lender is authorized to disburse funds from the Loan for said purpose.

F.7 Commissions and Brokerage Fee. Borrower shall indemnify Lender from any responsibility and/or liability for the payment of any commission, charge or brokerage fees to anyone which may be payable by Borrower in connection with the making of the Loan, it being understood that any such commission, charge, or brokerage fees will be paid directly by Borrower to the party or parties entitled thereto. Lender shall indemnify Borrower from any responsibility and/or liability for the payment of any commission, charge or brokerage fees to anyone which may be payable by Lender in connection with the making of the Loan, it being understood that any such commission, charge, or brokerage fees will be paid directly by Lender to the party or parties entitled thereto.

F.8 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of Nevada, except as preempted by federal law. Lender and Borrower consent to the exclusive personal jurisdiction by the courts of Clark County, Nevada, in any action to enforce the rights and remedies of any party hereunder.

F.9 Heirs, Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the heirs, successors, assigns and personal representatives of the parties hereto; provided, however, that Borrower shall not assign its rights hereunder in whole or in part without the prior written consent of Lender (except as contemplated by Section C.5(d) hereof), which such consent may be granted or withheld in the sole and absolute discretion of Lender. Any such assignment without said consent shall be void. Lender shall have the right at any time and from time to time to assign to participants or others all or certain of its rights and obligations hereunder but no such assignment shall, without Borrower's written consent, relieve Lender of its obligations hereunder.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

F.10 Time. Time is of the essence of this Agreement and each and every provision hereof in which time is an element.

F.11 Attorneys' Fees and Costs. If any legal action or any arbitration or other proceeding is brought for the enforcement of this Agreement or because of an alleged dispute, breach, Event of Default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which he may be entitled.

F.12 Expiration of Commitment. Lender's obligation to disburse the Loan is further conditioned upon the execution of this Agreement and the other Loan Documents on or before February 28, 1997.

F.13 Interpretation. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties jointly prepared this Agreement and any uncertainty and ambiguity shall not be interpreted against any one party.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

Riviera Holdings Corporation
2901 Las Vegas Blvd. South
Las Vegas, Nevada 89109

RIVIERA HOLDINGS CORPORATION,
a Nevada corporation,

By:_________________________________

Its: ____________________________

Riviera Operating Corporation
2901 Las Vegas Blvd. South
Las Vegas, Nevada 89109

RIVIERA OPERATING CORPORATION,
a Nevada corporation, doing
business as RIVIERA HOTEL & CASINO

By:_________________________________

Its: ____________________________

"Borrower"

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

U.S. Bank of Nevada Commercial Services Group 2300 W. Sahara Avenue Suite 120 Las Vegas, Nevada 89102	U.S. BANK OF NEVADA, a Nevada state-chartered commercial bank, By:______________________________ Its:___________________________ "Lender"

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 10.33

March 4, 1997

Eagle Gaming, L.P.
c/o Wild West Development Corporation,
General Partner
5251 DTC Bankway, Suite 1210
Englewood, Colorado 80111

You have indicated the interest of Eagle Gaming, L.P. ("Eagle") in forming a joint venture with Riviera Holdings Corporation ("RHC) to (a) acquire the land described on Exhibit A hereto ("Acquired Land"), (b) construct the casino building (the "Casino") and the parking garage on the Acquired Land as described on Exhibit B hereto (the "Construction Project"), (c) acquire gaming equipment, fit up the Casino and start up casino operations (the "Gaming Project") and (d) raise sufficient funds through a public equity offering by RHC and mortgage financing to support all such undertakings (collectively the "Transactions"). The acquisition of the Acquired Land, the Construction Project and the Gaming Project shall be referred to collectively as the "Project". The definitive terms and conditions of the Project would be determined by negotiation of a development agreement ("Development Agreement") which would contain representations, warranties and agreements which are customary in connection with projects of this nature. The Development Agreement also would include the following principal terms:

1. Formation of RBL. RHC and Eagle would enter into a development agreement ("Development Agreement") under which they will (a) create, under Colorado law, an entity to be known as Riviera Black Hawk, LLC ("RBL") and (b) address the pre-Closing tasks to be performed by, and certain post-Closing arrangements between, the parties, all in accordance with the terms of this Letter. Eagle acknowledges that if the firm bids for the construction costs, and other amenities, shall be materially greater than the "Estimated Project Costs" (as defined in Paragraph 4), the Project may not be acceptable to RHC. RHC agrees to structure the Transactions to accommodate Eagle's tax planning objectives, subject, however, to no material adverse effect on RHC.

