

RIVIERA HOLDINGS CORP  
Form 10-K  
March 31, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2013

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

Commission file number 000-21430  
RIVIERA HOLDINGS CORPORATION  
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	88-0296885 (I.R.S. Employer Identification No.)
2901 Las Vegas Boulevard South Las Vegas, Nevada (Address of principal executive offices)	89109 (Zip code)

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

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

Title of each class NONE	Name of each exchange on which registered NONE
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Securities registered pursuant to Section 12 (g) of the Act:

Class A Shares, \$0.001 par value  
(Title of class)

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

There is no market for the registrant's common equity; therefore, the aggregate market value of the registrant's common equity held by non-affiliates is not calculable.

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

As of March 31, 2014, there were 10 voting common Class A Shares, par value \$0.001 per share, outstanding, and 9,039,035 non-voting common Class B Shares, par value \$0.001, outstanding.

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Exhibit Index Appears on Page 51 hereof

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ANNUAL REPORT ON FORM 10-K FOR THE FISCAL  
YEAR ENDED DECEMBER 31, 2013

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PART I

Item 1. Business

General

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

Recent Developments

Management Agreement

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

Sale of Riviera Black Hawk

As previously reported on April 26, 2012, RHC completed the sale of its Riviera Black Hawk casino to Monarch Casino and Resorts, Inc., a Nevada corporation, and its wholly-owned subsidiary Monarch Growth Inc., a Nevada corporation (collectively, the “Buyer”). The Buyer purchased Riviera Black Hawk by acquiring all of the issued and outstanding shares of common stock of RHC's subsidiary Riviera Black Hawk, Inc. (“RBH”). The Buyer paid \$76 million for the stock, subject to certain post-closing working capital adjustments. At the closing, ROC paid or satisfied substantially all of RBH’s indebtedness (which consisted of inter-company accounts and equipment leases) and placed \$2.1 million of working capital (as defined in the Stock Purchase Agreement for the transaction) in a restricted bank account. Accordingly, the Company has reflected the business, including gain on sale, as discontinued operations.

Emergence from Bankruptcy

As previously reported, on July 12, 2010 (the “Petition Date”), RHC, ROC and RBH (collectively, the “Debtors”) filed petitions (the “Chapter 11 Cases”) for relief under the provisions of Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the District of Nevada (the “Bankruptcy Court”). On November 17, 2010, the Bankruptcy Court entered a written order confirming the Debtors’ Second Amended Joint Plan of Reorganization (as amended and supplemented, the “Plan”). On December 1, 2010, the Plan became effective.

On April 1, 2011 (the “Substantial Consummation Date”), the Debtors emerged from reorganization proceedings under the United States Bankruptcy Code (the “Reorganized Debtors”).

As of the Substantial Consummation Date, the Company adopted the “fresh-start” provisions in accordance with accounting guidance on reorganizations, which require that all assets and liabilities be recorded at their reorganization

values and fair values, respectively, as of such Substantial Consummation Date. Certain of these values differed materially from the values recorded on Predecessor's (as defined below) balance sheet as of March 31, 2011. In addition, the Company's accounting practices and policies may not be the same as that of Predecessor's. For all of these reasons, our consolidated financial statements for periods subsequent to the Substantial Consummation Date are not comparable with Predecessor's prior periods.

References in this Annual Report on Form 10-K to "Successor" refers to the Company on or after April 1, 2011. References to "Predecessor" refer to the Company prior to April 1, 2011. The accompanying consolidated statements of operations, stockholders' equity (deficit) and cash flows for the 12 months ended December 31, 2011 are presented for two periods: January 1, 2011 through March 31, 2011 (the "Predecessor Period") and April 1, 2011 through December 31, 2011 (the "Successor Period"). The Predecessor Period reflects the historical accounting basis in Predecessor's assets and liabilities, while the Successor Period reflects assets and liabilities at fair value by allocating the Company's enterprise value to its assets and liabilities pursuant to accounting guidance related to business combinations.

