RIVIERA HOLDINGS CORP
Form 10-K/A
May 01, 2006

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

FORM 10-K/A
FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2005

OR

[ ] TRANSITION REPORT PURSUANT TO SECTIONS 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

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

Nevada	88-0296885
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2901 Las Vegas Boulevard South Las Vegas, Nevada 89109	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:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.001 par value	American Stock Exchange

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as d efined in Rule 405 of the Securities Act. YES NO X

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 X

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 Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or amendment to this Form 10-K. [ ]

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

Large accelerated filer ___ Accelerated filer X Non-accelerated filer ___

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

Based on the closing sale price of the registrant's common stock on the American Stock Exchange on June 30, 2005, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $206,500,000.

As of April 26, 2006 the number of outstanding shares of the registrant's common stock was 12,454,755.

Documents incorporated by reference: None.

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Exhibit Index Appears on Page 19 hereof.

EXPLANATORY NOTE

The purpose of this amendment is to (i) amend Part III, Items 11, 12, 13 and 14 in their entirety pursuant to General Instruction G.(3) to Form 10-K, (ii) correct the dates of the Report of Independent Registered Public Accounting Firm on Internal Controls Over Financial Reporting and the Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements (collectively, the "Accountants' Reports"), which accompanied the financial statements in the Form 10-K filed on March 15, 2005, and (iii) file additional exhibits and one corrected exhibit under Item 15. The Accountants' Reports are being re-filed with no changes other than a corrected date (March 13, 2006 instead of March 14, 2006). For that reason, the accompanying financial statements are also being re-filed, but they contain no changes from the financial statements in the Form 10-K filed on March 15, 2006.

PART II

Item 8. Financial Statements and Supplementary Data

See Financial Statements in Part IV; Item 15(a).

PART III

Item 11. Executive Compensation

The following table presents a summary of the compensation we paid in

the years ended December 31, 2005, 2004 and 2003 to our and ROC's CEO, and to our four other most highly compensated executive officers who received over $100,000 in compensation from us during 2005 (collectively, the "Named Executive Officers").

Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compen-sation ($)(1)(4)	Restricted Stock Awards ($)(7)	All Oth Compen-sation
William L. Westerman(6)	2005	$1,000,000	$ -	$295,293	$ -	$ 1,
Our Chairman of the Board	2004	1,000,000	-	446,178(3)	-	1,
and CEO, CEO of ROC	2003	1,000,000	-	547,591(3)	-	1,
Robert A. Vannucci	2005	300,000	-	103,500(5)	814,998	1,
President and Chief Operating	2004	300,000	114,000	104,000(5)	-	1,
Officer of ROC	2003	300,000	-	103,000(5)	-	1,
Duane R. Krohn (6)	2005	250,000	54,000	4,500	407,499(8)	1
Our Treasurer	2004	250,000	57,000	4,000	-	1
and Executive Vice President of	2003	250,000	-	3,500	-	1
Finance and Treasurer of ROC						
Ronald P. Johnson	2005	250,000	54,000	4,500	407,499	1
Executive Vice President of	2004	250,000	90,500	4,000	-	1
Gaming Operations of ROC	2003	250,000	-	3,500	-	1
Tullio J. Marchionne	2005	188,215	54,000	4,500	214,874	
Our Secretary and Executive	2004	120,086	12,000	4,000	-	
Vice President and Secretary	2003	142,732	-	3,000	-	
of ROC						

(1) Includes amounts that we contributed under our Profit Sharing and 401(k) Plans. We contributed $4,500 for the account of each of the Named Executives Officers in 2005, $4,000 for the account of each of them in 2004 and $3,500 for the account of each of them in 2003.

(2) Includes premiums that we paid for excess life insurance.

(3) Includes the portion of the interest earned on Mr. Westerman's retirement account that exceeds the interest, which would have been earned if the interest rate had been 120% of the applicable federal long-term rate, with compounding, prescribed under Section 1274(d) of the Internal Revenue Code. Additional interest earned on Mr. Westerman's retirement account that is not reported in the above table amounted to $238,632 in 2005, $195,977 in 2004 and $210,095 in 2003.

(4) In addition to the amounts reported in this column, each Named Executive Officer received perquisites and other personal benefits, the aggregate amount of which did not exceed the lesser of $50,000 or 10% of the total of such Named Executive Officer's annual Salary and Bonus reported in the table.

(5) Includes a $100,000 cash award or award of stock under our Restricted Stock Plan pursuant to Mr. Vannucci's employment agreement. Mr. Vannucci has the choice of $25,000 in cash or $25,000 in stock per quarter. (See "Restricted Stock Plan" below for a summary of our

Restricted Stock Plan.)

(6) Mr. Krohn is retiring, effective May 2, 2006. Upon Mr. Krohn's retirement, Mr. Westerman will assume Mr. Krohn's positions on an interim basis, in addition to Mr. Westerman's current positions.

(7) Includes shares of Common Stock granted under our Restricted Stock Plan in substitution for stock options that we were unable to grant. Mr. Vannucci received 60,000 shares; Mr. Krohn and Mr. Johnson each received 30,000 shares; and Mr. Marchionne received 19,500 shares. These shares are eligible for any dividends that we pay on our Common Stock, but we do not expect to pay any dividends in the foreseeable future. The dollar amounts reported in the table are based on the closing market price of our Common Stock on the date we awarded the restricted stock. Based on the closing market price of our Common stock on December 30, 2005, this restricted stock had an aggregate value of $2,286,405.

(8) Upon Mr. Krohn's retirement on May 2, 2006, $325,999 of the amount reported in the table (24,000 shares) will be forfeited.

Incentive Stock Option Plans and Stock Grants

We granted no stock options in 2005. The information set forth below is on an as-adjusted basis, giving effect to our March 11, 2005 three-for-one stock split.

In July 2003, we attempted to grant 385,500 options under our 1993 Employee Stock Option Plan (the "1993 Plan"). Subsequently, however, we determined that the 1993 Plan had expired prior to those grants, which rendered them null and void. Two executives to whom we attempted to grant options for a total of 48,000 shares have since left our employment. On April 6, 2005, we granted to 19 remaining executives a total of 337,500 shares of our Common Stock under our Restricted Stock Plan (see "Restricted Stock Plan" below) in substitution for the stock options that we had attempted to grant to them. Those shares are subject to a five-year vesting schedule, vesting 20% each March 10, commencing in 2006. The shares completely vest immediately upon death, disability, retirement at or after age 62, termination of employment by the Company other than for cause, events of hardship as approved by our Compensation Committee or in the event of a change in control of the Company.

Although the 1993 Plan has expired, some options granted under the 1993 Plan are still outstanding.

Effective May 17, 2005, we implemented our 2005 Incentive Stock Option Plan ("Employee Plan"). We have allocated one million shares to the Employee Plan, in which our officers and key employees are eligible to participate. Our Stock Option Committee has discretion as to whom Employee Plan Options will be granted and the number of shares allocated to each option grant. The option exercise price will be the closing market price of our Common Stock (110% of the closing market value in the case of an incentive option granted to an owner of more than 10% of our Common Stock) on the date of the option grant. The options will vest over four years, with 20% vesting on the date of grant, and an additional 20% on each anniversary of the grant.

Option Exercises and Year-End Options Values

There were no options exercised by directors or executive officers during 2005. The following table presents information regarding the value at December 31, 2005 of unexercised, in-the-money options held by the Named Executive Officers.

Name	Number of Shares Acquired In Exercise	Value Realized	Number of Shares Underlying Unexercised Options		Value of Unexercised, In-The-Money Options(1)	
			Exer-cisable	Unexer-cisable	Exer-cisable	Unexer-cisable
Robert A. Vannucci	0	N/A	120,000	0	$1,966,800	$0
Duane R. Krohn	0	N/A	7,500	0	$ 122,925	$0
Ronald P. Johnson	0	N/A	30,000	0	$ 491,700	$0
Tullio J. Marchionne	0	N/A	36,000	0	$ 590,040	$0

(1) The reported value is the difference between the closing market price of our Common Stock on December 30, 2005 and the exercise price of the options.

Employment Agreements

William L. Westerman serves as our Chairman of the Board, President and CEO, and as Chairman of the Board and CEO of ROC.

Under Mr. Westerman's employment agreement, which was last amended on July 15, 2003, he is employed for an indefinite period, subject to termination by either Mr. Westerman upon at least 180 days written notice or by us upon at least 90 days written notice. Mr. Westerman's base annual compensation is $1,000,000. Under his amended employment agreement, Mr. Westerman is not entitled to participate in our Senior Management Compensation Bonus Plan or any other executive bonus plan.

Mr. Westerman's employment agreement required us to fund a retirement account for him. Pursuant to that agreement, we make no further principal contributions to the retirement account subsequent to January 1, 2001 but the account continues to accrue interest. The retirement account had a balance, including accrued interest, of $4,122,703 as of December 31, 2005.

We credit Mr. Westerman's retirement account quarterly with interest on the first day of each succeeding calendar quarter in an amount equal to the product of (1) our average borrowing cost for the immediately preceding fiscal year, as determined by our Chief Financial Officer, and (2) the average outstanding balance in the retirement account during the preceding calendar quarter. At the recommendation of our Compensation Committee, in order to reduce the amount that would be payable immediately upon Mr. Westerman's separation from employment with us, Mr. Westerman and we agreed to the following cash payments to him commencing April 1, 2003, and continuing on the first day of each quarter thereafter: (1) a distribution of $250,000 from the principal balance of his retirement account; and (2) the quarterly interest credited to his retirement account one quarter in arrears. Total interest accrued to Mr. Westerman's account in 2005 was $529,425; total interest accrued was $638,155 in 2004 and $754,186 in 2003.

We retain beneficial ownership of Mr. Westerman's retirement account, which is earmarked to pay his retirement benefits. However, upon (1) the vote of a majority of the outstanding shares of our Common Stock approving a "Change of Control" (as discussed directly below), (2) the occurrence of a Change of Control without Mr. Westerman's consent, (3) a breach by us of a material term of the employment agreement or (4) the expiration or earlier termination of the employment agreement for any reason other than cause, Mr. Westerman has the right to require us to establish a "Rabbi Trust" for his benefit. He also has the right to require us to fund such trust with cash equal to the amount then credited to the retirement account, including any amount to be credited to the

retirement account upon a Change of Control.

On February 5, 1998, our stockholders approved a merger agreement that constituted a Change of Control under Mr. Westerman's employment agreement. On March 5, 1998, Mr. Westerman exercised his right to require us to establish and fund a Rabbi Trust for his benefit. On March 20, 1998, Mr. Westerman waived his right to have us fund the Rabbi Trust in exchange for our agreement to fund it within five business days after notice from him.

If Mr. Westerman ceases to be employed by us (except for termination for cause, in which case Mr. Westerman would forfeit all rights to monies in the retirement account), he will be entitled to receive the amount in the retirement account (principal and current interest) in 20 equal quarterly installments commencing as of the date he ceases to be employed. In the event that Mr. Westerman's Rabbi Trust has not yet been funded, the balance of principal and interest of the retirement account shall be paid directly to Mr. Westerman upon his retirement or termination (except for cause) or upon a change of control.

Mr. Westerman's agreement also provides that for 24 months following termination of employment for any reason except cause, Mr. Westerman shall not engage in any activity, which is in competition with us within a 75 mile radius from the location of any hotel or casino then operated by us. As consideration for not competing, we will pay Mr. Westerman a total of $500,000 in two equal annual installments of $250,000. The first installment will be payable within five business days of termination of employment, with the second installment payable on the first anniversary of termination.

In addition to Mr. Westerman, one other executive, Robert Vannucci, has an employment agreement with us.

Mr. Vannucci serves as President of ROC under an employment agreement that was last amended on March 24, 2003. Mr. Vannucci's base compensation is $300,000 in cash and $100,000 in shares of our Common Stock under our Restricted Stock Plan or cash, at his election.