2. Determination of Initial Equity Ratios; Equity Option. (a) As discussed in Paragraph 4(b), the parties intend that 60% of Project Costs (as finally determined) will be funded by borrowings and 40% of Project Costs (as finally determined) will be funded through equity capital provided by RHC and Eagle. RHC's and Eagle's relative equity percentages will be based on amounts contributed by each to RBL. Eagle's initial capital contribution will be a minimum of $4.4 million in value of the Acquired Land. The total amount of equity contributed to RBL will be determined as of Closing based on the Project Costs as finally determined and the percentage of Project Costs required by the first mortgage lender to be in the form of equity. By way of example, based on

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

$51 million total Project Costs and 60% of Project Costs funded by borrowings, contributions by Eagle of $4.4 million (in the form of a portion of the Acquired Land) and by RHC of $16.0 million (in the form of the balance of the Acquired Land, which

will be purchased from Eagle for $10.6 million, and $5.4 million in cash) would result in relative equity percentages of RHC and Eagle in RBL of 78.43% and 21.57%, respectively.

(b) In addition, Eagle shall have the option ("Equity Option") to acquire up to 49.9% of the RBL equity interest, which shall be exercisable prior to the date RBL is licensed by the Colorado gaming authorities, by contributing Acquired Land with a value of more than $4.4 million pursuant to Paragraph 3(a) (which shall reduce RHC's purchase price for the balance of the Acquired Land) or acquiring for cash from RHC an additional equity interest from RHC at its cost.

3. Purchase and Transfer of the Acquired Land, etc. (a) At the closing ("Closing"), Eagle will contribute a portion of the Acquired Land to RBL having a value of a minimum of $4.4 million, and RHC will purchase from Eagle for a maximum of $10.6 million in cash and contribute to RBL the balance of the Acquired Land. Eagle may at its option increase the portion of the Acquired Land contributed to RBL with a corresponding reduction in RHC's purchase price for the balance of the Acquired Land.

(b) At the Closing, Eagle and RHC will transfer marketable fee simple title of the Acquired Land to RBL free and clear of all mortgages, liens, charges, encumbrances or rights of third parties, subject to such permitted exceptions as may be set forth in the title commitment and agreed to by RHC and Eagle.

Such Closing will be conditioned upon Eagle obtaining:

(i) a title policy insuring such title, issued at standard rates from a nationally recognized title company in an amount designated and paid for by RBL, provided that the title company insurance shall (i) be in an amount not less than $38 million and (ii) contain the following endorsement (the "Endorsement"):

"The Company [i.e., the title company] hereby insures the Insured against loss which the Insured shall sustain by reason of any final judgment entered by a court of competent jurisdiction, without the possibility of appeal, establishing as a valid interest on subject property that placer location

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

certificate recorded in Book 560 at Page 287."

(ii) RHC shall be reasonably satisfied that 62,000 square feet of gaming and public space, with approximately 1,000 gaming devices and parking for 500 automobiles, can be constructed under applicable zoning, gaming and other governmental rules and at a cost not materially in excess of Estimated Project Costs; and

(iii) Letters from (I) Harrah's consenting to Eagle to pursue development of the Casino on the Acquired Land with RHC and (II) certain partners of Eagle who have liens against the Acquired Land in the form of Exhibits C and D, respectively.

(c) Eagle shall use its best efforts to conclusively dispose of the Placer Claim (hereinafter defined) prior to Closing, in which case the "Litigation Escrow" (hereinafter defined) shall not be required. If the Placer Claim is not disposed of prior to Closing and since the Endorsement does not cover the expenses ("Placer Legal Expenses") of litigating or otherwise disposing of the placer claim referred to in the Endorsement ("Placer Claim"), a portion of the Purchase Price for the Acquired Land, in an amount reasonably satisfactory to RHC and Eagle, shall be set aside in an escrow (the "Litigation Escrow") for the purpose of paying the Placer Legal Expenses. The Litigation Escrow shall be used to pay (i) the fees and expenses of Holme Roberts & Owen LLP ("HRO") in attempting to obtain a final non-appealable judgment of a court of competent jurisdiction to the effect that the Placer Claim is not a valid interest in the Acquired Land, (ii) to settle the Placer Claim with the consent of Eagle, which shall not be unreasonably withheld or delayed, if RHC determines to do so and (iii) with the balance, if any, being paid to Eagle. If the Litigation Escrow is insufficient to cover the items referred to in clauses (i) and/or (ii), the excess of the Placer Legal Expenses shall be paid by RBL as a Project Cost. A mutually acceptable party will act as Litigation Escrow Agent.