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For the Predecessor Period, the accompanying consolidated financial statements of Predecessor have been prepared in accordance with accounting guidance for financial reporting by entities in reorganization under the United States Bankruptcy Code. Reorganization items include the expenses, realized gains and losses, and provisions for losses resulting from the reorganization under the United States Bankruptcy Code, and are reported separately as reorganization items in the accompanying consolidated statements of operations. Cash received and payments for reorganization items are disclosed separately in the accompanying consolidated statements of cash flows.

Further details about the Debtor's reorganization proceedings under the United States Bankruptcy Code, the emergence from reorganization of the Reorganized Debtors and the sale of RBH can be found in RHC's filings with the Securities and Exchange Commission ("SEC"), including RHC's Current Report on Form 8-K filed on July 14, 2010, Current Report on Form 8-K filed on December 7, 2010, Annual Report on Form 10-K filed on March 21, 2011, Current Report on Form 8-K filed on April 7, 2011 and Current Report on Form 8-K filed on September 30, 2011.

### Change in Capital Structure

Pursuant to the Plan, on the Substantial Consummation Date, all existing shares of the Company's equity securities, including common stock outstanding prior to the Substantial Consummation Date, were cancelled, and the Company issued (i) 10 voting common Class A Shares, par value \$0.001 per share ("Class A Voting Common Stock"), to Riviera Voteco, L.L.C.; and (ii) 8,550,000 non-voting common Class B Shares, par value \$0.001 per share ("Class B Non-Voting Common Stock"), to certain former creditors of the Reorganized Debtors. The Company also issued warrants exercisable into an aggregate of 950,001 shares of Class B Non-Voting Common Stock to the recipients of the Class B Non-Voting Common Stock. As of the Substantial Consummation Date, there is no public market for the Company's securities.

Further details about the cancellation of the Company's equity securities, including common stock, outstanding prior to the Substantial Consummation Date, and subsequent issuance of voting and non-voting common stock, can be found in RHC's filings with the SEC, including RHC's Registration Statement on Form 8-A12G filed on April 1, 2011 and Annual Report on Form 10-K filed on March 30, 2012.

### Board of Directors and Management Changes

On September 24, 2012, the Company's board of directors (the "Board") appointed Paul Roshetko as the Company's Chief Financial Officer and Treasurer, positions Mr. Roshetko held until October 4, 2013. On October 7, 2013, the Board appointed Michael Pearse as the Company's Chief Financial Officer and Treasurer.

Pursuant to the Plan, as of the Substantial Consummation Date, the Board consisted of: Barry S. Sternlicht, Derek J. Stevens, Marcos Alvarado and Andy Choy. Mr. Sternlicht serves as the Chairman of the Board. Each of Messrs. Sternlicht, Stevens, Alvarado and Choy were designated to the Board pursuant to the Stockholders Agreement described in Note 13 to the consolidated financial statements. As previously reported, Mr. Choy served as a member of the Board until his resignation on June 21, 2013, at which time Steven Hankin was elected to the Board, also on June 21, 2013. Mr. Sternlicht is the Chairman, Chief Executive Officer and owner of Starwood Capital Group and its related entities and each of Mr. Alvarado and Mr Hankin are employees of one of these related entities. Mr. Stevens is an employee and member of Desert Rock Enterprises LLC. As a result of the transactions contemplated by the Plan and consummated on the Substantial Consummation Date, Desert Rock Enterprises LLC and entities affiliated with Starwood Capital Group own approximately 12% and 43%, respectively, of the outstanding Class B Non-Voting Common Stock, and Desert Rock Enterprises LLC and an entity wholly-owned by Mr. Sternlicht collectively own 100% of the outstanding limited liability company interests of Riviera Voteco, L.L.C., which in turn owns 100% of the Class A Voting Common Stock. Additionally, pursuant to the Plan, Mr. Choy was elected to serve as the President



and Chief Executive Officer of the Company as of the Substantial Consummation Date, positions from which he resigned on June 21, 2013, the same date on which Mr. Choy resigned from the Board and the same date on which the Board appointed Robert James Kunkle President of the Company and President and General Manager of ROC.