Mr. Vannucci's agreement provides that he is to receive $25,000 in Common Stock based on our Common Stock's market value, or cash (at his election) on the first business day of each quarter, plus Common Stock, based on market value, or cash (at his election), equal to the amount of the award he receives under our Incentive Compensation Program. Mr. Vannucci chose to receive $100,000 in cash in 2005 pursuant to these provisions. Mr. Vannucci is presently entitled to rights of ownership with respect to shares he receives under our Restricted Stock Plan, including the right to vote and receive dividends. Mr. Vannucci may not, however, sell, assign, pledge, encumber or otherwise transfer any restricted shares so long as we employ him, without our written consent. The restrictions terminate and the shares become fully vested upon a change of control (as defined) or upon Mr. Vannucci's termination of employment with us, so long as such termination is not for cause. On December 27, 2002, holdings of our Common Stock by Donald Trump and his related parties exceeded 10% of our outstanding Common Stock, which constituted a change of control for purposes of Mr. Vannucci's restricted shares. This triggered a release of the restrictions on 164,526 shares held by Mr. Vanucci.

Mr. Vannucci's employment agreement also entitles him to participate in our Incentive Compensation Program in which he may receive an annual incentive bonus, as discussed in "Incentive Compensation Program" below. Mr. Vannucci's agreement further provides for an additional incentive award in his choice of either Restricted Stock Plan shares or cash in an amount equal to his Incentive Compensation Program award. Mr. Vannucci did not receive an Incentive

Compensation Program award for 2003 or 2005. For 2004 Mr. Vannucci received an Incentive Compensation Program award of $57,000 cash, which entitled him to an additional incentive award of $57,000, which he elected to receive in cash. Mr. Vannucci's agreement automatically renews annually, subject to 120 days' prior written notice by him or us.

Profit-Sharing and 401(k) Plans

We have profit-sharing and 401(k) plans (the "Profit-Sharing and 401(k) Plans") for employees who are at least 21 years of age and are not covered by a collective bargaining agreement after one year of service.

We may contribute to the 401(k) component of the Profit-Sharing and 401(k) Plans an amount not to exceed 25% of the first 8% of each participant's compensation. We made contributions of $290,200, $302,882 and $220,900 for the years ended December 31, 2005, 2004 and 2003, respectively. We also pay administrative costs of the Profit-Sharing and 401(k) Plans, which are not material.

Prior to 2003, we suspended contributions to the profit-sharing component of the Profit-Sharing and 401(k) Plans and we have substituted contributions to an Employee Stock Ownership Plan (see "Employee Stock Ownership Plan," directly below).

Employee Stock Ownership Plan

We have an Employee Stock Ownership Plan ("ESOP"). The ESOP was established effective January 1, 2000 to replace the profit-sharing contribution component of the Profit-Sharing and 401(k) Plans. (The 401(k) component remains unchanged.) The ESOP provides that all employees in the plan year who completed a minimum of 1,000 hours of service in that year, were employed through December 31 of that plan year, were at least 21 years of age and were not covered by a collective bargaining agreement are eligible to participate. We make contributions for the ESOP's participants at our Las Vegas and Black Hawk properties relative to the economic performance of each property. For Riviera Las Vegas, we make a contribution equal to 1% of each eligible employee's annual compensation if a prescribed annual operating results target is attained and an additional 1% thereof for each $2 million by which that target is exceeded, up to a maximum of 4% for 2005. For Riviera Black Hawk, we make a contribution equal to 1% of each eligible employee's annual compensation if a prescribed annual operating results target is attained, an additional 1% thereof for the next $1.5 million by which that target is exceeded, and an additional 1% thereof for each additional $2 million by which operating earnings targets are exceeded, up to a maximum of 4% for 2005. Our ESOP contributions are made in cash, which the ESOP trustee uses primarily to buy our Common Stock. For Riviera corporate participants, we make a contribution equal to 1% of each eligible employee's annual compensation if a prescribed annual operating earnings target is attained an additional 1% for each $2 million by which operating earnings are exceeded, up to a maximum of 2%. We contributed to the ESOP $125,974 in 2005, $899,253 in 2004 and $348,435 in 2003.

Incentive Compensation Program

Approximately 89 executives and other significant employees participate in our incentive compensation program. Participants are eligible to receive an annual incentive bonus based on attainment of predetermined financial targets at Riviera Las Vegas and Riviera Black Hawk and at an aggregate of both locations for Riviera corporate employees.

The employment position held by a participant determines the incentive bonus award level to which that participant would be entitled if our pre-determined financial targets are achieved. Our Chairman of the Board and CEO has discretion to change the bonus level associated with any position.

We recorded accrued awards of $556,892; $1,085,092; and $302,216 under our Incentive Compensation Program for 2005, 2004 and 2003, respectively.

Deferred Compensation Plan

We have a Deferred Compensation Plan that gives eligible employees the opportunity to defer cash compensation. Participation in this plan is limited to employees who receive annual compensation of at least $100,000. The deferred funds are maintained on our books as liabilities. All elections to defer the receipt of compensation must be made by December 1st preceding the plan year to which the election relates and are irrevocable for the duration of such year. Five of our executives currently participate in this plan.

Restricted Stock Plan

We have a Restricted Stock Plan to attract and retain highly competent persons as officers and key employees. Participants consist of such officers and key employees as our Compensation Committee determines are significantly responsible for our success and future growth and profitability. Awards of Common Stock are subject to such terms and conditions as we determine are appropriate at the time of the awards, including restrictions on the sale or other disposition of such stock, a vesting schedule under which the restrictions lapse, and provisions for the forfeiture of non-vested (i.e. restricted) stock upon termination of the participant's employment within specified periods or under certain conditions.

Salary Continuation Agreements

Approximately 60 executive officers and certain other employees (excluding Mr. Westerman and Mr. Vannucci) have salary continuation agreements effective through December 2006, under which they would be entitled to receive (1) either six months' or one year's salary if their employment with us is terminated, without cause, within 12 or 24 months of a change of control of the Company; and (2) group health insurance for periods of either one or two years. The base salary payments would be made in biweekly installments, subject to the employee's duty to mitigate by making best efforts to find other employment. In addition, four officers and significant employees, including Mr. Krohn and Mr. Marchionne, have salary continuation agreements effective through December 31, 2006, under which each of them would be entitled to receive two year's base salary and certain benefits for two years if their employment is terminated without cause within 24 months of a change of control of the Company. These four salary continuation agreements are not subject to a duty to mitigate. Mr. Krohn is retiring effective May 2, 2006, which will not entitle him to compensation under his salary continuation agreement. As of April 20, 2006, the total amount that would be payable under all such agreements if all payment obligations (excluding obligations to Mr. Krohn) were triggered was approximately $5.9 million, including approximately $1.4 million in benefits.

Compensation of Directors

Messrs. Silver, Harvey and Land are each paid an annual fee of $50,000 for services as a Director. Mr. DiVito is paid an annual fee of $75,000 for services as a Director and as Chairman of our Audit Committee. Each Director is also reimbursed for expenses incurred in connection with attendance at meetings

of the Board of Directors.

In 1996 we adopted our Nonqualified Stock Option Plan for Non-Employee Directors (the "1996 Plan"), which was approved by our stockholders and which expired in 2003. Under the 1996 Plan, each individual elected, re-elected or continuing as a non-employee Director would automatically receive options for 6,000 shares of our Common Stock (as adjusted for the 2005 stock split), with an exercise price equal to the fair market value of our Common Stock on the date of grant. In 2004 before we determined that the 1996 Plan had expired, we attempted to grant options to our non-employee Directors for a total of 30,000 shares of our Common Stock. Because of the prior expiration of the 1996 Plan, though, those options were null and void. At our 2005 annual meeting, stockholders approved the issuance of 30,000 shares of our Common Stock to our non-employee Directors as substitute compensation for those options. Messrs Silver, Harvey and DiVito each received 6,000 shares and Mr. Land received 12,000 shares of our Common Stock.

Also at our 2005 annual meeting, stockholders approved the 2005 Stock Option Plan for Non-Employee Directors (the "Director Plan"). The Director Plan provides that on each anniversary of the effective date of the Director Plan, each individual elected, reelected or continuing as a non-employee Director will receive a nonqualified stock option for 6,000 shares of our Common Stock with an exercise price equal to the fair market value of our Common Stock on the date of grant. These options vest at the rate of 20% per year commencing on the first anniversary of the grant.

Upon becoming a Director, Mr. Silver was granted options under the 1996 Plan to purchase 6,000 shares at $2.35 per share on February 26, 2001. Mr. Silver was subsequently granted options to purchase 6,000 shares at $2.18 per share on May 10, 2001, options to purchase 6,000 shares at $2.58 per share on May 10, 2002 and options to purchase 6,000 shares at $1.87 per share on May 12, 2003.

Upon becoming a Director, Mr. Harvey was granted options under the 1996 Plan to purchase 6,000 shares at $2.20 per share on May 18, 2001. Mr. Harvey was subsequently granted options to purchase 6,000 shares at $2.58 per share on May 10, 2002 and 6,000 shares at $1.87 per share on May 12, 2003.

Upon becoming a Director, Mr. DiVito was granted options under the 1996 Plan to purchase 6,000 shares at $1.87 per share on July 12, 2002. Mr. DiVito was subsequently granted options to purchase 6,000 shares at $1.87 per share on May 12, 2003.

Directors who are also our officers or employees do not receive additional compensation for services as a Director. Mr. Westerman is the only such Director.

Under our Stock Compensation Plan, our Directors who are members of our Compensation Committee have the right to receive all or part of their annual fees in the form of our Common Stock having a fair market value equal to the amount of their fees. Of the 50,000 shares that we allocated to this plan, 46,020 remain available for issuance.

Compensation Committee Interlocks and Insider Participation

Jeffrey A. Silver, a Director and Chairman of our Compensation Committee, is a shareholder in the law firm of Gordon & Silver, Ltd., which we have retained for various legal matters during our last fiscal year and in 2006.

Compensation Committee Report on Executive Compensation

Our Compensation Committee endeavors to ensure that the compensation program for our executive officers is effective in attracting and retaining key executives responsible for our success and is tailored to promote our and our stockholders' long-term interests. Our 2005 executive officer compensation program was principally comprised of base salary, an Incentive Compensation Program, a 401(k) plan, contributions to the ESOP, the Deferred Compensation Plan and the Restricted Stock Plan.

Our Compensation Committee takes into account various qualitative and quantitative indicators of corporate and individual performance in determining the level and composition of compensation for our CEO and his recommendations regarding the other executive officers. In particular, the Compensation Committee considers several financial performance measures, including revenue growth and net income. However, the Compensation Committee does not apply any specific quantitative formula in making compensation decisions. The Compensation Committee also considers achievements that, while difficult to quantify, are important to our long-term success. The Compensation Committee seeks to create a mutuality of interest between our officers and our stockholders by increasing the executive officers' ownership of our Common Stock through the ESOP, Deferred Compensation Plan and Restricted Stock Plan. On March 10, 2005, due to the expiration of the 1993 Plan, we adopted a new Employee Plan, to which we have allocated 1,000,000 shares of our Common Stock and which was approved by our stockholders at our 2005 Annual Meeting.

Salary levels for our executive officers are significantly influenced by the need to attract and retain management employees with high levels of expertise. In each case, we consider personal factors, such as the individual's experience, responsibilities and work performance, and external factors, such as salaries paid by comparable companies in the gaming industry. With regard to the latter, it is important to recognize that because of the opening of new properties and expansion of existing properties on the Las Vegas Strip coupled with the growth of riverboat and dockside gaming, Native American gaming operations and the proliferation of jurisdictions in which gaming is permitted, we compete with numerous other companies for a limited pool of experienced and skilled personnel. Therefore, it is critical that we provide base salaries that are competitive in the casino industry. With respect to the personal factors, the Compensation Committee makes salary decisions in an annual review based on the recommendations of our CEO. This annual review considers the decision-making responsibilities of each position as well as the experience and work performance of each executive. Our CEO views work performance as the single most important measurement factor. As a baseline measure, in 2001 the Compensation Committee engaged the services of an independent CPA firm, other than Deloitte & Touche LLP, which conducted a compensation survey of comparable Las Vegas resorts. The CPA firm concluded that compensation of our executives was consistent with other members of the industry.