4. Project Costs; Sources and Uses. (a) RBL will obtain a turn-key bid for construction of item (a) below, a guaranteed maximum fixed price ("Construction Costs") from a reputable and bondable general contractor. RHC shall, pursuant to the Development Agreement, coordinate and be responsible for the Gaming Project. Estimated costs of the Project ("Estimated Project Costs") are as follows:

		(000 omitted)
(a)	Development Site Facility Building* with Underground Parking**	$20,075

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(b)	Gaming Equipment	8,100
(c)	Bankroll and Preopening	2,500
(d)	Indirect Costs	1,000
(e)	Construction Period Interest	1,325
(f)	Other Amenities (Rest, Entertainment, etc.)	$2,200
	Total Estimated Project Costs Before Land Acquisition Costs and Reserves	$35,200
(g)	Acquired Land	15,000
(h)	Reserves	800
	Total Estimated Project Costs	$51,000

----

* Sufficient gaming space to accommodate 1,000 gaming devices.

** 500 spaces.

Items (b) and (f) above shall not exceed $10.3 million without Eagle's consent.

Unless Eagle shall have objected in writing within five business days after written notice by RHC, RHC will advance design and development costs associated with construction of the Casino prior to Closing. If the Closing does not occur, such advances will be secured by an RHC mortgage on the Acquired Land on the terms specified in Paragraph 4(c).

(b) Project Costs shall be funded as follows: 60% by (i) Project first mortgage financing ("First Mortgage Loan"), provided such amount is available on reasonable terms in RHC's reasonable opinion and (ii) $8,100,000 of Gaming Equipment costs through purchase money financing provided by vendors and 40% by equity contributions. The parties will use their best efforts to have 60% of Estimated Project Costs covered by funds borrowed by RBL on a nonrecourse or project basis (i.e. the First Mortgage Loan and equipment financing) if such borrowings are available on reasonable terms. RHC is prepared to invest up to an additional $7,000,000 to provide funds to complete the Project on the terms specified in Paragraph 5.

(c) Any advance by RHC of Project Costs prior to Closing will be secured by a mortgage on the Acquired Land and will bear interest at the prime rate plus 2% with principal and interest being repayable at the earlier of (i) any sale or transfer by Eagle of the Acquired Land to a third party, (ii) on a first priority basis from the proceeds of any first mortgage financing on the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Acquired Land or (iii) three years from the date of the first such advance.

5. Capital Calls. (a) If RBL determines that additional capital ("Capital Call") is required, (a) it will notify ("Call Notice") RHC and Eagle at least 60 days in advance, (b) if RHC or Eagle fail to promptly, after expiration of the Call Notice period, fund a Capital Call in cash ("Non-Responding Owner"), the other owner may (i) put up 50% of the Non-Responding Owner's share of the Capital Call ("Call Pick Up") and the equity percentages of the RHC and Eagle shall be adjusted as provided in Paragraph 6 and (ii) lend or arrange for the loan of 50% of the Non-Responding Owner's share of the Capital Call, with interest at prime plus 3%, and interest and principal being paid on a priority basis after payment of any first mortgage, capital lease and other debt principal and interest payments and unpaid Project Costs (except as otherwise limited by Paragraph 4(a)), which loan will be converted into equity if not repaid in full within two years after the opening of the Casino. A Capital Call will be permitted (i) to pay Project Costs in excess of Estimated Project Costs, (ii) for working capital to keep the Casino and related facilities operating after the Casino opening and (iii) to repair or replace damaged or worn-out property if amounts are required in excess of funds in a reserve account, which will be established.

(b) If RHC wishes to expand the Project beyond what is contemplated by the Project plans approved by Eagle and RHC, RHC agrees to use reasonable efforts to find alternative sources of financing prior to initiating a Capital Call, provided that RHC shall retain sole discretion to determine whether the terms of such financing are acceptable. If, within 30

days after RHC notifies Eagle of the proposed expansion, Eagle has not notified RHC to apply the Capital Call provision pursuant to Paragraph 5(a), then RHC will have the option ("Special Call") to purchase Eagle's equity interest in RBL at the greater of (i) two times Eagle's investment or (ii) the "Call Price" (as defined in Paragraph 8(c)).

6. Adjustments of Equity Shares. (a) If there is a Call Pick-Up, the equity percentages shall be adjusted based upon the following formula: each owner's Capital Account after a Capital Call shall be divided by the Capital Accounts of the owners immediately prior to the Capital Call plus an amount equal to (i) 100% of any Capital Call prior to opening of the Casino or (ii) 110% of the Capital Call after opening of the Casino.