Riviera Hotel & Casino

General

Riviera Hotel & Casino is located on the corner of Las Vegas Boulevard and Riviera Boulevard in Clark County, Nevada, across Las Vegas Boulevard from the Circus Circus Las Vegas Resort and Casino and the Resorts World Las Vegas (formerly known as Echelon) construction project and just south of the Fontainebleau project. Boyd Gaming Corporation, the owner of the E

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chelon project, suspended construction on the project indefinitely as a result of economic issues. On March 4, 2013 Genting Group and Boyd Gaming announced that they had entered into a definitive purchase and sale agreement for the Echelon project, and closed on the transaction that day. Phase 1 of Genting Group's Resorts World Las Vegas construction project is to include 3,500 rooms and 175,000 square feet of casino with an estimated opening in 2016. The Fontainebleau project was owned by Fontainebleau Las Vegas LLC which filed for Chapter 11 bankruptcy protection in June 2009. The property was acquired by Icahn Nevada Gaming Acquisition LLC in January 2010. Plans for the Fontainebleau project are unknown. On February 12, 2013, SBE Hotel Group announced it began renovation of the SLS Las Vegas (formerly known as the Sahara Hotel and Casino), located on the corner of Las Vegas Blvd and Sahara Blvd. The SLS Las Vegas is to include 1,600 rooms with an estimated opening in the fall of 2014.

## Gaming

Riviera Hotel & Casino has approximately 92,000 square feet of casino space. The casino currently has 834 slot machines and 21 gaming tables. The casino also includes a race and sports book, which is operated by William Hill US, a subsidiary of William Hill PLC. The Company closed its Bingo room in July 2012 and its poker room in June 2013.

## Hotel

Riviera Hotel & Casino' hotel is comprised of five towers with 2,075 guest rooms, including 171 suites, as follows:

Tower Description	Year Built	Std. Rooms	Suites	Total
North Tower	1955	379	11	390
South Tower	1967	132	30	162
Monte Carlo	1974	216	81	297
San Remo	1977	247	—	247
Monaco	1988	930	49	979
Total		1,904	171	2,075

## Restaurants

Riviera Hotel & Casino owns and operates four bars and two restaurants, and also offers banquet event service and room service. The Poolside Café (a coffee shop with seating capacity of 290) was closed in January 2013 and the R Buffet (an all-you-can-eat buffet with seating capacity of 366) was closed in August 2013. The following outlines the type of service provided and total seating capacity for each restaurant:

Name	Type	Seating Capacity
R Steak & Seafood	Steak and Seafood	162
Wicked Vicky Tavern	Tavern	135
Total		297

In addition, Riviera Hotel & Casino operates two snack bars and has a 200-seat fast-food "food court" which had several fast food locations operating during 2013. The food court is managed by a third party. As of December 31, 2013, seven food court locations were leased to independent fast food operators. In addition, Riviera Hotel & Casino leases space to the operator of The Banana Leaf Restaurant, which is a full-service restaurant serving American and Asian cuisines. The Banana Leaf Restaurant is located adjacent to the casino floor and opened during the first quarter of 2007.

Convention Center

Riviera Hotel & Casino features approximately 140,000 square feet of convention, meeting and banquet space. The convention center is one of the larger convention facilities in Las Vegas and is an important feature that attracts customers. The facility can be reconfigured for multiple meetings of small groups or large gatherings of up to 5,000 people. Features include

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ample convention, meeting and banquet facilities in addition to teleconferencing, wireless internet, satellite uplink capabilities and 12 skyboxes.

## Entertainment

Riviera Hotel & Casino has five entertainment venues. In 2013, the Company had three shows running in its three operating entertainment venues. In addition, the Company offered limited engagement shows in its Starlite Theatre in the first quarter. The following table outlines the type of service provided and total seating capacity for each of these entertainment venues:

Venue	Type	Seating Capacity
Le Bistro Theatre	Vacant	190
Comedy Club Theatre	Comedy	250
Crazy Girls Theatre	Music, Adult Revue	375
Starlite Theatre	Variety	575
Versailles Theatre	Vacant since 2009	875