The compensation of Mr. Westerman for our last completed fiscal year was set pursuant to the employment agreement described above in "Employment Agreements."

Date:	April 20, 2006	Jeffrey A. Silver	Chairman
		Paul A. Harvey	Member
		Vincent L. DiVito	Member

The following table compares the annual change in the cumulative total return, assuming reinvestment of dividends, on our Common Stock with the annual change in the cumulative total returns of the NASDAQ Broad Market, the American Stock Exchange Index (the "AMEX Index"), the New York Stock Exchange (the "NYSE") and the NASDAQ Amusement and Recreation Services Index (the "NASDAQ 79xx"), which we consider to be our peer industry group. The table assumes an investment of $100 on December 31, 2000, in each of our Common Stock, the stocks comprising the NASDAQ Broad Market, the stocks comprising the AMEX Index and the stocks comprising the NASDAQ 79xx.

The table below is a Comparison of Cumulative Total Return Among the Company, NYSE/AMEX/Nasdaq Stock Market (US Companies) and Nasdaq stocks (SIC 7900 - 7999 US Companies amusement and recreation services) (1).

	Riviera	NYSE/AMEX/Nasdaq U.S. Companies	Nasdaq (SIC 79xx) US Amusement Companies
12/31/00	111.8	88.7	84.2
12/31/01	66.5	79.2	98.6
12/31/02	67.8	62.9	81.7
12/31/03	84.9	82.9	116.1
12/31/04	651.0	93.1	153.6
12/30/05	690.1	111.3	154.8

(1) Comprised of companies whose stock is traded on the Nasdaq National Market and whose standard industrial classification is within 7900-7999. We do not believe that this necessarily is an indication of the value of our Common Stock.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Our Common Stock is listed on the American Stock Exchange ("Amex"). The following table contains information regarding the beneficial ownership of our Common Stock as of April 20, 2006, by (1) each of our directors and executive officers, (2) all of our directors and executive officers as a group and (3) each person who, to our knowledge, beneficially owns more than 5% of our outstanding Common Stock (based on reports filed with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended, or upon information furnished to us). The percentage of our outstanding Common Stock represented by each named person's stock ownership assumes the exercise by such person of all stock options that are exercisable within 60 days of April 20, 2006, but does not assume the exercise of stock options by any other persons. The percentage of our outstanding Common Stock represented by the stock ownership of all executive officers and directors as a group assumes the exercise by all members of that group of their respective stock options that are exercisable within 60 days of April 20, 2006, but does not assume the exercise of options by any persons outside of that group. Except as indicated in the footnotes to the table, each person listed below has sole voting and investment power with respect to the shares set forth opposite such person's name.

Name	Shares Beneficially Owned Number	Percentage
Directors and Executive Officers:		
William L. Westerman(1)(2)(16)	1,096,286	8.8%
Jeffrey A. Silver (1)(3)	45,000	*
Paul A. Harvey(1)(4)	24,000	*
Vincent L. DiVito(1)(5)	19,000	*
James N. Land, Jr. (1)	16,000	*
Robert A. Vannucci (1)(6)	390,607	3.1%
Ronald P. Johnson(1)(7)	372,613	3.0%
Duane R. Krohn (1) (8)	333,092	2.7%
Tullio J. Marchionne(1)(9)	60,271	*
All directors and executive officers as a group(10)	2,356,869	18.6%
Beneficial Owners of More Than 5% of Our Common Stock (other than Mr. Westerman):		
D.E. Shaw & Co., L.P. and related parties(11)	1,219,900	9.8%
Plainfield Special Situations Master Fund Limited and related parties(12)	1,056,800	8.5%
Galleon Management, L.L.C. and related parties(13)	830,000	6.7%
Riviera Holdings Corporation Employee Stock Ownership Plan (ESOP)(14)	883,314	7.1%
Flag Luxury Properties, LLC, Paul Kanavos and related parties (collectively, the "Flag Parties")(15)(16)	200,000	1.6%
Brett Torino and related parties (collectively, the "Torino Parties")(15)(16)	200,000	1.6%
Barry Sternlicht and related parties (collectively, the "Sternlicht/Starwood Parties")(15)(16)	423,200	3.4%
High Desert Gaming, LLC, Neil Bluhm, Greg Carlin and related parties (collectively, the "High Desert/Bluhm/Carlin Parties")(15)(16)	375,300	3.0%
Total	1,198,500	9.6%

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o Less than 1%.

(1) The address for each director and executive officer is c/o Riviera Holdings Corporation, 2901 Las Vegas Boulevard South, Las Vegas, Nevada 89109.

(2) Includes 4,566 shares held through our ESOP.

(3) Includes 24,000 shares which may be acquired within 60 days of April 20, 2006 upon the exercise of outstanding options.

(4) Includes 18,000 shares which may be acquired within 60 days of April 20, 2006 upon the exercise of outstanding options.

(5) Includes 12,000 shares which may be acquired within 60 days of April 20, 2006 upon the exercise of outstanding options.

(6) Includes 120,000 shares which may be acquired within 60 days of April 20, 2006 upon the exercise of outstanding options, 3,776 shares under our Deferred Compensation Plan and 5,302 shares held through our ESOP.

(7) Includes 30,000 shares which may be acquired within 60 days of April

20, 2006 upon the exercise of outstanding options, 82,470 shares under our Deferred Compensation Plan and 5,302 shares held through the ESOP.

(8) Includes 5,559 shares under our Deferred Compensation Plan and 5,302 shares held through the ESOP. Upon Mr. Krohn's retirement on May 2, 2006, 24,000 shares of restricted Common Stock that are included in his stock ownership listing will be canceled.

(9) Includes 36,000 shares which may be acquired within 60 days of April 20, 2006 upon the exercise of outstanding options and 2,971 shares held through the ESOP.

(10) Includes a total of 240,000 shares which may be acquired by directors and executive officers as a group within 60 days of April 20, 2006 upon the exercise of outstanding options, 91,805 shares under our Deferred Compensation Plan and 23,442 shares held through the ESOP. Upon Mr. Krohn's retirement on May 2, 2006, 24,000 of his shares that are included in this listing will be canceled.

(11) D.E. Shaw & Co., L.P. ("DESCO LP") acts as investment adviser to D. E. Shaw Laminar Portfolios, L.L.C. ("Laminar") and D.E. Shaw Valence Portfolios, L.L.C. ("Valence"). DESCO LP is also the managing member of Valence and D. E. Shaw Investment Management, L.L.C. ("DESIM LLC"). D.E. Shaw & Co., L.L.C. ("DESCO LLC") acts as managing member to Laminar. D. E. Shaw & Co., Inc. ("DESCO Inc.") is the general partner of DESCO LP. D. E. Shaw & Co. II, Inc. ("DESCO II, Inc.") is the managing member of DESCO LLC. David E. Shaw is the president and sole shareholder of DESCO Inc. and DESCO II, Inc. The stock ownership reported in the table is comprised of 1,194,500 shares held in the name of Laminar; 25,200 shares held in the name of Valence; and 200 shares under the management of DESIM LLC. The address of all of the persons named above in this footnote is 120 West 45th Street, Floor 39, Tower 45, New York, New York 10036. This information is based on information reported by Laminar, Valence, DESCO LLC, DESCO LP and Mr. Shaw in a Schedule 13D filed with the SEC on April 11, 2006.

(12) Plainfield Asset Management LLC ("Asset Management") is the Manager of Plainfield Special Situations Master Fund Limited ("Master Fund"), which holds 1,056,800 shares. Max Holmes ("Holmes") is the chief investment officer of Asset Management. Each of Holmes and Asset Management may therefore be deemed a beneficial owner of the shares held by Master Fund. The address of Master Fund, Asset Management and Holmes is 55 Railroad Avenue, Greenwich, CT 06830. This information is based on information reported by Master Fund, Asset Management and Holmes in a Schedule 13G filed with the SEC on March 15, 2006.

(13) Pursuant to the partnership agreement of Galleon Captains Partners, L.P., Galleon Healthcare Partners, L.P., Galleon Technology Partners II, L.P., Galleon Explorers Partners, L.P., and Galleon Communication Partners, L.P., Galleon Management, L.P. and Galleon Advisors, L.L.C. share all investment and voting power with respect to securities held by Galleon Captains Partners, L.P., Galleon Healthcare Partners, L.P., Galleon Technology Partners, L.P., Galleon Explorers Partners, L.P., and Galleon Communication Partners, L.P., and pursuant to an investment management agreement, Galleon Management, L.P. has all investment and voting power with respect to the securities held by Galleon Captains Offshore, Ltd., Galleon Healthcare Offshore, Ltd., Galleon Technology Offshore, Ltd., Galleon Communications Offshore, Ltd., Galleon Explorers Offshore, Ltd., Galleon Admirals Offshore, Ltd. and Galleon Buccaneers Offshore, Ltd. Raj Rajaratnam, as the managing member of Galleon Management, L.L.C., controls Galleon Management, L.L.C., which, as the general partner of Galleon Management, L.P., controls Galleon

Management, L.P. Raj Rajaratnam, as the managing member of Galleon

Advisors, L.L.C., also controls Galleon Advisors, L.L.C. The shares reported herein by Raj Rajaratnam, Galleon Management, L.P., Galleon Management, L.L.C., and Galleon Advisors, L.L.C. may be deemed beneficially owned as a result of the purchase of such shares by Galleon Captains Partners, L.P., Galleon Captains Offshore, Ltd., Galleon Technology Partners II, L.P., Galleon Technology Offshore, Ltd., Galleon Healthcare Partners, L.P., Galleon Healthcare Offshore, Ltd., Galleon Explorers Partners, L.P., Galleon Explorers Offshore, Ltd., Galleon Communication Partners, L.P., Galleon Communication Offshore, Ltd., Galleon Admirals Offshore, Ltd. and Galleon Buccaneers Offshore, Ltd., as the case may be. Each of Raj Rajaratnam, Galleon Management, L.P., Galleon Management, L.L.C., and Galleon Advisors, L.L.C. disclaims beneficial ownership of the shares reported in the table, except to the extent of any pecuniary interest therein. The address of each of the persons named above, other than Galleon Management, L.P., is c/o Galleon Management, L.P., 135 East 57th Street, 16th Floor, New York, New York 10022. The address of Galleon Management, L.P. is 135 East 57th Street, 16th Floor, New York, New York 10022. This information is based on information reported by the above parties in Amendment No. 1 to Schedule 13G filed with the SEC on February 15, 2006.

(14) The trustee of the ESOP (the "Trustee") and its address are Marshall & Ilsley Trust Company N.A., 1000 North Water Street, Suite 1200, Milwaukee, Wisconsin 53202. All of the shares held by the ESOP are voted on each proposal in proportion to the voting instructions received by the Trustee from all ESOP participants who submit voting instructions. For example, if (1) the ESOP holds 1,000 shares of our Common Stock, (2) the Trustee receives voting instructions from participants on whose behalf the ESOP holds only 500 shares, and (3) those participants, in the aggregate, instruct the Trustee to vote 300 shares in favor of a proposal and 200 shares against it, then 600 shares held by the ESOP will be voted for the proposal and 400 shares will be voted against it. Our Common Stock held by the ESOP on behalf of our executive officers is reported in the ESOP's Common Stock ownership listing as well as in the Common Stock ownership listings for the respective executive officers and for executive officers and directors as a group.