7. Management Agreement. At the Closing, RHC will enter into a gaming management agreement with RBL, the principal terms of which are set forth on Exhibit E hereto (the "Management Agreement").

8. Operating Agreement. At the Closing, RHC and Eagle will

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

enter into an operating agreement with respect to RBL equity with the following principal terms:

(a) Mutual rights of first refusal on the sale of either the underlying assets of RBL or the RBL equity (including a 60 day preemptive right on the sale of additional equity, including convertible debt, by RBL to a third party).

(b) Board consisting of number of persons proportionate to RHC's and Eagle's equity interests (e.g., initially RHC four and Eagle one), provided (i) RHC will have at least a majority of the Board and (ii) Eagle will have at least one Board member only so long as Eagle has at least a 15% equity interest.

(c) If RBL's EBITDA exceeds $15 million for any 12 month period commencing 18 months after the Casino opens, RHC shall have the right to call Eagle's interest by paying in cash an amount ("Call Price") equal to 110% of "Appraised Value" (hereinafter defined), multiplied by Eagle's then current equity percentage of RBL.

(d) Eagle shall have a put ("Put") to RBL commencing after the Casino opens at a price ("Put Price") equal to 90% of the Appraised Value of RBL multiplied by Eagle's then current equity percentage of RBL and shall receive payment in the form of a subordinated promissory note payable out of one-half of the pre-tax net income of RBL (but only to the extent permitted by RBL's senior indebtedness holders), with interest on the unpaid balance equal to the prime rate plus 2%, provided that if Eagle exercises the Put within 18 months after the Casino opens, the interest rate shall be the prime rate. Such note will be secured by a pledge of Eagle's former ownership interest in RBL and will mature no later than one year after the scheduled maturity date of the First Mortgage. If RHC (or an affiliate) will own 100% of the equity of RBL (after giving effect to a Put by Eagle), Eagle may, in lieu of the RBL note referred to in the preceding sentence (in whole or in part) receive RHC common stock ("RHC

Shares") which (x) will be valued at the closing market price of RHC's common stock on 20 trading days prior to the date that Eagle notifies RBL of its exercise of the Put and (y) will be restricted stock which may not be resold or distributed publicly unless (i) in the opinion of counsel satisfactory to RHC such sale or distribution is exempt from registration under the Securities Act of 1933 or (ii) the RHC Shares are included in an effective registration statement. If RHC intends to register the public sale of shares of its common stock for cash, Eagle shall have a right ("Piggy-Back Right") to include the RHC Shares in such registration, provided that if the managing underwriter[s] of such offering by RHC advise that all or a portion of the RHC Shares may not be included in such registration and other holders of piggyback rights are

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

similarly excluded, Eagle's request shall not be honored and in lieu thereof RHC will undertake to file a registration statement covering the sale of the RHC Shares within six months of the effective date of the registration covering the sale by RHC. Eagle shall have one demand registration right ("Demand Right") for a sale of the RHC Shares in a firm commitment underwritten public offering at a specified underwriting discount as specified in an underwriters' letter of intent. As to the Demand Right, RHC may (i) delay registration for up to 9 months (except that if the Put shall be given after the first anniversary of opening of the Casino, the period of such delay may not exceed six months) and (ii) purchase the RHC Shares (and cancel Eagle's Demand Right) for an amount equal to the average closing market price of RHC's common stock on the American Stock Exchange on the 20 trading days immediately preceding the exercise of the Demand Right minus such underwriting discount by notice to Eagle prior to the effective date of the registration statement covering the RHC Shares.

(e) For purposes of Paragraphs 8(c) and (d), the Appraised Value shall equal the average of fair market values of RBL as a going concern as determined by two big six accounting firms and/or investment banking firms, one of whom shall be selected by RBL and one of whom shall be selected by Eagle; provided that if the individual fair market values of RBL as determined by such firms differ by more than 25% and either RBL or Eagle requests a third big six independent accounting firm (i.e. not the accountants for either RHC or Eagle), such firms shall select a big six accounting firm to determine the fair market value of RBL, and such third firm's valuation shall be the Appraised Value. For purposes of any such appraisals, any capital expenditures during the prior 12 months in excess of 105% of depreciation and amortization will be added back to cash. The costs of the appraisals shall be paid by RBL and deducted from the Appraised Value.