As of December 31, 2013, one of our shows, Comedy Club, is owned and operated by us, all other shows are owned and operated by third parties. For the show we own, we receive all ticket revenue, excluding processing and handling fees from Red Mercury Entertainment, and bear the expense of the show. For the other shows, we receive ticket sales commissions and a predetermined number of complimentary tickets that we use primarily for marketing and promotions. In addition, we receive any gaming and food and beverage revenues from show patrons. The show operators pay rent. In November 2013, we entered into an agreement with Red Mercury Entertainment to lease three showrooms and the Le Bistro Theatre, and bring a minimum of four new shows to the property, all launching in the first half of 2014. In addition, as of January 2014, we have completed a remodel of the Versailles Theatre, which has been vacant since 2009, and anticipate having entertainment offerings in the space in 2014.

## Marketing Strategies - Gaming

Our current marketing programs are directed at mid-level gaming customers. Mid-level gaming customers tend to provide us with a more consistent gaming revenue stream. Our principal strategy is to continue to invest in our players through our multi-tiered player's club program known as Club Riviera and to offer slot tournaments and other special events and promotions.

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

We also seek to maximize the number of people who patronize the Riviera Hotel & Casino but who are not guests in the hotel by capitalizing on the Company's Las Vegas Strip location and proximity to the Las Vegas Convention Center, the Circus Circus Las Vegas Resort and Casino, LVH, and various time-share and condominium properties.

Marketing Strategies - Rooms

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

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

### Seasonality

Our results of operations are not overly seasonal in nature, but are dependent upon a variety of factors among interim periods, including the timing of major conventions, the amount and timing of marketing and special events for our most valuable customers, and the level of play during major holidays. Our results do not depend on key individual customers. As discussed below, our success in marketing to customer groups such as conventions can affect our results.

### Competitive Environment in Las Vegas, Nevada

Las Vegas is a highly competitive environment, offering a variety of hospitality and entertainment options. The Las Vegas Convention and Visitors Authority (“LVCVA”) reported that the number of people visiting Las Vegas decreased slightly by 0.1% in 2013 compared to 2012, and the gaming revenue per Las Vegas visitor has not yet returned to the peak experienced in 2007. Additionally, the LVCVA reported that available room inventory increased slightly to 150,593 rooms as of December 31, 2013, compared to 150,481 rooms available as of December 31, 2012. This represents less than a 0.1% increase over the prior year.

The LVCVA reported that Las Vegas hotel room occupancy, which is defined as occupied hotel rooms divided by total available hotel rooms, decreased 3.5% to 84.3% for the year ended December 31, 2013. LVCVA also reported that average daily room rate, which is defined as hotel room revenue divided by occupied hotel rooms, increased \$2.64, or 2.4%, to \$110.72 for the year ended December 31, 2013.

Riviera Hotel & Casino competes with all Las Vegas area casinos but primarily with certain large casino/hotels located on or near the Las Vegas Strip. To entice customers to their properties, our competitors continue to offer prospective customers significantly discounted pricing and complimentary offerings. Most of these properties offer more and better amenities than those offered by Riviera Hotel & Casino and many of our direct competitors have significantly greater resources than we do. To compete, we have lowered our room rates in response to these properties lowering their room rates.

We also compete for people who come and spend money at Riviera Hotel & Casino who are not guests in our hotel. We capitalize on our location on the Las Vegas Strip across from the Circus Circus Las Vegas Resort and Casino. However, our location at the north end of the Las Vegas Strip poses additional challenges as the dormant Resorts World Las Vegas (formerly known as Echelon) and Fontainebleau construction projects and the May 19, 2011 closure of the Sahara Hotel and Casino have resulted in, and continue to cause a significant reduction in walk-in traffic. With the opening of SLS Las Vegas (formerly known as the Sahara Hotel and Casino) in the fall of 2014, we hope to see increased foot traffic on the north end of the Las Vegas Strip.

In addition to competing with other casinos/hotels in the Las Vegas area, we compete to some extent with casinos in other states, riverboat and Native American gaming ventures, state-sponsored lotteries, on and off track wagering,

card parlors, cruise ship gaming and other forms of legalized gaming in the United States. To a lesser extent, we also compete with internet gaming, gaming on cruise ships and gaming in other parts of the world. In addition, certain states recently legalized or are considering legalizing casino gaming in specific geographical areas within those states and internationally. Any future development of casinos, lotteries or other forms of gaming in other states and internationally could have a material adverse effect on our results of operations.