(15) The following is based on information reported in a Schedule 13D and amendments thereto filed with the SEC, through April 6, 2006, jointly by the Flag Parties, the Torino Parties, the Sternlicht/Starwood Parties and the High Desert/Bluhm/Carlin Parties (collectively, the "Joint Filing Parties"):

The Flag Parties consist of Flag Luxury Riv, LLC; Flag Luxury Properties, LLC; MJX Flag Associates, LLC; Flag Leisure Group, LLC; Sillerman Real Estate Ventures, LLC; Robert Sillerman; and Paul Kanavos. Each of the Flag Parties is deemed a beneficial owner of 200,000 shares. The address of the Flag Parties is 650 Madison Ave., New York, NY 10022.

The Torino Parties consist of RH1, LLC; ONIROT Living Trust dated 6/20/2000; and Brett Torino. Each of the Torino Parties is deemed a beneficial owner of 300,000 shares. The address of the Torino Parties is 4455 Wagon Trail Ave., Las Vegas NV 89118.

The Sternlicht/Starwood Parties consist of Rivacq LLC; SOF U.S. Hotel Co-Invest Holdings, L.L.C.; SOF-VII U.S. Hotel Holdings, L.L.C.; I-1/I-2 U.S. Holdings, L.L.C.; Starwood Global Opportunity Fund VII-A, L.P.; Starwood Global Opportunity Fund VII-B, L.P.; Starwood U.S. Opportunity Fund VII-D, L.P.; Starwood U.S. Opportunity VII-D-2, L.P.; Starwood Capital Hospitality Fund I-1, L.P.; Starwood Capital Hospitality Fund I-2, L.P.; SCF-VII Management, L.L.C.; SCG Hotel Management, L.L.C.; Starwood Capital Group Global, LLC; and Barry Sternlicht. Each of the Sternlicht/Starwood Parties is deemed a beneficial owner of 300,000 shares, except Barry Sternlicht who

beneficially owns 423,200 shares. The address of the Sternlicht/Starwood Parties, except Rivacq LLC, is 591 W. Putnam Ave., Greenwich, CT 06830. The address of Rivacq LLC is One World Financial Center, New York, NY 10281.

The High Desert/Bluhm/Carlin Parties consist of High Desert Gaming, LLC; LAMB Partners; LAMB, LLC; ISLE Investors, LLC ("ISLE"); Greg Carlin; and Neil Bluhm. Each of the High Desert/Bluhm/Carlin Parties, except ISLE and Greg Carlin, is deemed a beneficial owner of 300,000 shares. ISLE beneficially owns 75,300 shares and Greg Carlin beneficially owns 375,300 shares. The address of the High Desert/Bluhm/Carlin Parties, except LAMB, LLC, is 900 North Michigan Ave., Suite 1900, Chicago, IL 60611. The address of LAMB, LLC is 0223 Placer Lane, Aspen, CO 81612, P.O. Box 2147.

(16) Pursuant to a Stock Purchase Agreement, dated as of December 22, 2005 (the "Westerman Agreement"), upon the issuance of the requisite approvals by Nevada gaming authorities, certain members of the Joint Filing Parties will have (i) the right or obligation to purchase substantially all of Mr. Westerman's shares of Common Stock and (ii) a proxy to vote or direct the voting of Mr. Westerman's shares of Common Stock in favor of an acquisition of the Company by members of the Joint Filing Parties (an "Acquisition Transaction"). Mr. Westerman is also obligated to vote his shares of Common Stock in favor of an Acquisition Transaction. Those shares are reported as beneficially owned by Mr. Westerman, not by the Joint Filing Parties. This information is based on the Westerman Agreement, as contained in an exhibit in a Schedule 13D filed with the SEC by William L. Westerman on December 27, 2005 and in a Schedule 13D filed with the SEC by the Joint Filing Parties on December 28, 2005.

Item 13. Certain Relationships and Related Transactions

Jeffrey A. Silver, a Director and Chairman of our Compensation Committee, is a shareholder in the law firm of Gordon & Silver, Ltd., which we have retained for various legal matters during our last fiscal year and in 2006.

Item 14. Principal Accountant Fees and Services

Audit Fees

We were billed by our principal accountants, namely Deloitte & Touche LLP, the member firms of Deloitte Touche, Tohmatsu and their respective affiliates (collectively "Deloitte"), a total of $748,500 and $217,000 for fiscal years 2005 and 2004, respectively, for their audit of our annual consolidated financial statements, their review of our consolidated financial statements in our quarterly reports on Form 10-Q and Sarbanes-Oxley Act compliance. The 2005 amount includes $221,500 for audit of our annual consolidated financial statements including reviews of our Form 10-Q and $527,000 for Sarbanes-Oxley Act compliance.

Audit-Related Fees

We were billed $37,500 by Deloitte for benefit plan audits for the fiscal year ended December 31, 2004 and $41,500 by Piercy Bowler Taylor and Kern for benefit plan audits for the fiscal year ended December 31, 2005.

Tax Fees

We were billed $117,000 and $61,000 by Deloitte for income tax services for the fiscal years 2005 and 2004, respectively. Those services consisted of preparation of federal and state income tax returns, related tax advice, and mergers and acquisitions consulting services.

All Other Fees

We were billed by Deloitte $0 and $4,800 for other professional services in fiscal 2005 and 2004, respectively.

Audit Committee's Pre-Approval of Engagement

Our policy is that before we engage our independent public accountants annually to render audit or non-audit services, the engagement is reviewed and approved by our Audit Committee. All of our independent public accountants' services for which we paid audit-related fees or tax fees for 2005 and 2004, as described above, were within the scope of the engagement that our Audit Committee approved before we entered into the engagement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) List of Financial Statements

The following is the list of Registered Public Accounting Firm Reports and the Consolidated Financial Statements of the Company:

- Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting.
- Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements.
- Consolidated Balance Sheets as of December 31, 2005 and 2004.
- Consolidated Statements of Operations for the Years Ended December 31, 2005, 2004 and 2003.
- Consolidated Statements of Stockholders' Equity (Deficiency) for the Years Ended December 31, 2005, 2004 and 2003.
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003.
- Notes to Consolidated Financial Statements.

(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

The exhibits that are filed in this Form 10-K amendment are listed in the Exhibit Index herein, which is incorporated by reference, and are in addition to the exhibits in the Company's Form 10-K filed on March 15, 2006 (the "Original Filing"), except for Exhibit Number 21.1 which replaces Exhibit Number 21.1 that was in the Original Filing.

(b) The exhibits required by Item 601 of Regulation S-K are filed as exhibits to this Form 10-K amendment. Such exhibits are in addition to those included in the Original Filing, except for Exhibit Number 21.1 which replaces Exhibit Number 21.1 that was in the Original Filing.

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)

April 28, 2006

Pursuant to the requirements of the Securities Exchange Act 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	April 28, 2006
/s/ DUANE R. KROHN --- Duane R. Krohn	Treasurer (Principal Financial and Accounting Officer)	April 28, 2006
/s/ JEFFREY A. SILVER --- Jeffrey A. Silver	Director	April 28, 2006
/s/ PAUL A. HARVEY --- Paul A. Harvey	Director	April 28, 2006
/s/ VINCENT L. DIVITO --- Vincent L. DiVito	Director	April 28, 2006

/s/ JAMES N. LAND, JR. Director April 28, 2006

James N. Land, Jr.

EXHIBIT INDEX

The exhibits listed below and filed herein are in addition to the exhibits listed and filed in the Original Filing, except for Exhibit Number 21.1 which replaces Exhibit Number 21.1 that was in the Original Filing.

Exhibit Number	Description
10.1(A)	Compensation arrangements for non-employee directors
10.2(A)	Criteria for Incentive Compensation Program awards
10.3(A)	Fourth Amendment to Employment Agreement between the Company and Robert Vannucci, dated March 24, 2003
10.4	Amendment Numbers Four and Five to Loan and Security Agreement, originally dated July 26, 2002, by and among the Company and the other borrowers thereto, the Guarantors party thereto and Foothill Capital Corporation
21.1	Subsidiaries of Riviera Holdings Corporation
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
31.1	Certification of the Principal Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a)
31.2	Certification of the Principal Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a)
32.1	Certification of the Principal Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. 1350
32.2	Certification of the Principal Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. 1350

(A) Management contract or compensatory plan or arrangement.

Riviera Holdings Corporation
Consolidated Financial Statements for the Years Ended December 31, 2005, 2004 and 2003 and Reports of Independent Registered Public Accounting Firm

RIVIERA HOLDINGS CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
Riviera Holdings Corporation
Las Vegas, Nevada

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Riviera Holdings Corporation and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide

reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' deficiency, and cash flows for each of the three years in the period ended December 31, 2005 of the Company and our report dated March 13, 2006 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada

March 13, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
Riviera Holdings Corporation
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Riviera Holdings Corporation and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' deficiency, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 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 Riviera Holdings Corporation and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2006, expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada

March 13, 2006

RIVIERA HOLDINGS CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004
(In Thousands)

ASSETS	2005	2004
CURRENT ASSETS:		
Cash and cash equivalents	$ 20,571	$ 18,886
Accounts receivable net	3,544	3,898
Inventories	2,485	2,047
Prepaid expenses	4,197	4,101

Total current assets	30,797	28,932
PROPERTY AND EQUIPMENT Net	171,130	177,115
OTHER ASSETS	7,396	9,043
DEFERRED INCOME TAXES	2,446	2,446
Total assets	$ 211,769	$ 217,536
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 824	$ 1,441
Current portion of obligation to officers	1,000	1,000
Accounts payable	10,133	8,872
Accrued interest	1,087	1,089
Accrued expenses	12,261	15,197
Total current liabilities	25,305	27,599
LONG-TERM DEBT - Net of current portion	214,607	215,026
OBLIGATION TO OFFICERS - Net of current portion	3,126	4,203
Total liabilities	243,038	246,828
COMMITMENTS AND CONTINGENCIES (Note 11)		
STOCKHOLDERS' EQUITY (DEFICIENCY):		
Common stock, $.001 par value 60,000,000 shares authorized; 17,082,324 and 16,548,324 shares issued at December 31, 2005 and 2004, respectively	17	16
Additional paid-in capital	20,886	15,692
Deferred compensation - restricted stock	(3,585)	
Treasury stock, 4,859,091 and 5,047,074 shares at December 31, 2005 and 2004, respectively	(10,047)	(10,459)
Deficit	(38,540)	(34,541)
Total stockholders' deficiency	(31,269)	(29,292)
Total liabilities and stockholders' deficiency	$ 211,769	$ 217,536

See notes to consolidated financial statements.

RIVIERA HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(In Thousands, Except Per Share Amounts)

	2005	2004	2003
REVENUES:			
Casino	$ 108,130	$ 110,461	$ 105,736
Rooms	52,021	46,925	44,312
Food and beverage	34,132	34,123	32,584
Entertainment	17,371	20,767	18,641
Other	8,312	8,243	7,872
Total revenues	219,966	220,519	209,145
Less promotional allowances	17,739	19,169	18,986
Net revenues	202,227	201,350	190,159
COSTS AND EXPENSES:			
Direct costs and expenses of operating departments:			
Casino	56,092	54,530	56,273
Rooms	27,133	25,987	24,704
Food and beverage	24,645	23,675	22,220
Entertainment	13,214	14,066	12,160
Other	2,906	2,836	2,761
Other operating expenses:			
General and administrative			
Equity compensation	1,627		
Sarbanes-oxley	1,233		
Other general and administrative,	38,211	40,252	40,565
Mergers, acquisitions and development costs,	(65)	1,193	2,365
Asset impairment	777		
Depreciation and amortization	14,065	13,852	16,211
Total costs and expenses	179,838	176,391	177,259
INCOME FROM OPERATIONS	22,389	24,959	12,900
OTHER (EXPENSE) INCOME:			
Interest expense, including related party interest of $517,929, $638,154 and $758,686 in 2005, 2004 and 2005, respectively	(26,608)	(27,079)	(27,380)
Interest income	220	34	27
Total other expense	(26,388)	(27,045)	(27,353)
NET LOSS	$ (3,999)	$ (2,086)	$ (14,453)
EARNINGS PER SHARE DATA Loss per share, basic and diluted	$ (0.34)	$ (0.20)	$ (1.39)
Weighted-average common and common equivalent shares	11,833	10,671	10,422

See notes to consolidated financial statements.