9. Eagle Parking on the Acquired Land. From the Closing to the commencement of construction by RBL on the Acquired Land which, in RBL's sole discretion, shall require Eagle to vacate, Eagle may lease the Acquired Land for an indeterminate term which shall be terminable by either RBL or Eagle on not less than 30 days prior written notice of termination or immediately upon the occurrence of a Default and otherwise as specified pursuant to a lease, in customary form, which will be executed at or prior to the Closing and which will contain the following general terms:

(a) "Parking Lot Expenses; Rent. Eagle will pay all operating costs ("Parking Lot Expenses") associated with operation of a parking lot on the Acquired Land on a so-called triple net basis, including without limitation, taxes, security and insurance against risks and in amounts specified by RBL and naming RBL and RHC as insureds. Eagle will pay monthly rent ("Base Rent") of $10,000 commencing 90 days after the Closing, payable in advance.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(b) "Default". Eagle shall fail to pay any Parking Lot Expenses or any installment of Base Rent 10 days after notice from RBL.

10. Brokers' Fees. RHC will issue 100,000 warrants to Ladenburg Thalmann & Co. Inc. ("LT&C") as set forth in a letter, dated March 3, 1997, as financial advisor and agent in arranging first mortgage financing. Eagle will pay LT&C's fees for advising Eagle in connection with the Transactions and will indemnify RHC and RBL from all other brokers' or finders' fees incurred by Eagle in connection with the Transactions. RHC will indemnify Eagle and RBL from any brokers' or finders' fees as a result of RHC's actions.

11. Public Offering. Eagle acknowledges that RHC's ability to enter into the transactions contemplated hereby is dependent upon receipt by RHC of net proceeds of the sale in a public offering of 1,750,000 shares to be underwritten by LT&C. RHC will use all reasonable efforts to close such offering, on terms acceptable at its sole discretion.

12. Gaming Approval. RHC has no reasonable basis for believing that any government approvals necessary for RHC to own and manage the Casino cannot be obtained prior to the Closing. RHC agrees to use all reasonable efforts to obtain such government approvals.

13. Assignment; Other Gaming Opportunities. (a) RHC may assign its rights and obligations with respect to the Transactions, including the Management Agreement, to one of its affiliates.

(b) Eagle and RHC, and their respective affiliates ("New Project Initiator") shall offer any other gaming opportunities which either intends to develop in the Black Hawk/Central City area (other than the competing Harrah's Black Hawk Casino and Harrah's Central City Casino in which Eagle owns equity interests) to RBL on a first refusal basis, provided, if RBL is unable to undertake the development because either Eagle or RHC refuses to contribute its respective pro-rata shares of the required equity capital in a timely fashion the New Project Initiator may develop such opportunity outside RBL. Expansion of the Project shall be governed by Paragraph 5(b).

14. Pre-Closing Expenses. RHC and Eagle anticipate that they will each incur certain expenses prior to Closing in performing their respective obligations in accordance with this Letter. Except as specified in this Letter or such other estimated expenses as may be added

to Project Costs by the parties at the time they enter into the Development Agreement, RHC and Eagle shall each pay, and be exclusively responsible for, its own expenses.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

15. No Shop. As a material inducement to RHC to proceed with its due diligence review, Eagle hereby agrees that it will not directly or indirectly make, solicit, initiate, encourage or respond to a submission or a proposal of an offer from any person or entity (other than RHC) relating to the sale of the Acquired Land or any transaction involving Eagle which is similar to the Project from the date of execution of this Letter through June 30, 1997.

16. Publicity. Neither RHC nor Eagle will publicly disclose the nature of the Transactions without the consent of the other, provided that the foregoing will not prevent such disclosure if counsel for either RHC or Eagle advise that such disclosure is legally required.

17. Non-binding Legal Effect. The execution of this letter constitutes an expression of interest by RHC and Eagle regarding the subject matter hereof, except for the provisions of Paragraphs 14, 15 and 16. Without limiting the generality of the foregoing except as contained in this Paragraph 17, neither party shall have any parties obligation with respect to a joint venture, it being expressly understood that such obligation would be contained only in the definitive Development Agreement. This letter shall terminate if the partners have not executed a definitive Development Agreement by June 30, 1997.

If the foregoing is acceptable, please sign and return the enclosed copy prior to the close of business March 41, 1997.

Very truly yours,

RIVIERA HOLDINGS CORP.

By:____________________________

ACCEPTED:

EAGLE GAMING, L.P.

By: WILD WEST DEVELOPMENT
CORPORATION, GENERAL PARTNER

By:______________________________
Dated: __________ __, 1997

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document