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

Our current business is highly dependent on gaming in Las Vegas. Riviera Hotel & Casino derives a substantial percentage of its business from tourists, including customers from southern California and the southwestern United States. The recent economic

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recession had an adverse effect on the number of visitors traveling to Las Vegas. A renewed or continued economic downturn, along with events in the future similar to the terrorist attacks of September 11, 2001, could have an adverse effect on both the number of visitors traveling to Las Vegas and our financial results.

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

### Employees and Labor Relations at the Riviera Hotel & Casino

As of December 31, 2013, Riviera Hotel & Casino had an aggregate of 850 employees and had collective bargaining contracts with eight unions covering 511 employees, including food and beverage employees, rooms department employees, carpenters, engineers, stagehands, electricians and painters. Riviera Hotel & Casino's agreement with the Painters' Union expired on May 31, 2010, and the agreement with the Carpenters' Union expired on July 31, 2011. We are continuing to negotiate the terms of both the Painters' Union and Carpenters' Union agreements and are currently operating under the terms of the expired agreements. Agreements with the Southern Nevada Culinary and Bartenders Union, which cover the majority of our unionized employees, were extended indefinitely in 2013 subject to termination by either us or the union upon 14 days' written notice. As of March 2014, we have reached a tentative agreement with the Southern Nevada Culinary and Bartenders Union for a new collective bargaining agreement that expires May 31, 2018. Our agreement with the Stagehands Union was renewed in 2013 and extended until May 2014. Our agreement with the Teamsters Union, which covers both front of house and back of house employees, was renewed in 2008 and expired on March 31, 2013. We continue to operate under the terms of the expired agreement and are in the process of scheduling meetings to commence negotiations of a new agreement. Our Operating Engineers Union agreement was renewed in 2009 and expired in 2011, and we are currently operating under the terms of the expired agreement while we continue to negotiate terms of a new agreement. Our Electrician Union agreement was renewed in 2012 and expires in 2015. Our collective bargaining agreement with the Musicians Union expired in 1999. During 2011, we eliminated all musician positions as we had no shows requiring them. We have entered into an agreement with the Musicians Union whereby the Musicians Union will be eliminated on January 1, 2015. Although unions have been active in Las Vegas, Riviera Hotel & Casino considers its employee relations to be satisfactory. There can be no assurance, however, that new agreements will be reached without union action or on terms satisfactory to Riviera Hotel & Casino.

### Nevada Regulation and Licensing

#### Nevada Gaming Authorities

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

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



state and local revenues through taxation and licensing fees. Changes in such laws, regulations and procedures could have an adverse effect on our operations.

ROC is required to be and is licensed by the Nevada Gaming Authorities (a “Corporate Licensee”). 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 require the periodic payment of fees and are not transferable. RHC 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. As a Registered Corporation, RHC is required to periodically, submit detailed financial and operating reports, to the Nevada Commission and to furnish any other information that the Nevada Commission may require. No person may become a more than 5% stockholder of, or receive any percentage of profits from, ROC without first obtaining licenses and approvals from the Nevada Gaming Authorities. No person may become a 5% or less stockholder of ROC without registering with the Nevada Gaming Authorities. RHC and ROC have obtained, from the Nevada Gaming Authorities the various registrations,

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approvals, permits, findings of suitability and licenses required in order to engage in gaming activities and manufacturing and distribution activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, RHC 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. RHC's officers, directors and key employees, 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 that they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability must pay all the costs of the investigation. Any change in a corporate position by a licensed person must be reported to the Nevada Gaming Authorities. In addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