RIVIERA HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Dollars In Thousands)

	Common Stock		Additional Paid-In	Deferred Compensation Restricted	Retained Earnings	Tre
	Shares	Amount	Capital	Stock	(Deficit)	Shares
BALANCE January 1, 2003	15,407,319	$ 15	$13,628	-	$(18,002)	(5,058,
Purchase of treasury stock deferred compensation trust						(5,
Stock issued under executive option plan	75,000	-	70			
Issuance of restricted stock	16,305	-	25			
Net loss					(14,453)	
BALANCE December 31, 2003	15,498,624	15	13,723		(32,455)	(5,063
Stock issued under executive option plan	1,048,500	1	2,167			
Distribution of treasury stock deferred compensation trust						16,
Other	1,200	-	(198)			
Net loss					(2,086)	
BALANCE December 31, 2004	16,548,324	16	15,692		(34,541)	(5,047
Stock Option Expense			60			
Stock issued under executive option plan	166,500	1	395			
Issuance of deferred compensation- Resticted Stock	367,500	-	5,151	(5,151)		
Amortization of deferred compensation- Resticted Stock				1,566		
Distribution of treasury stock - deferred compensation			(412)			18
Net loss					(3,999)	
BALANCE December 31, 2005	17,082,324	$ 17	$20,886	$(3,585)	$(38,540)	(4,85

See notes to consolidated financial statements.

RIVIERA HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(In Thousands)

	2005	2004	2003

OPERATING ACTIVITIES:			
Net loss	$ (3,999)	$ (2,086)	$(14,453)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	14,065	13,852	16,211
Write off of development and project cost		1,193	1,667
Amortization of deferred compensation - restricted stock	1,566		
Amortization of deferred compensation - stock options	60		
Provision for bad debts	243	(49)	441
Amortization of deferred loan fees	2,000	2,056	2,161
Increase in operating (assets) and liabilities:			
Accounts receivable net	111	(859)	579
Inventories	(438)	(21)	(202)
Prepaid expenses and other assets	(96)	(1,100)	967
Accounts payable	1,261	800	(266)
Accrued expenses	(2,936)	326	(706)
Deferred compensation plan obligation	(48)	(691)	29
Deferred tax asset			517
Obligation to officers	(1,000)	(1,000)	(750)
Net cash provided by operating activities	10,789	12,421	6,195
INVESTING ACTIVITIES:			
Capital expenditures for property and equipment Las Vegas	(5,240)	(7,169)	(6,531)
Capital expenditures for property and equipment Black Hawk	(3,038)	(3,477)	(1,712)
Decrease (increase) in other assets	219	557	(12)
Net cash used in investing activities	(8,059)	(10,089)	(8,255)

(Continued)

RIVIERA HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(In Thousands)

	2005	2004	2003
FINANCING ACTIVITIES:			
Proceeds from long-term borrowings	$	$ 316	$ 2,786
Draw on (repayment) of Foothill line of credit		(2,000)	2,000
Repayments on long-term borrowings	(1,440)	(3,937)	(3,690)
Exercise of employee stock options	395	2,168	70
Other		663	18
Net cash provided by (used in) financing activities	(1,045)	(2,790)	1,184

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,685	(458)	(876)
CASH AND CASH EQUIVALENTS Beginning of year	18,886	19,344	20,220
CASH AND CASH EQUIVALENTS End of year	$ 20,571	$ 18,886	$ 19,344
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING AND INVESTING ACTIVITIES:			
Property acquired with accounts payable- Las Vegas, Nevada	$ 406	$ 331	$ 191
Property acquired with debt Las Vegas, Nevada	$ -	$ 325	$ 2,786
Property acquired with accounts payable- Black Hawk, Colorado	$ 53	$ 354	$ 197
Cash interest paid	$ 24,608	$ 25,023	$ 25,219

See notes to consolidated financial statements. (Concluded)

RIVIERA HOLDINGS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations--Riviera Holdings Corporation and its wholly-owned subsidiaries (together, the "Company") own and operate the Riviera Hotel & Casino ("Riviera Las Vegas") on the Strip in Las Vegas, Nevada and the Riviera Black Hawk Casino ("Riviera Black Hawk") in Black Hawk, Colorado.

Riviera Las Vegas is located on the Las Vegas Strip, at 2901 Las Vegas Boulevard South, Las Vegas, Nevada and occupies approximately 26 acres. The buildings comprise approximately 1.8 million square feet, including 110,000 square feet of casino space, a 160,000 square-foot convention, meeting and banquet facility, 2,100 hotel rooms (including 169 luxury suites) in five towers, three restaurants including a buffet and barbeque, four showrooms, a lounge and approximately 2,300 parking spaces. In addition, executive and other offices for Riviera Las Vegas are located on the property. There are approximately 35 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.

Riviera Black Hawk is located on 1.63 acres of land at 400 Main Street, Black Hawk, Colorado. The buildings include approximately 325,000 square feet and comprise 32,000 square feet of gaming space, parking for approximately 520 vehicles (substantially all of which are covered), a 252-seat buffet, two bars and an entertainment center with seating for approximately 400 people.

The Company's operations are subject to extensive regulation in the states

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

Principles of Consolidation--The consolidated financial statements include the accounts of Riviera Holdings Corporation and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

Cash Equivalents--All highly liquid investment securities with maturity of three months or less when acquired are considered to be cash equivalents.

Securities classified as cash equivalents consist of short term investment and money market accounts (all with original maturities of 90 days or less) and had a value of $4,614,235 and $4,816,748 at December 31, 2005 and 2004, respectively.

Inventories--Inventories consist primarily of food, beverage, gift shop, and promotional items 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 cost, and capitalized lease assets are stated at the present value of future minimum lease payments at the date of lease inception. Depreciation is computed primarily by the straight-line method over the shorter of the estimated useful lives or lease terms, if applicable, of the related assets, which lives range from three years for certain equipment to 40 years for buildings.

The Company periodically assesses the recoverability of property and equipment and evaluates such assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount.

Other Assets--Other assets include deferred bond offering costs and commissions, which are amortized over the life of the debt using the "interest method". Such amortized costs are included in interest expense.

Stock-Based Compensation--As of December 31, 2005, the Company has five active stock-based compensation plans and two expired stock-based compensation plans. The effect of stock options in the income statement is reported in accordance with Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation. as amended by SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure. Accordingly, no compensation cost has been recognized for unissued stock options in the stock option plan, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. Under the non-employee stock compensation plan the Company shall at the discretion of the non-employee directors serving on the Company's Compensation Committee, issue shares of Company common stock to those directors in lieu of cash compensation. The amount of shares issued under this plan equals the market value of the shares on the normal director

compensation date.

Had compensation cost for the Company's stock option plans been determined based on the fair value at the date of grant for awards consistent with the provisions of SFAS No. 123 (using the grant date fair value method value method), the Company's net loss and pro forma net loss per common share and common share equivalent would have been increased to the pro forma amounts indicated below at December 31 (in thousands, except per share amounts):

	2005	2004	2003
Net loss as reported	$(3,999)	$(2,086)	$(14,453)
ADD:Stock-based employee compenstion expense	$ 60		
Deduct: Total stock-based employee compensation expense determined under fair value-based methods for awards net of related tax effects	$ (44)	$ (48)	$ (234)
Net loss pro forma	$(3,983)	$(2,134)	$(14,687)
Basic loss per common share as reported	$(0.34)	$(0.20)	$(1.39)
Basic loss per common share pro forma	$(0.34)	$(0.20)	$(1.41)
Diluted loss per common and common share equivalent as reported	$(0.34)	$(0.20)	$(1.39)
Diluted loss per common and common share equivalent pro forma	$(0.34)	$(0.20)	$(1.41)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2003, respectively: dividend yield of 0%; expected volatility 52%; risk-free interest rates of 4.49%; and expected lives of 10 years for all years. The weighted fair value of options granted in 2003 was $1.76. No options were granted in 2004 or 2005.

Fair Value Disclosures

Cash and Cash Equivalents, Accounts Receivable, Accounts Payable, and Accrued Expenses--The carrying value of these items is 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 outstanding at December 31, 2005 and 2004 is approximately $231,019,000 and $241,730,000, respectively.

Treasury Stock

Treasury shares are stated at cost. Included as treasury shares at December 31, 2005 were 191,022 shares held by the deferred compensation plan trust. These shares are eligible for voting by the plan participants, but are not considered outstanding for purposes of the financial statements.

Revenue Recognition

Casino Revenue--Casino revenue is the net win from gaming activities, which is the difference between gaming wins and losses less slot club cash points, cash vouchers and other related customer cash incentives.

Room Revenue, Food and Beverage Revenue, Entertainment Revenue, and Other Revenue--The Company recognizes room, food and beverage, entertainment revenue, and other revenue at the time that goods or services are provided. Prices are fixed or determinable, pervasive evidence of an arrangement exists, and collection is reasonably assured.

Promotional Allowances--Revenues include the estimated retail value of rooms, food and beverage, and entertainment provided to customers on a complimentary basis. Such amounts are then deducted as promotional allowance. The estimated cost of providing these promotional allowances is charged to the casino department in the following amounts:

	Year Ended December 31		
(in thousands)	2005	2004	2003
Food and beverage	$ 8,510	$ 8,693	$ 8,398
Rooms	1,333	1,096	1,231
Entertainment	632	890	1,641
Total costs allocated to casino departments	$10,475	$10,679	$11,270

Estimates and Assumptions-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used by the Company include recoverability of and estimated useful lives for depreciable and amortizable assets, certain accrued liabilities (including self-insurance reserves and customer loyalty programs, realizability of deferred tax assets, and collection allowances for receivables). Actual results may differ from estimates.

Self-Insurance Reserves-The Company is self-insured for various levels of general liability, workers' compensation, and non-union employee medical insurance coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accrued estimates of incurred but not reported claims. In estimating these costs, the Company considers its historical claims experience and makes judgments about the expected levels of costs per claim. Changes in health care costs, accident frequency and severity and other factors can materially affect the estimate for these liabilities.

Loyalty Club Program-We offer to our guests the opportunity to earn points redeemable for cash and complimentary rooms and food and beverage based on their level of gaming and non-gaming activities while at our properties. An accrual is recorded as points are earned based upon expected redemption rates and, in the case of complimentaries, the estimated cost of the complimentary to be provided.

Advertising-The costs of advertising are expensed as incurred and are allocated to each revenue department based upon content. Advertising expense was $2,472, $3,338 and $4,070 in 2005, 2004, and 2003, respectively.

Sarbanes-Oxley Expenses - These costs represent professional fees to consultants and external auditors for compliance with Section 404 of the Sarbanes-Oxley Act of 2002. They are a significant item, which we feel should be disclosed to the public.

Recently Issued Accounting Standards-- In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (Revised 2004), Share-Based Payment ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based employee compensation transactions be recognized in the financial statements. Share-based employee compensation transactions within the scope of SFAS 123R include stock options, restricted stock plans, stock appreciation rights and employee share purchase plans. The provisions of SFAS 123R are to be effective for us beginning January 1, 2006. In December 2005, we accelerated the vesting on all non-employee directors' options then outstanding (subject to the non-employee directors' agreements not to exercise the options prior to the exerisability dates before giving effect to the acceleration), and as a result, there will be no effect of applying the new standard on future periods with respect to currently outstanding employee and directors' options. The effect of the new standard on the accounting for future option grants cannot be predicted.

In March 2005, the FASB issued FIN 47, Accounting for Conditional Asset Retirement Obligations, an Interpretation of FAS 143. FIN 47 requires recognition of a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. When sufficient information exists, uncertainty about the amount and/or timing of future settlement should be factored into the liability measurement. The interpretation was effective for us for the year ended December 31, 2005. The adoption of this interpretation did not have a material impact on our results of operations or financial position.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and SFAS No. 3. SFAS No. 154 replaces APB Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements and changes the requirement for the accounting for and reporting of a change in accounting principles not prescribed by specific transition provisions of the newly adopted standard. It carries forward without change the requirements of APB Opinion No. 20 for accounting for error corrections and changes in estimates. The provisions of SFAS No. 154 will be effective for accounting changes made in the fiscal year beginning after December 15, 2005. We do not presently expect to enter into any accounting changes in the foreseeable future that would be affected by adopting SFAS No. 154 when it becomes effective.

2. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31 (in thousands):

	2005	2004
Casino	$1,454	$1,556
Hotel	3,334	3,556
Total	4,788	5,112
Collection allowances	(1,244)	(1,214)
Accounts receivable - net	$3,544	$3,898

Changes in the collection allowances consist of the following for the years ended December 31 (in thousands):

	2005	2004	2003
Beginning balance	$1,214	$1,047	$ 990
Write-offs	(229)	(68)	(316)
Recoveries	16	37	21
Provision for doubtful collection	243	198	352
Ending balance	$1,244	$1,214	$1,047

The Company manages its credit risk by evaluating customers' credit worthiness before extending credit. The maximum credit losses that might be sustained are limited to the recorded receivables less any amounts reserved.

3. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following at December 31 (in thousands):

	2005	2004
Prepaid gaming taxes	$1,439	$1,110
Prepaid insurance	814	921

Other	1,944	2,070
Total	$4,197	$4,101

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31 (in thousands):

	2005	2004
Land and improvements	$ 38,130	$ 38,130
Buildings and improvements	143,417	143,417
Equipment, furniture, and fixtures	143,004	137,690
Total cost	324,551	319,237
Accumulated depreciation and amortization	(153,421)	(142,122)
Property and equipment-net	$171,130	$177,115

Substantially all of the Company's property and equipment are pledged as collateral to secure debt (see Note 8).

5. OTHER ASSETS

Other assets consist of the following at December 31 (in thousands):

	2005	2004
Deposits	$ 83	$ 140
Bond offering costs and commissions, net of accumulated amortization of $5,556 and $3,962 respectively	6,153	7,747
Other	1,160	1,156
Total	$ 7,396	$ 9,043

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable consist of the following at December 31 (in thousands):

	2005	2004

Outstanding chip and token liability	$ 401	$ 609
Customer loyality liabilities	859	1,002
Progressive jackpot liabilities	654	457
Customer deposits and other	302	220
Total customer-related payables	2,216	2,288
Accounts payable vendors	6,077	4,355
Insurance contracts	246	648
Customer deposits, non-gaming	1,159	874
Other	435	707
Total	$ 10,133	$8,872

Accrued expenses consist of the following at December 31 (in thousands):

	2005	2004
Payroll and related taxes and benefits	$ 9,127	$10,202
Other	3,134	4,995
Total	$12,261	$15,197

7. OBLIGATION TO OFFICERS

Obligation to officers consists of the nonqualified pension plan obligation to our Chief Executive Officer ("CEO"), payable upon expiration of his employment contract or a change of control of the Company, including accrued interest and deferred compensation plan liabilities. See Note 12 for a description of these plans.

(in thousands)	2005	2004
Nonqualified pension obligation CEO, unfunded	$ 513	$ 1,513
Accrued interest on pension CEO, unfunded	3,610	3,639
Deferred compensation funded	3	51
	4,126	5,203
Less current portion	(1,000)	(1,000)
Obligation to officers - net of current portion	$3,126	$4,203

8. LONG-TERM DEBT

Long-term debt consists of the following at December 31 (in thousands):

	2005	2004
11% Senior Secured Notes maturing on June 15, 2010, bearing interest, payable semiannually on June 15 and December 15 of each year, redeemable beginning June 15, 2006 at 105.5%; 2007 at 103.7%, 2008 at 101.8%, 2009 and thereafter at 100%. These notes are collateralized by the land and physical structures comprising Riviera Las Vegas and the assets of Riviera Black Hawk	$ 213,196	$ 212,792
5.5% to 5.9% notes collateralized by equipment, payable monthly, including interest, maturing through February 2007	1,448	2,056
Capitalized lease obligations (Note 9)	252	968
5.5% Special Improvement District Bonds - issued by the City of Black Hawk, Colorado, interest and principal payable monthly over 10 years beginning in 2000	535	651
Total long-term debt	215,431	216,467
Current maturities by terms of debt	(824)	(1,441)
Total	$ 214,607	$ 215,026

Maturities of long-term debt for the years ending December 31 are as follows (in thousands):

2006	$ 824
2007	888
2008	324
2009	199
2010	213,196
Total	$215,431

On June 26, 2002, the Company obtained new debt in the principal amount of $215 million in the form of 11% senior secured notes with a maturity date of June 15, 2010, substantially all of which were later exchanged for notes of the Company that were registered under the Securities Act of 1933, as amended (collectively, the "Notes"). Interest on the Notes is at the annual rate of 11% paid semiannually on each June 15 and December 15, beginning December 15, 2002. The net proceeds of the Notes, along with

cash on hand, were used to defease Riviera Las Vegas' 10% First Mortgage Notes due 2004 and to defease Riviera Black Hawk's 13% First Mortgage Notes due 2005 with contingent interest. Cash flow from operations is not expected to be sufficient to pay 100% of the principal of the Notes at

maturity on June 15, 2010. Accordingly, the ability of the Company to repay the Notes at maturity will be dependent upon its ability to refinance the Notes. There can be no assurance that the Company will be able to refinance the Notes at maturity. On or after June 15, 2006, the Company may redeem Notes from time to time at a premium beginning at 105.5% and declining each subsequent year to par in 2009.

The indenture governing the Notes (the "Note Indenture") provides that, in certain circumstances, the Company must offer to repurchase the 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 Notes without a refinancing.

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

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

The Note Indenture contains certain covenants, which limit the ability of the Company, as defined, subject to certain exceptions, to: (i) incur additional indebtedness; (ii) pay dividends or other distributions, repurchase capital stock or other equity interests or subordinated indebtedness; (iii) enter into certain transactions with affiliates; (iv) create certain liens; (v) sell certain assets; or (vi) enter into certain mergers and consolidations. As a result of these restrictions, the ability of the Company 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 may be required to curtail or defer certain of its capital expenditure programs, which could have an adverse effect on operations. At December 31, 2005, the Company believes that it is in compliance with the covenants.

On July 26, 2002, the Company entered into a $30 million, five-year secured credit facility. The credit facility is secured by substantially the same collateral that secures the Notes. The lien on the collateral securing the credit facility is senior to the lien on the collateral securing the Notes. The credit facility contains customary conditions to borrowing and certain representations and warranties customary in gaming-related finance. The credit facility also contains financial covenants and restrictions regarding, among other things, indebtedness, distributions and changes in control. Under the credit facility, the Company can obtain extensions of credit in the forms of cash and letters of credit. The Company is required to pay interest on all outstanding cash advances at the rate of interest announced by Wells Fargo at its principal office in San Francisco at its prime rate plus 0.75% or at the rate at which major international banks in London charge each other for borrowings in U.S. dollars plus 3.00%. However, the minimum interest rate we will be charged on outstanding cash advances is 4.50%. The Company is required to

pay a fee on all outstanding letters of credit equal to their face value times an annual percentage rate of 2.50%. Additionally, in the event of a default, the credit facility lender may increase the interest rate and letter of credit fee by an additional 2.00% per year during the period of default. An annual fee (paid monthly) of .5 percent is charged on the unused portions of the revolver plus a $3,000 monthly service fee. There were no advances outstanding on this revolver at December 31, 2005.

The Company has a credit facility totaling $200,000 for letters of credit issued periodically to foreign vendors for purchases of merchandise. The letters require payment upon presentation of a valid voucher.

The 5.5% Special Improvement District Bonds were issued by the City of Black Hawk, Colorado, prior to 2003 for $2,940,000. The proceeds were used for road improvements and other infrastructure projects benefiting Riviera Black Hawk and a nearby casino. The projects were completed prior to 2003 at a cost to the Company of $1,574,000, including interest and reserves.

9. LEASING ACTIVITIES

The Company leases certain office 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 that the fair market value of the property and equipment subject to the leases approximates the net present value of the leases.

The following is a schedule by year of the minimum rental payments due under capital leases as of December 31, 2005 (in thousands):

2006	$ 83
2007	83
2008	83
2009	61
2010	
Total minimum lease payments	310
Taxes, maintenance, and insurance	(31)
Interest portion of payments	(27)
Present value of net minimum lease payments	$ 252

Property and equipment under capital lease as of December 31, 2005 and 2004 were $11.4 and $11.1 million with accumulated amortization of $11.1 million and $10.9 million, respectively.

Rental expense under operating leases for the years ended December 31, 2005, 2004 and 2003 was approximately $1,096,307, $964,166 and $1,596,487, respectively. All are cancelable within a year.

In addition, the Company leases retail space to third parties (primarily retail shops and fast food vendors) under terms of noncancelable operating leases that expire in various years through 2011. Rental income, which is included in other revenue, for the years ended December 31, 2005, 2004 and 2003 was approximately $2,205,300, $1,907,400 and $1,835,000 respectively.

Riviera Las Vegas has recently added a buyout/liquidated damages provision to its standard lease. The modification provides that in the event of a major renovation or certain other events, the Company has the right, according to an agreed-upon formula, to buy out any remaining term of the lease by providing the tenant twelve months written notice. This provision or similar wording is included in new leases and renewals.

At December 31, 2005, the Company had future minimum annual rental income due under noncancelable operating leases as follows (in thousands):

2006	$ 2,376
2007	1,991
2008	979
2009	669
2010	617
Total	$ 6,632

10. INCOME TAXES

The effective income tax rate of zero differs from the statutory federal income tax rates for the years ended December 31 as follows (dollars in thousands):

	2005		2004		2003	
	Amount	Rate	Amount	Rate	Amount	Rate
Income taxes benefit at federal statutory rate	$(1,400)	(35.0)%	$ (730)	(35.0)%	$(5,054)	(35.0)%
Employee Benefits	695	17.4 %	1,555	74.6 %	(433)	(3.0)%
Other	(471)	(11.8)%	(308)	(14.8)%		
Valuation allowance	1,176	29.4 %	(517)	(24.8)%	5,487	38.0 %
Benefit for income taxes	$ -	0.0 %	$ -	0.0 %	$ -	0.0 %

Comparative analysis of the (benefit) provision for income taxes is as follows:

	2005	2004	2003
Current	$	$	$ (517)
Deferred	-	-	517
Total	$ -	$ -	$ -

The tax effects of the items composing the Company's net deferred tax (asset) liability consist of the following at December 31 (in thousands):

	2005	2004
Deferred tax liabilities:		
Reserve differential for hospitality and gaming activities	$ 1,168	$ 1,015
Difference between book and tax-depreciable property	4,820	4,385
Other	511	511
Total	6,499	5,911

	2005	2004
Deferred tax assets:		
Net operating loss carryforward	$19,785	$18,279
Reserves not currently deductible	2,536	2,195
Bad debt reserves	474	465
AMT and other credits	3,092	2,622
Total	25,887	23,561
Valuation allowance	(16,942)	(15,204)
Net deferred tax asset	$ 2,446	$ 2,446

The Company has $3,092,000 of alternative minimum tax ("AMT") credit and general business credit available to offset future income tax liabilities. The AMT credits have no expiration date. The general business credit will not begin to expire until 2010. The Company has approximately $56,530,000 net operating loss carryforwards, which will expire between 2013 and 2026. . If the Company were to sell certain assets, the gain on sale could be sheltered from taxes up to approximately $17 million. However, the Company does not believe that there is sufficient certainty to reduce the valuation allowance. Accordingly, a valuation allowance has been provided for substantially all deferred tax assets

The realizability of the net deferred tax asset related to Rivera Las Vegas is dependent upon future earnings. The Company's net deferred tax asset approximates its AMT credit carryforwards, which have an indefinite life.