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

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

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

The Nevada Act requires any person who acquires more than 5% of a Registered Corporation's voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of our voting securities apply to the Nevada Commission for a finding of suitability within 30 days after the Chairman of the Nevada Board mails the written notice requiring such filing. However, an "institutional investor," as defined in the Nevada Act, which acquires more than 10%, but not more than 11% of our voting securities as a result of a stock repurchase by us may not be required to file such an application. Further, an institutional investor that acquires more than 10% but not more than 25% of our voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds our voting securities for investment purposes only. An

institutional investor that has obtained a waiver may hold more than 25% but not more than 29% of our voting securities and maintain its waiver where the additional ownership results from a stock repurchase by us. An institutional investor shall not be deemed to hold our voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the Board, any change in our corporate charter, bylaws, management, policies or operations, or any of our gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding our voting securities for investment purposes only. Activities which are deemed consistent with holding our voting securities for investment purposes only include: (1) voting on all matters voted on by stockholders; (2) making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in management, policies or operations; and (3) such other activities as the Nevada Commission may determine to be consistent with such investment intent. If the beneficial holder of our voting securities who must be found suitable is a business entity or trust, it must submit detailed business and financial information, including a list of beneficial owners. The applicant is required to pay all costs of investigation.

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Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board may be found unsuitable. The same restrictions apply to a record owner of stock if the record owner, after request, fails to identify the beneficial owner. Any stockholder who is found unsuitable and who holds, directly or indirectly, any beneficial ownership of stock beyond such period of time prescribed by the Nevada Commission may be guilty of a criminal offense. We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with RHC or ROC, we (1) pay that person any dividend or interest upon voting our securities, (2) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person, (3) pay remuneration in any form to that person for services rendered or otherwise, or (4) fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities, including, if necessary, the immediate purchase of said voting securities for cash at fair market value. Additionally, the Clark County Board has the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming licensee.

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

We are required to maintain a current stock ledger in Nevada, which may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We are also required to render maximum assistance in determining the identity of the beneficial owner.

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

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

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

management can be consummated. The Nevada Act also requires prior approval of a plan of recapitalization proposed by the Registered Corporation's board of directors in response to a tender offer made directly to the Registered Corporation's stockholders for the purposes of acquiring control of the Registered Corporation.

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

Any person who is licensed, required to be licensed, registered, or required to be registered, or a person who is under common control with any of such persons (collectively, "Licensees"), and who proposes to become involved in a gaming venture outside of Nevada, is required to deposit with the Nevada Board, and thereafter maintain, a revolving fund in the amount of \$10,000

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to pay the expenses of investigation by the Nevada Board of such person's participation in such foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities or enter into associations that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ, have contact with or associate with a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

### Alcoholic Beverage Licenses

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

### Trademarks, Service Marks and Logos

Pursuant to a license agreement, ROC licensed to its former subsidiary RBH the use at Riviera Black Hawk of all of the trademarks, service marks and logos owned by ROC. The license agreement provides that additional trademarks, service marks and logos acquired or developed by us and used at our other facilities will be subject to the license agreement. The term of the agreement was for a period of twelve months, commencing on April 26, 2012, with an extension period for up to an additional six months upon RBH's written request to ROC. RBH exercised its right to extend the term of the agreement to October 26, 2013.

### Federal Registration

ROC is required to make annual filings with the Attorney General of the United States in connection with the sale, distribution, or operation of slot machines. All requisite filings for 2013 have been made.

### Available Information

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

### Item 1A. Risk Factors

#### Default

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

As of December 31, 2013, the Company was in default under the Series A Credit Agreement and the Series B Credit Agreement (as each term is defined in Note 9 to the consolidated financial statements). As a result, the interest rate we pay on amounts outstanding under each credit agreement may increase. An increase in the interest rate would negatively affect our available cash and results from operations. Further, the Required Lenders (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) and administrative agent under the Series A Credit Agreement and the Series B Credit Agreement, respectively, have the right to accelerate repayment of all amounts owed under each of the agreements and requires us to repay such amounts immediately. In the event that we were to repay all such amounts owed, we would not have sufficient capital resources to cover our operating losses and would need to obtain additional capital, including additional equity financing, debt financing or capital contributions from stockholders, if available to us. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. Failure to secure any necessary additional financing would have a material adverse effect on our operations and ability to continue as a going concern. Any additional equity financing may result in substantial dilution to our then existing stockholders.