11. COMMITMENTS AND CONTINGENCIES

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

the Company.

Employees and Labor Relations-- As of December 31, 2005, the Company had approximately 1,627 full-time equivalent employees and had collective bargaining agreements in Las Vegas with eight unions covering approximately 794 of such employees, including food and beverage employees, rooms department employees, carpenters, engineers, stagehands, musicians, electricians, painters and teamsters. The Company's agreement

with the Carpenters Union expired in 2005 but was extended until July 2006. The Company's agreement with the Painters Union was renegotiated in 2005 and expires in 2010. Agreements with the Southern Nevada Culinary and Bartenders Union, covering the majority of the Company's unionized employees, were renegotiated in 2002 and expire in 2007, as does the agreement with the Stagehands Union. The agreement with the Teamsters Union expires in 2008 while the Operating Engineers and Electrician agreements expire in 2009. The collective bargaining agreement with the Musicians Union expired in 1999. The Company is currently in negotiations with the Musicians Union. 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 on terms satisfactory to the Company.

12. EMPLOYMENT AGREEMENTS AND EMPLOYEE BENEFIT PLANS

Chairman-William L. Westerman serves as our Chairman of the Board, President and CEO, and as Chairman of the Board and CEO of our wholly-owned subsidiary, Riviera Operating Corporation ("ROC").

Under Mr. Westerman's employment agreement, which was last amended on July 15, 2003, he is employed for an indefinite period, subject to termination by either Mr. Westerman upon at least 180 days written notice or the Company upon at least 90 days written notice. Mr. Westerman's base annual compensation is $1,000,000. Under his employment agreement, Mr. Westerman is not entitled to participate in the Incentive Compensation Plan or other executive bonus plan established by the Company.

The employment agreement required the Company to fund a retirement account for Mr. Westerman. Pursuant to that agreement, the Company makes no further principal contributions to the retirement account subsequent to January 1, 2001 but the account continues to accrue interest. The retirement account had a balance, including accrued interest, of $4,122,703 as of December 31, 2005.

Mr. Westerman's retirement account is credited quarterly with interest on the first day of each succeeding calendar quarter in an amount 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, and (ii) the average outstanding balance in the retirement account during the preceding calendar quarter. At the recommendation of our Compensation Committee, in order to reduce the amount that would be payable immediately upon Mr. Westerman's separation from the Company, it was agreed that commencing April 1, 2003, and continuing the first day of each quarter thereafter, he be paid the following in cash: (i) a distribution of $250,000 from the principal balance of his retirement account; and (ii) the quarterly interest credited to his retirement account one quarter in arrears. Total interest

accrued to Mr. Westerman in 2005 was $517,929 while interest accrued was $638,154 for 2004 and $757,686 for 2003.

We retain beneficial ownership of Mr. Westerman's retirement account, which is earmarked to pay his retirement benefits. However, upon (1) the vote of a majority of the outstanding shares of common stock approving a "change of control" (as discussed in the next paragraph), (2) the occurrence of a change of control without Mr. Westerman's consent, (3) a breach by us of a material term of the employment agreement or (4) the expiration or earlier termination of the employment agreement for any reason other than cause, Mr. Westerman has the right to require us to establish a "Rabbi Trust" for his benefit. He also has the right to require us to fund such trust with cash equal to the amount then credited to his retirement account, including any amount to be credited to his retirement account upon a change of control.

On February 5, 1998, our stockholders approved a merger agreement(which subsequently terminated). That approval constituted a change of control under Mr. Westerman's employment agreement. On March 5, 1998, Mr. Westerman exercised his right to require us to establish and fund a Rabbi Trust for his benefit. On March 20, 1998, Mr. Westerman waived his right to have us fund the Rabbi Trust in exchange for our agreement to fund it within five business days after notice from him.

In the event that Mr. Westerman ceases to be employed by us (except for termination for cause, in which case Mr. Westerman would forfeit all rights to monies in the retirement account), Mr. Westerman will be entitled to receive the amount in the retirement account (principal and interest) in 20 equal quarterly installments commencing as of the date he ceases to be employed. In the event that Mr. Westerman's Rabbi Trust has not yet been funded, the balance of principal and interest of the retirement account shall be paid directly to Mr. Westerman upon his retirement or termination (except for cause) or upon a change of control.

The agreement provides that for a period of 24 months following termination for any reason except cause, Mr. Westerman shall not engage in any activity, which is in competition with the Company within a 75-mile radius from the location of any hotel or casino then operated by the Company. As consideration for not competing, the Company shall pay to Mr. Westerman a total of $500,000 in two equal annual installments of $250,000. The first installment is payable within five business days of termination of employment with the second installment payable on the first anniversary of termination.

In addition to Mr. Westerman, one other executive, Robert Vannucci, has an employment agreement with us.

Mr. Vannucci serves as President of ROC under an employment agreement that was last amended on March 24, 2003. Mr. Vannucci's base compensation is $300,000 in cash and $100,000 in shares of stock under our Restricted Stock Plan (see "Restricted Stock Plan" below or cash, at his election.

Mr. Vannucci's agreement provides that he is to receive $25,000 in stock, based on our stock's market value, or cash (at his election) on the first business day of each quarter, plus common stock, based on market value, or cash (at his election), equal to the amount of the award he receives under our Incentive Compensation Plan. Mr. Vannucci is presently entitled to rights of ownership with respect to the shares he receives under our

Restricted Stock Plan, including the right to vote and receive dividends. Mr. Vannucci may not, however sell, assign, pledge, encumber or otherwise transfer any of the shares so long as we employ him, without our written consent. The shares fully vest to Mr. Vannucci upon a change of control (as defined) or his separation of employment from us, so long as such separation is not termination for cause. Mr. Vannucci chose to receive $100,000 in cash in 2005 pursuant to these provisions.

Mr. Vannucci's employment agreement provides for an Incentive Compensation Plan entitling him to participate in our Las Vegas Incentive Compensation Plan, whereby he may share in a portion of such plan's pool. Mr. Vannucci's agreement also provides for an additional incentive award in his choice of either Restricted Stock Plan shares or cash in an amount, equal to his Incentive Compensation Plan award. Mr. Vannucci did not receive an Incentive Compensation Plan award for 2003 or 2005. For 2004 Mr. Vannucci received an Incentive Compensation Plan award of $57,000 cash, which entitled him to an additional incentive award of $57,000, which he elected to receive in cash. Mr. Vannucci's agreement automatically renews annually subject to 120 days prior written notice by him or us.

Incentive Compensation Plan--We have has an Incentive Compensation Plan covering employees who, in the opinion of our Chairman of the Board, either serve in key executive, administrative, professional, or technical capacities with us, or who have made a significant contribution to the successful and profitable operation of the Company. The amount of each bonus is based upon a sliding targeted scale of earnings established annually. During the years ended December 31, 2005, 2004 and 2003, the Company recorded accrued bonuses of $556,892, $1,085,092 and $302,216 respectively, under this plan.

Pension Plan Contributions--We contribute to multi-employer pension plans under various union agreements to which we are a party. Contributions, based on wages paid to covered employees, were approximately $1,759,561, $1,714,812 and $1,646,000 for the years ended December 31, 2005, 2004 and 2003, respectively. These contributions were for approximately 813 employees, including food, beverage, employees and room department workers, carpenters, engineers, stagehands, electricians, painters, and teamsters. Our share of any unfunded liability related to multi-employer plans, if any, is not determinable.

Profit Sharing and 401(k) Plans--We have profit sharing and 401(k) plans (the "Profit Sharing and 401(k) Plans") for employees of Riviera Las Vegas and Riviera Black Hawk who are at least 21 years of age and who are not covered by a collective bargaining agreement after one year of service.

We may contribute to the 401(k) component of the Profit Sharing and 401(k) Plans in an amount not to exceed 25% of the first 8% of each participant's compensation. We made contributions of $290,200, $302,882 and $220,900 for the years ended December 31, 2005, 2004 and 2003. We also pay administrative costs of the Profit Sharing and 401K Plans, which are not material.

Prior to 2003, we suspended contributions to the profit sharing component of the Profit Sharing and 401(k) Plans and we have substituted contributions to an Employee Stock Ownership Plan ("ESOP"), (see "Employee Stock Ownership Plan," directly below).

Employee Stock Ownership Plan--The ESOP was established prior to 2003 to replace the profit sharing contribution component of the Profit Sharing and 401(k) Plans. The 401(k) component remains unchanged. The ESOP provides that all employees of Riviera Las Vegas and Riviera Black Hawk who were employed on and completed a minimum of 1,000 hours of service by,

December 31 of that plan year, were at least 21 years of age, and were not covered by a collective bargaining agreement are eligible to participate in the ESOP. The ESOP provides that we will make a contribution to the ESOP's participants at Riviera Las Vegas and Riviera Black Hawk relative to the economic performance of each property and for the corporate participants relative to the economic performance of the entire company. For Riviera Las Vegas, we will make a contribution equal to 1% of each eligible employee's annual compensation if a prescribed annual operating earnings target is attained and an additional 1% thereof for each $2 million by which operating earnings are exceeded, up to a maximum of 4% for 2005. For Riviera Black Hawk, we will make a contribution equal to 1% of each eligible employee's annual compensation if a prescribed annual operating earnings target is attained, an additional 1% for the next $1.5 million and an additional 1% thereof for each $2 million by which operating earnings are exceeded, up to a maximum of 4% for 2005. For Riviera corporate participants, we will make a contribution equal to 1% of each eligible employee's annual compensation if a prescribed annual operating earnings target is attained an additional 1% for each $2 million by which operating earnings are exceeded, up to a maximum of 2%. Under the ESOP, our contributions are made in cash, which may be used to buy our common stock and pay participants upon separation of service. We contributed to the ESOP $125,974 in 2005, $899,253 in 2004 and $348,435 in 2003.

Deferred Compensation Plan--Prior to 2003, we adopted a Deferred Compensation Plan (the "DCP"). The purpose of the DCP is to provide eligible employees with the opportunity to defer the receipt of cash compensation. Participation in the DCP is limited to employees who receive annual compensation of at least $100,000. The deferred funds, other than the common stock component, are maintained on the Company books as funded liabilities under Rabbi Trusts for the benefit of the participants. All elections to defer the receipt of compensation must be made no later than December 1st preceding the plan year to which the election relates and are irrevocable for the duration of that plan year. No deferrals have been made since 2004. Six executives were participating in the DCP as of December 31, 2005. The DCP is distributing common stock to participants under established schedules. The common stock is included in the Rabbi Trusts for the participants and is recorded as treasury stock in these financial statements.

Restricted Stock Plan--Prior to 2003, we adopted a Restricted Stock Plan to provide incentives, to attract and retain highly competent persons as officers and key employees. Participants consist of such officers and key employees as our Compensation Committee determines to be significantly responsible for our success and future growth and profitability. Awards of restricted stock are subject to such terms and conditions as we determine to be appropriate at the time of the grant, including restrictions on the sale or other disposition of such shares and provisions for the forfeiture of unvested shares for no consideration upon termination of the participant's employment within specified periods or under certain conditions.

Salary Continuation Agreements--Approximately 60 executive officers and certain other employees (excluding Mr. Westerman and Mr. Vannucci) of ROC have salary continuation agreements effective through December 2006, pursuant to which they will be entitled to receive (1) either six months' or one year's salary if their employment with the Company is terminated, without cause, within 12 or 24 months of a change of control of the Company; and (2) group health insurance for periods of either one or two

years. The base salary payments are payable in biweekly installments, subject to the employee's duty to mitigate by using his or her best efforts to find employment. In addition, four officers and significant employees have salary continuation agreements effective through December 31, 2006, pursuant to which each of them will be entitled to receive two year's base salary and certain benefits for two years, if their employment is terminated without cause within 24 months of a change of control of the Company. These four salary continuation agreements are not subject to a duty to mitigate. The estimated total amount payable under all such agreements was approximately $6.4 million, including $1.5 million in benefits, as of December 31, 2005.