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### Goodwill, Intangibles, and Other Long Lived Assets

If we are required to impair our goodwill, intangibles, or other long lived assets, our financial condition and results of operations would be adversely affected.

Pursuant to Accounting Standards Codification (“ASC”) 350, Intangibles - Goodwill and Other and ASC 360, Property, Plant and Equipment, we are required to perform an annual impairment review of goodwill, intangibles and other long lived assets which could result in an impairment charge if it is determined that the carrying value of the assets are in excess of the fair value. We perform the impairment test annually during our fourth fiscal quarter. Goodwill, intangibles and other long lived assets are also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. When changes in circumstances, such as changes in the variables associated with the judgments, assumptions and estimates made in assessing the appropriate fair value indicate the carrying amount of certain assets may not be recoverable, the assets are evaluated for impairment. If actual operating results differ from these assumptions, it may result in an asset impairment. As of December 31, 2012, management concluded indicators of impairment existed and recorded a \$24.8 million impairment charge. Future write-downs of intangibles and other long lived assets could affect certain of the financial covenants under our debt agreements, could restrict our financial flexibility, and would impact our results of operations.

### Limited Operating History Under Our Management Agreement

Our business has a limited operating history under our Management Agreement, which makes our future operating results difficult to predict.

While Predecessor historically operated our casino gaming properties, we, as Successor to Predecessor, have a limited operating history under our management contract upon which to base an evaluation of our business and prospects. To address these risks and uncertainties, we must do the following, among other things:

- successfully execute our business strategy;
- respond to competitive developments; and
- attract, integrate, retain and motivate qualified personnel.

There can be no assurance that we will operate profitably or that we will have adequate working capital to meet our obligations as they become due. We cannot be certain that our business strategy will be successful, that we will successfully address the risks that face our business or that we will be able to access the capital markets if the need arises. In the event that we do not successfully address these risks, our business, prospects, financial condition and results of operations could be materially adversely affected.

### Substantial Losses

We have incurred substantial losses since the Substantial Consummation Date, and may continue to incur losses in the future.

We reported losses from continuing operations before income tax benefits of \$26.8 million, \$56.6 million and \$19.3 million, for the years ended December 31, 2013 and 2012, and the period from April 1, 2011 through December 31, 2011, respectively. We have recognized a significant non-cash impairment charge to Goodwill in 2011. There can be no assurance that we will operate profitably in the future or that we will have adequate working capital to meet our obligations as they become due.

### Insufficient Cash Flow



We have been unable to achieve positive cash flow which could prevent us from funding operations and servicing our debt obligations.

We have been unable to generate positive cash flows since the Substantial Consummation Date. To the extent we do not achieve positive cash flows, we may lack sufficient liquidity to continue operating as planned and may be unable to service our debt obligations as they come due, which could materially adversely affect our business, financial condition and results of operations.

Further, our failure to generate positive cash flows could lead to additional cash flow and working capital constraints, which may require us to seek additional working capital. We may not be able to obtain such working capital when it is required. Further, even if we were able to obtain additional working capital, it may only be available on unfavorable terms. For example,

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we may be required to incur additional debt, the interest costs of which could adversely affect our results of operations and financial condition. If any such required capital is obtained in the form of equity, the equity interests of the holders of the then-outstanding common stock could be diluted.

### Prior Bankruptcy Filing

The bankruptcy filing has had a negative impact on Predecessor's image, which may negatively impact our business going forward.

As a result of the Chapter 11 Cases, Predecessor was the subject of negative publicity which has had an impact on the image of its assets. This negative publicity may have an effect on the terms under which some customers and suppliers are willing to do business with us and could materially adversely affect our business, financial condition and results of operations.

### Competition

We face intense competition in the market where we operate.

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

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

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

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

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

#### Las Vegas Market

We operate in only the Las Vegas market, which exposes us to greater risks than gaming companies with a presence in more markets.