13. STOCK OPTION PLANS

Stock Compensation Plans--At December 31, 2005, we had two active stock option plans and two expired stock option plans, which are described below. We account for the fair value of grants under those plans in accordance with APB Opinion No. 25. Under the 1993 Employee Stock Option Plan (the "1993 Option Plan"), we were authorized to grant options to employees for up to one million shares of our common stock. Under the Non-Qualified Stock Option Plan for Non-Employee Directors (the "1996 Option Plan"), we were authorized to grant options to non-employee directors for up to 150,000 shares of common stock. Under these plans, the exercise price of each option equaled the market price of our stock on the date of grant (110% of market value in the case of an incentive option granted to an owner of more than 10% of our common stock) and an option's maximum term was 10 years (5 years in the case of an incentive option granted to a an owner of more than 10% of our common stock). Under the 1993 Option Plan, options vest 25% on the date of grant and 25% each subsequent year. All options have become vested under the 1996 Option Plan. Although the 1993 Option Plan and 1996 Option Plan have expired, some options granted under these plans are still outstanding.

Effective May 17, 2005, we implemented two new stock option plans and reserved a total of 1,150,000 shares for options issuable under the plans. We allocated 150,000 shares to a new option plan for non-employee directors. We will grant options for 6,000 shares to each non-employee director on each anniversary of the effective date of the plan. Also, we will grant options for 6,000 shares to each person who becomes a non-employee director after May 17, 2005. The option exercise price will be the closing market price of our stock on the date of the option grant. The options will vest over five years at 20% per year, commencing on the first anniversary of the grant.

We allocated one million shares to a new incentive stock option plan for our officers and key employees. Our Stock Option Committee will have discretion as to whom those options will be granted and the number of shares to be allocated to each option grant. The option exercise price

will be the closing market price of our stock (110% of market value in the case of an incentive option granted to an owner of more than 10% of our common stock) on the date of the option grant. The options will vest over four years, with 20% vesting on the date of grant, and an additional 20% on each anniversary of the grant.

During the third quarter of 2004, we determined that options for 385,500 shares (128,500 prior to the three-for-one split), with an average exercise price of $1.84 per share ($5.53 prior to the stock split), which we attempted to grant to 21 executives under the 1993 Option Plan between July 15, 2003 and May 10, 2004, could not be granted because the plan expired on June 30, 2003. Prior to this determination, we had reported those options as being outstanding and unexercised.

Prior to 2005, two executives to whom we attempted to grant options for 48,000 of those 358,500 shares left our employment. On April 6, 2005, we granted to the 19 remaining executives a total of 337,500 shares under our Restricted Stock Plan in substitution for the stock options that we had attempted to grant to them under the 1993 Option Plan.

Except for accelerated vesting in the event of an executive's death, disability, retirement at or after age 62, termination of employment by us other than for cause, or certain events of hardship, or in the event of a change in control of the Company, the vesting schedule for the shares is as follows.

March 10, 2006.....20%
March 10, 2007.....40%
March 10, 2008.....60%
March 10, 2009.....80%
March 10, 2010.....100%

Also during the third quarter of 2004, we determined that options for 30,000 shares (10,000 shares prior to the stock split), with an average exercise price of $2.97 ($8.92 prior to the stock split), which we attempted to grant to our four non-employee directors in April and May 2004 under the 1996 Option Plan, could not be granted because that plan expired on June 30, 2003. Prior to this determination, we had reported those options as being outstanding and unexercised.

On May 27, 2005, we granted a total of 30,000 shares of stock to our non-employee directors in substitution for the stock options that we had attempted to grant to them under the 1996 Option Plan. Those shares are subject to restrictions on resales, assignments, pledges, encumbrances or other transfers prior to vesting. The shares vest at the rate of 20% per year on each anniversary of the grant date. However, accelerated vesting will occur upon death, disability, a change of control of the Company or under any other termination of directorship status, except resignation prior to reaching age 62 or declining to stand for reelection prior to reaching age 62 (which would result in forfeiture of the non-vested shares).

On December 30, 2005 we accelerated the vesting and exercisability of the outstanding stock options awarded to our non-employee directors under the

1996 Option Plan (subject to their agreement not to exercise those options before the earliest date(s) on which they could have been exercised prior to giving effect to the acceleration). The acceleration resulted in a $60,000 one-time non-cash charge to expense in the fourth quarter of 2005.

The activity of the 1993 Option Plan and the 1996 Option Plan is as follows:

1993 Option Plan	Shares	Weighted-Average Per Share Exercise Price
Outstanding, January 1, 2003	1,677,000	$ 2.10
Grants	385,500	$ 1.75
Canceled	(223,500)	$ 1.76
Outstanding, December 31, 2003	1,839,000	$ 2.21
Exercised	(1,048,500)	$ 2.07
Canceled	(397,500)	$ 1.84
Outstanding, December 31, 2004	393,000	$ 2.39
Exercised	(166,500)	$ 2.38
Outstanding, December 31, 2005	226,500	$ 2.41
1996 Option Plan		
Outstanding, January 1, 2003	72,000	$ 2.37
Automatic grant to directors	18,000	$ 1.87
Canceled	(18,000)	$ 2.56
Outstanding, December 31, 2003	72,000	$ 2.37
Reinstated	12,000	$ 4.46
Outstanding, December 31, 2004	84,000	$ 2.54
	-	
Outstanding, December 31, 2005	84,000	$ 2.54

No grants have been made under the 2005 option plans.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 2005	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at December 31, 2005	Weighted-Average Exercise Price

$1.33 to $2.00	54,000	5.9 years	$1.89	310,500	$ 2.44
$2.18 to $4.50	256,500	5.0 years	$2.56		

14. LOSS PER SHARE

Basic loss per share is computed by dividing net loss per share by the weighted-average number of common shares outstanding for the period. Diluted loss per share is computed by dividing net income by the weighted number of common and common-equivalent shares outstanding for the period. Options to purchase common stock, whose exercise price was greater than the average market price for the period, have been excluded from the computation of diluted loss per share. Such antidilutive options outstanding for the years ended December 31, 2005, 2004 and 2003 were 276,196; 417,777; and 1,677,000, respectively based on the treasury method.

15. SEGMENT DISCLOSURES

We review our operations by our geographic gaming market segments: Riviera Las Vegas and Riviera Black Hawk. All inter-segment revenues have been eliminated.

(In thousands)	2005	2004	2003
Net revenues:			
Riviera Las Vegas	$150,688	$147,949	$140,963
Riviera Black Hawk	51,539	53,401	49,196
Total net revenues	$202,227	$201,350	$190,159
EBITDA(1):			
Riviera Las Vegas	$ 26,789	$ 27,158	$ 22,678
Riviera Black Hawk	17,282	16,884	13,283
Total property EBITDA	$ 44,071	$ 44,042	$ 35,961
Other costs and expenses:			
Corporate expense			
Equity-based compensation	1,627		
Sarbanes-oxley	1,233		
Other corporate expenses	4,045	4,038	4,485
Depreciation and amortization	14,065	13,852	16,211
Mergers, acquisitions and development costs, net	(65)	1,193	2,365
Asset impairmnet	777		
Interest expense	26,608	27,079	27,380
Interest Income	(220)	(34)	(27)
Other-net			
Total other costs and expenses	48,070	46,128	50,414
Net loss	$ (3,999)	$ (2,086)	$(14,453)

Interest expense			
Riviera Las Vegas	$ 18,857	$ 19,140	$ 19,208
Riviera Black Hawk	7,751	7,939	8,172
	$ 26,608	$ 27,079	$ 27,380
Depreciation and amortization			
Riviera Las Vegas	$ 9,712	$ 9,839	$ 11,706
Riviera Black Hawk	4,453	4,013	4,505
	$14,065	$13,852	$ 16,211
Asset impairmnet			
Riviera Las Vegas	$ 310	$	$
Riviera Black Hawk	467		
	$ 777	$	$

	December 31	
	2005	2004
Property and equipment (2):		
Riviera Las Vegas	$111,209	$115,950
Riviera Black Hawk	59,921	61,165
Total	$171,130	$177,115

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

(2) Property and equipment represent property and equipment and, net of accumulated depreciation and amortization.

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

Riviera Black Hawk-- Riviera Black Hawk primarily serves the residents of metropolitan Denver, Colorado. As such, we believe that significantly all revenues are derived from within 250 miles of that geographic area.

16. GUARANTOR INFORMATION

The 11% Notes and the $30 million senior secured credit facility are guaranteed by all of our restricted subsidiaries. These guaranties are full, unconditional, and joint and several. Riviera Gaming Management of Missouri, Inc. ("RGMM") and Riviera Gaming Management of New Mexico, Inc. ("RGMNM") are unrestricted subsidiaries of RHC, are not guarantors of the 11% Notes RGMM and RGMNM do not have operations and do not significantly contribute to our financial position or results of operations.

17. RELATED PARTY TRANSACTIONS

Jeffrey A. Silver, a member of our board of directors, is a shareholder in the law firm of Gordon & Silver, Ltd. ("Gordon & Silver"). We have engaged Gordon & Silver for various securities issues and other legal matters since 1993. We continue to utilize the services of Gordon & Silver and we believe that the fee arrangement is substantially equivalent to the arrangements that would have been made with a comparable law firm where a relationship of this nature did not exist. We incurred legal expenses to the firm which are included in mergers, acquisitions and development cost, net of $137,469, $85,447 and $73,770 in 2005, 2004 and 2003, respectively. We incurred legal expenses to the firm which are included in other general and administrative costs of $296,607, $90,729 and $113,764 in 2005, 2004 and 2003, respectively.

18. SUBSEQUENT EVENTS

On December 22, 2005, Mr. William L. Westerman, Chief Executive Officer, entered into an agreement with a group of buyers for the sale of 1.0 million of his shares of the Company's stock at $15.00 per share and the possibility of the sale of his remaining approximately 1.1 million shares at that same price. On January 8, 2006, the sale of the 1.0 million shares was consummated, which resulted in those shares becoming "restricted securities" under Rule 144 of the Securities and Exchange Commission. In connection with that agreement, it was publicly reported in Schedule 13D filed with the Securities and Exchange Commission that the buyers intended to commence negotiations with Riviera to acquire the Company at a price of not less than $15.00 per share. On March 2, 2006, discussions between the Special Committee of the Company's Board of Directors and the buyers of Mr. Westerman's shares, concerning the possible acquisition of the Company, terminated because the buyers and the Special Committee did not reach agreement on the acquisition price.

19. UNAUDITED QUARTERLY FINANCIAL DATA

RIVIERA HOLDINGS CORPORATION
UNAUDITED QUARTERLY FINANCIAL DATA
(Amounts in Thousands, Except per Share Data)

	March 31	June 30	September 30	December 31
Year ended December 31, 2005:				
Net revenues	$ 52,464	$ 53,257	$ 50,337	$ 46,169
Operating income	8,757	5,607	5,320	2,705
Income (loss) before tax benefit	2,138	(1,003)	(1,273)	(3,861)
Net Income (loss)	2,138	(1,003)	(1,273)	(3,861)
Income (loss) per share basic & diluted	$ 0.18	$ (0.08)	$ (0.11)	$ (0.33)
Year ended December 31, 2004:				
Net revenues	$ 50,460	$ 52,794	$ 50,617	$ 47,479
Operating income	7,374	7,563	4,810	5,212
Income (loss) before tax benefit	540	829	(1,988)	(1,467)
Net Income (loss)	540	829	(1,988)	(1,467)
Income (loss) per share basic & diluted	$ 0.05	$ 0.08	$ (0.19)	$ (0.14)