We do not have material assets or operations other than Riviera Hotel & Casino. Therefore, we are entirely dependent upon this property for our cash flow. This makes us more sensitive to events and conditions affecting the market in which we operate, including the following:

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- weak macroeconomic conditions;
- weak local economic conditions;
- increased competitive conditions;
- inaccessibility due to weather conditions, road construction or closure of primary access routes;
- decline in air passenger traffic due to higher ticket costs or fears concerning air travel;
- a decline in automobile traffic due to higher gasoline prices;
- changes in state and local laws and regulations, including those affecting gaming;
- an increase in the cost of electrical power as a result of, among other things, power shortages in California or other western states with which Nevada shares a single regional power grid;
- a decline in the number of visitors to Las Vegas;
- a decline in hotel room rates in Las Vegas due to increased hotel room supply without offsetting hotel room demand; and
- a potential increase in the gaming tax rate in any jurisdiction in which we operate.

Key Personnel

Our operations are largely dependent on the skill and experience of our management and key personnel. The loss of management and other key personnel or our inability to hire additional personnel could significantly harm our business.

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

Regulatory Environment

Regulations issued by gaming or other governmental authorities could adversely affect our operations.

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

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

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

We are subject to a variety of other laws, rules and regulations, including those pertaining to zoning, environmental matters, construction, land use and the serving of alcoholic beverages. We also pay substantial taxes and fees in connection with

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our operations as a gaming company, which taxes and fees are subject to increases or other changes at any time. Any changes to these laws could have a material adverse effect on our business, financial condition, results of operations and future prospects.

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

In other jurisdictions from which we attract customers, gaming is subject to local referendum. If the results of a referendum in a nearby non-gaming jurisdiction were to permit gaming, our results of operations could be negatively impacted.

### Environmental Liabilities

We are subject to potential exposure to environmental liabilities.

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

### Energy Prices

Energy price increases may adversely affect our costs of operations and our revenues.

Our casino property uses significant amounts of energy, natural gas and other forms of energy. Substantial increases in the cost of energy in the United States could have a negative effect on our operating results. The extent of the impact is subject to the magnitude and duration of energy price increases, but this impact could be material. In addition, energy price increases in cities that constitute a significant source of customers for our property could result in a decline in disposable income of potential customers and a corresponding decrease in visitation to our property which could negatively impact our revenues.

### Other Factors

Our business, financial condition, results of operations and future prospects are dependent on many factors that are beyond our control.

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

- general economic conditions;
- economic conditions specific to our primary markets;
- general condition of the banking and credit markets;

- decline in tourism and travel due to concerns about homeland security, terrorism or other destabilizing events;
- decline in the Las Vegas convention business;
- the ability to renegotiate union contracts;
- intense competitive conditions in the gaming industry and the effect such conditions may have on the pricing of our games and products;
- changes in the regulatory regimes affecting our business, including changes to applicable gaming, employment, environmental or tax regulations;
- inaccessibility to our property due to construction on adjoining or nearby properties, streets or walkways;

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- substantial increases in the cost of electricity, natural gas and other forms of energy;
- local conditions in key gaming markets, including seasonal and weather-related factors;
- increased transportation costs;
- levels of disposable income of casino customers;
- continued increases in health care costs;
- increases in gaming taxes or fees;
- increases in Clark County, Nevada facilities inspection fees and resulting remedial actions;
- the relative popularity of entertainment alternatives to casino gaming that compete for the leisure dollar; and
- an outbreak or suspicion of an outbreak of an infectious communicable disease.

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

## Insurance Limitations

We may incur losses that are not adequately covered by insurance.

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

## Litigation

We are subject to litigation, which, if adversely determined, could cause us to incur substantial losses.

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

## Security, Terrorism and War

Homeland security, terrorism and war concerns, as well as other factors affecting discretionary consumer spending, may harm our operating results.



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

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

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Collective Bargaining Agreements

A significant portion of our labor force is covered by collective bargaining agreements, and a dispute with covered employees or new labor agreements may lower our revenues and increase our costs.

As of December 31, 2013, 511 of our 850 employees were covered by collective bargaining agreements. A prolonged dispute with the covered employees could have an adverse impact on our operations. In addition, wage and/or benefit increases resulting from new labor agreements may be significant and co